

Confirmation of responsible persons

Telšiai, August of 2017

Hereby we, undersigned, Robertas Pažemeckas, 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 2017, 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.

General Director



Robertas Pažemeckas

Chief Accountant



Dalia Geciene



ŽEMAITIJOS PIENAS, AB
SET OF INTERIME CONSOLIDATED
AND
INTERIME SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD OF 6 MONTHS AS AT 30 JUNE 2017

STATEMENTS OF FINANCIAL POSITION

ASSETS	The Group		The Company	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Fixed assets				
Intangible assets	97	120	95	119
Tangible assets	26.715	27.726	24.300	25.154
Investments for sale	693	121	1.642	1.091
Investments into subsidiaries	1	1	3.152	3.152
Loans granted	2.334	2.364	2.334	2.364
Other fin. assets	20	20	20	20
Deferred profit tax assets	1.832	2.150	1.750	2.068
Total amount of fixed assets	31.692	32.502	33.293	33.968
Current assets				
Stock	27.831	25.233	25.417	23.287
Advance payments	339	198	202	153
Receivables from the buyers	17.903	15.598	17.528	15.590
Other receivables	1.080	2.328	1.076	2.272
Cash and cash equivalents	16.295	17.000	10.267	10.921
Total amount of current assets	63.448	60.357	54.490	52.223
ASSETS IN TOTAL	95.140	92.859	87.783	86.191
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	14.029	14.029	14.029	14.029
Own shares (-)	(1.323)	(1.323)	(1.323)	(1.323)
Required reserve	1.401	1.401	1.401	1.401
Other reserves	5.000	4.565	5.000	4.565
Undistributed profit	49.500	49.435	41.857	42.152
Equity of the shareholders of the parent company	68.607	68.107	60.964	60.824
Minority interest	1.497	1.447	-	-
Equity in total	70.104	69.554	60.964	60.824
Long-term liabilities				
Support received	921	1.126	819	992
Loans	-	-	-	-
Liabilities arising from the financial lease	-	-	-	-
Liabilities arising from the deferred profit tax	-	-	-	-
Other long-term liabilities	-	-	-	-
Total amount of long-term liabilities	921	1.126	819	992
Short-term liabilities				
Loans	-	-	-	-
Liabilities arising from the financial lease	-	-	-	-
Trade debts	16.936	16.035	19.284	18.722
Payable profit tax	54	-	-	-
Other payable amounts	7.125	6.144	6.716	5.652
Total amount of short-term liabilities	24.115	22.179	26.000	24.375
Liabilities in total	25.036	23.305	26.819	25.367
EQUITY AND LIABILITIES IN TOTAL	95.140	92.859	87.783	86.191

STATEMENTS OF COMPREHENSIVE INCOME

The Group

	Jan-Jun 2017	Jan-Jun 2016 after corrections	Jan-Jun 2016 – before corrections
Sales	78.686	67.131	67.131
Cost of sales	(62.388)	(50.813)	(50.813)
GROSS PROFIT	16.298	16.318	16.318
Operating expenses	(8.970)	(11.404)	(12.121)
Other operating income and expenses	189	105	105
(LOSS) PROFIT FROM OPERATIONS	7.517	5.019	4.302
Finance costs	(0)	(1)	(1)
Other financial income and expenses	(29)	58	58
(LOSS) PROFIT BEFORE TAX	7.488	5.076	4.359
Income tax (benefit) expense	(1.108)	(904)	(796)
TOTAL INCOME FOR THE PERIOD	6.380	4.172	3.563
ATTRIBUTABLE TO:			
Equity holders of the Company	6.330	4.194	3.585
Minority interest	50	(22)	(22)
	6.380	4.172	3.563
Basic and diluted earnings per share (EUR)	0,14	0,09	0,08

The Company

	Jan-Jun 2017	Jan-Jun 2016 after corrections	Jan-Jun 2016 before corrections
Sales	78.073	66.158	66.158
Cost of sales	(62.619)	(51.191)	(51.191)
GROSS PROFIT	15.454	14.967	14.967
Operating expenses	(8.802)	(10.251)	(10.967)
Other operating income and expenses	371	312	312
(LOSS) PROFIT FROM OPERATIONS	7.023	5.029	4.312
Finance costs	(0)	(1)	(1)
Other financial income and expenses	(26)	62	62
(LOSS) PROFIT BEFORE TAX	6.997	5.090	4.373
Income tax (benefit) expense	(1.027)	(733)	(626)
TOTAL INCOME FOR THE PERIOD	5.970	4.357	3.747
ATTRIBUTABLE TO:			
Equity holders of the Company	5.970	4.357	3.747
Minority interest	-	-	-
	5.970	4.357	3.747
Basic and diluted earnings per share (EUR)	0,13	0,09	0,08



STATEMENT OF CHANGES IN EQUITY

The Group	Share capital	Own shares (-)	Legal reserve	Reserves for own shares	Other reserves	Retained earnings	Equity	Minority interest	Total
Balance as of									
31 December 2015	14.029	(1.323)	1.401	4.344	221	40.378	59.050	990	60.040
Dividends	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-	-	-
Reserves used	-	-	-	-	-	-	-	-	-
<i>Net profit after corrections</i>	-	-	-	-	-	4.194	4.194	(22)	4.172
Balance as of									
30 June 2016	14.029	(1.323)	1.401	4.344	221	44.572	63.244	968	64.212
Balance as of									
31 December 2016	14.029	(1.323)	1.401	4.344	221	49.435	68.107	1.447	69.554
Dividends	-	-	-	-	-	(4.630)	(4.630)	-	(4.630)
Transfer to reserves	-	-	-	656	(221)	(435)	-	-	-
Reserves used	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	(1.200)	(1.200)	-	(1.200)
The share capital increase	-	-	-	-	-	-	-	-	-
<i>Net profit</i>	-	-	-	-	-	6.330	6.330	50	6.380
Balance as of									
30 June 2017	14.029	(1.323)	1.401	5.000	-	49.500	68.607	1.497	70.104

STATEMENT OF CHANGES IN EQUITY

The Company	Share capital	Own shares (-)	Legal reserve	Reserves for own shares	Other reserves	Retained earnings	Total
Balance as of							
31 December 2015	14.029	(1.323)	1.401	4.344	221	36.393	55.065
Dividends	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-
Reserves used	-	-	-	-	-	-	-
<i>Net profit after corrections</i>	-	-	-	-	-	4.357	4.357
Balance as of							
30 June 2016	14.029	(1.323)	1.401	4.344	221	40.750	59.422
Balance as of							
31 December 2016	14.029	(1.323)	1.401	4.344	221	42.152	60.824
Dividends	-	-	-	-	-	(4.630)	(4.630)
Transfer to reserves	-	-	-	656	(221)	(435)	-
Reserves used	-	-	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	(1.200)	(1.200)
<i>Net profit</i>	-	-	-	-	-	5.970	5.970
Balance as of							
30 June 2017	14.029	(1.323)	1.401	5.000	-	41.857	60.964

CASH FLOW STATEMENTS

	The Group			The Company		
	Jan-Jun 2017	Jan-Jun 2016 after corr.	Jan-Jun 2016 before corr.	Jan-Jun 2017	Jan-Jun 2016 after corr.	Jan-Jun 2016 before corr.
Cash flow from operating activities						
Profit (loss) for the period	6.380	4.172	3.563	5.970	4.357	3.747
Adjustments:						
Depreciation and amortization	2.324	2.224	2.224	2.069	1.992	1.992
Amortization of grants received	(205)	(241)	(241)	(173)	(209)	(209)
Gain (loss) on disposal of non-current assets	(13)	(11)	(11)	(13)	(11)	(11)
Corporate income tax expenses	319	135	27	319	135	27
Impairment of accounts receivable	(1.126)	-	-	(1.126)	-	-
Impairment of property, plant and equipment	-	-	-	-	-	-
Impairment of inventories to net realizable value	(367)	(897)	-	(367)	(897)	-
Net financial expenses (income)	(41)	(61)	(61)	(41)	(61)	(61)
Elimination of non-cash items	-	-	(180)	-	-	(180)
Loss from liquidation of subsidiaries	-	-	-	-	-	-
Net cash flows from ordinary activities before changes in working capital	7.289	5.321	5.321	6.638	5.305	5.305
Changes in working capital:						
(Increase) decrease in inventories	(2.231)	598	598	(1.763)	571	571
(Increase) decrease in trade receivables	(1.179)	(935)	(935)	(811)	(822)	(822)
(Increase) decrease in prepayments	(141)	(72)	(72)	(48)	(36)	(36)
(Increase) decrease in other receivables	615	197	197	563	181	181
(Decrease) increase in trade payables	901	1.821	1.821	562	3.923	3.923
(Decrease) increase other accounts payable	981	623	623	1.062	(210)	(210)
Corporate income tax paid	54	(622)	(622)	-	(159)	(159)
Net cash flows from operating activities	6.289	6.931	6.931	6.203	8.753	8.753
Cash flows from (to) investing activities						
Acquisition of intangible assets and property, plant and equipment.	(1.890)	(2.123)	(2.123)	(1.753)	(1.828)	(1.828)
Proceeds on sale of property, plant and equipment	19	26	26	19	26	26
Acquisition of subsidiaries	-	-	-	-	-	-
Sale of investments available for sale	-	-	-	-	-	-
Repayment of loans granted	1.182	554	554	1.182	554	554
Loans granted	(519)	(531)	(531)	(519)	(531)	(531)
Interest received	44	56	56	44	56	56
Net cash flows (to) investing activities	(1.164)	(2.018)	(2.018)	(1.027)	(1.723)	(1.723)



Cash flow statements - continue

	The Group			The Company		
	Jan-Jun 2017	Jan-Jun 2016 after corr.	Jan-Jun 2016 before corr.	Jan-Jun 2017	Jan-Jun 2016 after corr.	Jan-Jun 2016 before corr.
Cash flows from (to) financing activities						
Acquisition of own shares	-	-	-	-	-	-
The share capital increase in conversion to the euro	-	-	-	-	-	-
Dividends, bonus paid	(5.830)	-	-	(5.830)	-	-
Grants received	-	-	-	-	-	-
Loans received	-	-	-	-	-	-
Repayment of loans	-	-	-	-	-	-
Financial lease payments	-	(22)	(22)	-	(22)	(22)
Interest paid	-	(1)	(1)	-	(1)	(1)
Other financial (income) and expenses	-	5	5	-	5	5
Net cash flows from financial activities	(5.830)	(18)	(18)	(5.830)	(18)	(18)
Net increase (decrease) in cash and cash equivalents	(705)	4.895	4.895	(654)	7.012	7.012
Cash and cash equivalents at the beginning of the year	17.000	10.223	10.223	10.921	4.827	4.827
Cash and cash equivalents at the end of the year	16.295	15.118	15.118	10.267	11.839	11.839



EXPLANATORY NOTES

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 the grounds of the Law on Expressing the Share Capital of Public and Private Limited Liability Companies of the Republic of Lithuania and the Nominal Value of Securities in Euro and Changes to Articles of Association, as the Republic of Lithuania joined the Euro zone from January 1st, 2015, according to the Board decision of Central Securities Depository of Lithuania, PLC in 04/11/2014, on January 1st, 2015, "Žemaitijos pienas", PLC issued shares nominal value has been changed from LTL to 0.29 Euro. The change of shares nominal value from 1 LTL to 0.29 Euro has also been approved at the company's shareholders meeting in 24/04/2015. Having changed the shares nominal values, the share capital of the company has changed as well, i.e. total nominal value of issued shares has become - 14 028 750 Euros.

On 30 June 2016 and 2017 the Company's share capital was 14 029 thousand of EUR composed of 48.375.000 ordinary registered shares with a nominal value of 0,29 EUR 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 2017 and 2016.

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

On 30 June 2016 and 2017 the Company had acquired its own shares – 2.071 thousand units by 1.323 thousand of EUR.

On 30 June 2017, 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 2016	Net assets 30 June 2017	Main activities
Šilutės Rambynas, ABF	Klaipėdos st. 3, Šilutė, Lithuania	87.82 %	87.82 %	3.150	12.291	Production and sale of cheese

On 30 June 2017, the Company had 1.235 employees, and the Group had 1.427 employees (on 30 June 2016 – 1.202 employees in the Company and 1.393 employees in the Group).



The main financial indicators of the performance :

	<i>The Group</i>			<i>The Company</i>		
	<i>01-06 2017</i>	<i>01-06 2016 after corr.</i>	<i>01-06 2016 before corr.</i>	<i>01-06 2017</i>	<i>01-06 2016 after corr.</i>	<i>01-06 2016 before corr.</i>
<i>Sales, Eur thousand</i>	78.686	67.131	67.131	78.083	66.158	66.158
<i>Gross profit, Eur thousand</i>	16.298	16.318	16.318	15.454	14.967	14.967
<i>EBITDA, Eur thousand</i>	9.830	7.301	6.584	9.066	7.083	6.365
<i>The total liquidity at the end of period</i>	2,63	2,45	2,43	2,1	2,18	2,16
<i>The book value of shares at the end of period</i>	1,45	1,33	1,27	1,26	1,23	1,17

2. ACCOUNTING PRINCIPLES

This interim consolidated and interim separate 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 Company and Group's companies coincides with the calendar year.

Since January 1st, 2015, financial accountability is presented in Lithuanian national currency - Euro.

Interim financial statements are subject to the same accounting policies and methods as the annual financial statements for the 31 December 2016.

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 3, 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 statement of comprehensive income.

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 statement of comprehensive income 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 report of the financial situation 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 economic benefits related with these assets and if the value of these assets can be measured reliably. The Group and the Company does not have intangible assets of an indefinite useful life; therefore after their primary recognition, intangible assets are accounted for at their acquisition value, less accumulated amortization and impairment loss, if any. Intangible assets are amortized using the straight-line method over the estimated useful life. The amortization expenses of intangible assets are included into the operating expenses.

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-lin 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: 5-15 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 144,81 Euro, 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 statement of comprehensive income of the period.

Repair costs are added to the book value of tangible fixed assets if it is probable that the Company, 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 statement of comprehensive income at the time they occur.

The Group's companies 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.

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 statement of financial position 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 statement of financial position. 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 through the statement of comprehensive income, 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 explanatory notes 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.

Any income under the contract of lease of activities is 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 report of the financial situation 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 statement of comprehensive income over the leasing period using the constant interest rate.

Payments under the contract of lease of activities are recognized as expenses in the statement of comprehensive income 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 statement of comprehensive income on an accrual basis when incurred.

Since January 1st, 2015, transactions in foreign currency are converted to Euros in the official rate, set by the European Central Bank on that day, which is approximately the same as market rate. Monetary assets and liabilities are converted to Euros in the exchange rate on the financial statements issuance day.

The following currency exchange rates were used in preparing of the report of the statement of financial position of the period:

30 June 2017	30 June 2016
1 USD = EUR 0,87619	1 USD = EUR 0,90171

The differences in the exchange rates resulting from the transactions in foreign currency are included in the statement of comprehensive income 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 euros are covered in the statement of comprehensive income.

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.

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

The deferred profit tax is accounted for in the statement of financial position. 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 statement of financial position. 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.



Corrections of accounting estimates and errors

Referring to the provisions of IAS 2 “Inventories”, the Company’s inventories are accounted in the Company’s financial statements at a lower value when comparing the cost price of inventories and net realizable value.

By using one of the ways, provided for in the Company’s accounting policy, on 31/12/2015 the Company depreciated some of its inventories (i.e. fermented cheeses) to the net realizable value of the amount of EUR 4,251 million, i.e. the inventories of finished products were evaluated at the prices, offered by the customers.

The Supervision Service of the Bank of Lithuania made its estimation and decided that the Company’s estimation was unjustified, stating that the value of the said inventories as of 31/12/2015 could have been higher or lower than that, stated in the financial statements for 2015.

Using the prices of hard fermented cheeses, forecasted for that period and announced on the respective Internet portals / websites, the Company overestimated its fermented cheeses inventories, available as of 31/12/2015. A higher value of inventories’ depreciation was achieved EUR 5,148 million.

For the reasons mentioned above, re-evaluation of the inventories and retrospective corrections submitted below were made in analogous manner within the comparative information of the articles of financial statements of I half of year 2016.

Pursuant to the provisions of Article 59 of IAS 39 “Financial Instruments: Recognition and Measurement”, at the end of financial year of 2015, the Company evaluated whether there were any traits of reduction of the value of financial assets, i.e. the provided loans. The Company established that there existed the following traits of impairment of financial assets, i.e. the provided loans, stated in IAS 39: breaches of the loan agreement, including non-payment of the loan amounts under the terms and conditions of the agreement, debtors experiencing financial difficulties, solvency problems, etc.

Referring to the facts above and taking into consideration companies’ potential financial difficulties during the coming reporting periods and the general principle of careful bookkeeping, requiring that assets may not be unreasonably increased in financial statements, the Company made the decision to, in its financial statements for 2015, recognize the impairment of values of loans, received by Klaipėdos Pienas AB and Žemaitijos Pieno Investicija AB, i.e. recognized the loans as doubtful receivables.

The Supervision Service of the Bank of Lithuania established that the impairment of receivables was not correctly justified; therefore, the depreciation of loans was impossible. The company rebuilt the amounts to be recovered as the questionable loans in 31 12 2015.

And due to the reasons above stated the following retrospective corrections were performed in the comparative information for financial statements 30 06 2016.

Statements of financial position retrospective 30 June 2016:

	Group		Company	
	2016 06 30- after corrections	2016 06 30- before corrections	2016 06 30 - after corrections	2016 06 30- before corrections
ASSETS				
Non- current assets				
Long granted	4.241	1.270	4.241	1.270
Deferred income tax asset	2.504	3.019	2.154	2.669
Total non- current assets	32.532	30.076	33.714	31.258
Current assets				
Inventories	25.493	25.493	23.416	23.416
Other accounts receivable	1.140	679	1.103	641



Total current assets	55.745	55.284	49.651	49.189
TOTAL ASSETS	88.277	85.360	83.365	80.447
EQUITY AND LIABILITIES				
Capital and reserves				
Retained earnings	44.573	41.655	40.750	37.832
Equity attributable to equity holders of the Company	63.245	60.327	59.422	56.504
Minority interest	967	967	-	-
Total Equity	64.212	61.294	59.422	56.504
TOTAL EQUITY AND LIABILITIES	88.277	85.360	83.365	80.447

Statements of comprehensive income retrospective 30 June 2016:

	Group		Company	
	2016 06 30 - after corrections	2016 06 30- before corrections	2016 06 30 - after corrections	2016 06 30 - before corrections
Operating expenses	(11.404)	(12.121)	(10.251)	(10.967)
(LOSS) PROFIT FROM OPERATIONS	5.019	4.302	5.029	4.312
(LOSS) PROFIT BEFORE TAX	5.076	4.359	5.090	4.373
Income tax (benefit) expense	(904)	(796)	(733)	(626)
NET(LOSS) PROFIT	4.172	3.563	4.357	3.747
ATRIBUTABLE TO:				
Equity holders of the Company	4.194	3.585	4.357	3.747
Minority interest	(22)	(22)	-	-
	4.172	3.563	4.357	3.747
Basic and diluted earnings per share (EUR)	0,09	0,08	0,09	0,08

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 and cheese products (primary segment). Other products as addition (primary) segment consist of sales of milk, butter, milk whey and other.

The Group	Sales, EUR thousand		Variation in % as comparing 01-06 2017 with 01-06 2016
	Jan-Jun 2017	Jan-Jun 2016	
Cheese and cheese products	31.840	26.545	19,95%
Fresh dairy products	25.722	26.579	-3,22%
Other products	21.124	14.007	50,81%
Total:	78.686	67.131	17,21%

The Group	Gross profit, EUR thousand		Variation in % as comparing 01-06 2017 with 01-06 2016
	Jan-Jun 2017	Jan-Jun 2016	
Cheese and cheese products	7.632	6.948	9,84%
Fresh dairy products	8.605	9.271	-7,18%
Other products	61	98	37,76%
Total:	16.298	16.318	-0,12%

The Company	Sales, EUR thousand		Variation in % as comparing 01-06 2017 with 01-06 2016
	Jan-Jun 2017	Jan-Jun 2016	
Cheese and cheese products	29.925	24.505	22,12%
Fresh dairy products	25.722	26.579	-3,22%
Other products	22.426	15.074	48,77%
Total:	78.073	66.158	18,01%

The Company	Gross profit, EUR thousand		Variation in % as comparing 01-06 2017 with 01-06 2016
	Jan-Jun 2017	Jan-Jun 2016	
Cheese and cheese products	6.401	6.605	-3,09%
Fresh dairy products	8.955	8.271	8,27%
Other products	98	91	7,69%
Total:	15.454	14.967	3,25%

The sales of the Group and the Company according to the geographical segments (secondary segment) are provided hereunder:

The Group	Jan-Jun 2017	Jan-Jun 2016
Sales, EUR thousand		
Lithuania	42.015	38.625
Other Baltic and CIS states	13.860	11.366
Other European states	19.078	13.588
Other	3.733	3.552
In total	78.686	67.131

The Company	Jan-Jun 2017	Jan-Jun 2016
Sales, EUR thousand		
Lithuania	42.564	39.916

Other Baltic States and CIS members	13.003	10.489
Other Europe countries	19.013	12.378
Other	3.493	3.375
Total, EUR thousand:	78.073	66.158

4. INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

Changes in intangible assets of the Group as of 30 June 2017:

The Group	Licenses and patents	Computer software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2016	82	240	357	679
- acquisition	14	1	7	22
- transfers between accounts	-	-	-	-
As of 30 June 2017	96	241	364	701
Accumulated depreciation				
As of 31 December 2016	49	208	302	559
- amortization	7	15	23	45
- amortization of transferred and written-off assets	-	-	-	-
As of 30 June 2017	56	223	325	604
Net book value:				
As of 31 December 2016	33	32	55	120
As of 30 June 2017	39	18	40	97

Changes in intangible assets of the Company as of 30 June 2017

The Company	Licenses and patents	Computer software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2016	81	226	357	665
-acquisition	14	-	7	21
-sold or written-off assets	-	-	-	-
-transfers between accounts	-	-	-	-
As of 30 June 2017	95	226	364	686
Accumulated depreciation				
As of 31 December 2016	49	195	302	546
-amortization	7	15	23	45
-amortization of transferred and written-off assets	-	-	-	-
As of 30 June 2017	56	210	325	591
Net book value:				

ŽEMAITIJOS PIENAS, AB

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


Set of interim consolidated and interim separate financial statements for the period of 6 months, 2017

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

As of 31 December 2016	32	31	55	119
As of 30 June 2017	39	16	40	95

In the period January-June 2017 amortization of non-current intangible assets of the Group and the Company amounts to EUR 45 thousand and EUR 45 thousand respectively.

Investments in the purchase of non-current intangible assets made by the Group and the Company in the period January - June 2017 amount to EUR 22 thousand and EUR 21 thousand respectively. As all the assets of the Group and the Company are located in Lithuania, all the investments were made in the Lithuanian geographic segment.

Changes in property, plant and equipment of the Group as of 30 June 2017

The Group	Land, buildings and constructions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost						
As of 31 December 2016	17.786	61.762	11.833	4.584	785	96.750
-acquisition	485	1.613	182	74	(502)	1.853
-sold or written-off assets	-	(54)	(61)	(27)	-	(142)
-recalculation of the accounting policy change	-	-	-	-	-	-
-transfers to investing assets	(620)	-	-	-	-	(620)
-transfers between accounts	-	-	-	-	-	-
-adding value	-	-	-	14	-	14
-reclassification	5	-	-	-	(5)	-
As of 30 June 2017	17.656	63.322	11.954	4.645	278	97.855
Accumulated depreciation						
As of 31 December 2016	8.324	46.064	10.659	3.939	-	68.986
-depreciation	395	1.464	247	165	-	2.270
-depreciation of written-off and sold assets	-	(49)	(61)	(25)	-	(135)
-recalculation of the accounting policy change	-	-	-	-	-	-
-transfers to investing assets	(17)	-	-	-	-	(17)
-transfers between accounts	-	-	-	-	-	-
As of 30 June 2017	8.701	47.479	10.845	4.078	-	71.103
Accumulated impairment losses						
As of 31 December 2016	35	-	-	-	2	37
-impairment losses	-	-	-	-	-	-
-reversal of impairment	-	-	-	-	-	-
As of 30 June 2017	35	-	-	-	2	37
Net book value:						
As of 31 December 2016	9.427	15.698	1.173	645	783	27.726
As of 30 June 2017	8.920	15.843	1.109	567	276	26.715

Changes in property, plant and equipment of the Company as of 30 June 2017:

The Company	Land, buildings and constructions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost						
As of 31 December 2016	12.834	55.623	8.728	4.149	762	82.096
-acquisition	485	1.587	129	52	(538)	1.715
-recalculation of the accounting policy change	-	-	-	-	-	-
-sold or written-off assets	-	(51)	(61)	(27)	-	(139)
-adding value	-	-	-	14	-	14
-reclassification	-	-	-	-	-	-
-transfers to accounts investing assets	(620)	-	-	-	-	(620)
As of 30 June 2017	12.699	57.159	8.796	4.188	224	83.066
Accumulated depreciation						
As of 31 December 2016	4.956	40.765	7.639	3.582	-	56.943
-depreciation	333	1.263	232	144	-	1.972
-depreciation of written-off and sold assets	-	(46)	(61)	(25)	-	(132)
-recalculation of the accounting	-	-	-	-	-	-
-transfers to investing assets	(17)	-	-	-	-	(17)
-reclassification	-	-	-	-	-	-
As of 30 June 2017	5.272	41.982	7.810	3.701	-	58.765
Accumulated impairment losses						
As of 31 December 2016	-	-	-	-	-	-
-impairment losses	-	-	-	-	-	-
-reversal of impairment	-	-	-	-	-	-
As of 30 June 2017	-	-	-	-	-	-
Net book value						
As of 31 December 2016	7.878	14.858	1.089	567	762	25.154
As of 30 June 2017	7.427	15.177	986	487	224	24.300

For the period ending at 30 June 2017 the depreciation costs of the Group's and the Company's property, plant and equipment amounts to EUR 2.270 thousand and EUR 1.972 thousand respectively.

Investments in the the acquiring of non-current tangible and intangible assets made by the Group and the Company in January-June 2017 amounted to EUR 1.890 thousand and EUR 1.753 thousand. All the acquisitions above relate to the geographic segment of Lithuania.

5. INVESTMENT PROPERTY

Changes in the investment assets as of 30 June 2017:



	The Group	The Company
Acquisition cost		
As of 31 December 2016	214	2.972
- acquisition	-	-
- transfers from long-term assets	620	620
As of 30 June 2017	834	3.592
Accumulated depreciation		
As of 31 December 2016	93	1.881
- depreciation	30	52
- transfers from long-term assets	17	17
As of 30 June 2017	141	1.950
Net book value, Eur thousand:		
As of 31 December 2016	121	1.091
As of 30 June 2017	693	1.642

The fair value of investment assets approximates its book value.

The Group's and Company's depreciation of the investment assets in the period January-June 2017 amounted to EUR 30 thousand and EUR 52 thousand respectively.

The Company's investment assets in 2017 and 2016 represents rented assets to ABF Šilutės Rambynas and UAB Čia Market.

All rent contracts are easily cancellable with a few months prior notice made by the lessee or the lessor.

6. DEFERRED INCOME TAX ASSET

	The Group		The Company	
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Deferred income tax asset				
Accounts receivable	78	247	78	247
Inventories	351	406	320	375
Accrued vacation reserve	229	223	222	216
Other accrued expenses	1.174	1.274	1.130	1.230
Total deferred income tax asset, EUR thousand	1.832	2.150	1.750	2.068
Deferred income tax liability				
Difference in property, plant and equipment depreciation rates	-	-	-	-
Total deferred income tax liability, EUR thousand	-	-	-	-
Deferred income tax asset, net EUR thousand	1.832	2.150	1.750	2.068

7. LOANS GRANTED

The Group's and the Company's granted loans consisted of the following:

	The Group		The Company	
	30 06 2017	31 12 2016	30 06 2017	31 12 2016
Loans granted	2.802	3.464	2.802	3.464
in a number of loans to related parties	1.066	1.866	1.066	1.866
in a number of loans to farmers	1.598	1.445	1.598	1.445
in a number of loans to employees	138	153	138	153
<i>Less: current portion of loans granted</i>	<i>(468)</i>	<i>(1.100)</i>	<i>(468)</i>	<i>(1.100)</i>
Non- current loans granted, EUR thousand	2.334	2.364	2.334	2.364

The repayment term is from 1 to 9 years.

On 30/06/2017, 28 company employees had loans with a remaining balance. Average Annual Interest Rate is 3 %.

The loans are given to the employees on the basis of the provisions of giving loans to the employees as motivation means. The limit of the fund intended for giving the loans to the employees is EUR 231,696. In all cases the loans are given only if the borrower undertakes to ensure its return by his/her or other person's real estate mortgage or other loan guarantee acceptable for the company (credit institution guarantor or other). The value of the property mortgaged evaluating the possible risk such as liquidation of the property mortgaged, etc. is from 100 % to 200 % of the amount of money borrowed.

On 30/06/2017, 88 company farmers had loans with a remaining balance. For the period from 01/01/2017 to 01/07/2017, the farmers were given the loans amounting to EUR 495,513.25. Average Interest Rate on loans given is 3.92 per cent. All long-term loans given with mortgage (mortgaged under land market prices).

On 30/06/2017, 2 (two) associated companies were in debt to the Company having loans with a remaining balance: Žemaitijos pieno investicija AB - 60 thousand euro (maturity date: 31 July 2017, Annual Percentage Rate is 3 per cent) and Klaipėdos pienas AB - 1,006 thousand euro (the loan was given with annual variable interest rate; maturity date: 2029; real estate is mortgaged).

Through January – June 2017 Klaipėdos pienas AB returned Eur 394 thousand, and Žemaitijos pieno investicija returned Eur 406 thousand loans for Žemaitijos pienas AB.

8. STOCK

The Group's and the Company's stock consisted of the following:

	The Group		The Company	
	30 06 2017	31 12 2016	30 06 2017	31 12 2016
Raw materials	3.507	3.756	2.751	3.035
Finished goods and work in process	26.406	23.923	24.544	22.494
Goods for resale	256	259	256	259
	30.169	27.938	27.551	25.788
Less: write off to net realizable value	(2.338)	(2.705)	(2.134)	(2.501)
Total, EUR thousand:	27.831	25.233	25.417	23.287



9. RECEIVABLES FROM THE BUYERS

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

	The Group		The Company	
	30 06 2017	31 12 2016	30 06 2017	31 12 2016
Trade accounts receivable	14.188	12.972	13.626	12.450
Accounts receivable from related parties	4.753	4.790	4.420	4.783
	18.941	17.762	18.046	17.233
Impairment allowance for bad debts	(591)	(576)	(71)	(55)
Impairment allowance for bad debts of related parties	(447)	(1.588)	(447)	(1.588)
Net trade receivables:	17.903	15.598	17.258	15.590

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

Receivables from the buyers are free of interest and their term is usually from 30 to 90 days. The accounts receivable from the customer are recognized as impairment allowance for bad debts and are accounted in operating expense in the total income statement.

10. OTHER RECEIVABLES

Other receivables of the Group and the Company consisted of the following:

	The Group		The Company	
	30 06 2017	31 12 2016	30 06 2017	31 12 2016
Income tax receivables	-	458	-	407
Current portion of long-term loans granted	468	1.100	468	1.100
VAT receivable	576	528	576	528
Other receivables	36	242	32	237
Total:	1.080	2.328	1.076	2.272

11. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	30 06 2017	31 12 2016	30 06 2017	31 12 2016
Cash at bank	16.235	16.948	10.207	10.870
Cash on hand	60	52	60	51
Total:	16.295	17.000	10.267	10.921



12. EQUITY

As the Republic of Lithuania joined the Euro zone from January 1st, 2015, according to the Board decision of Central Securities Depository of Lithuania, PLC in 04/11/2014, on January 1st, 2015, "Žemaitijos pienas" AB issued shares nominal value has been changed from 1 LTL to 0.29 Euro. Having changed the shares nominal values, the share capital of the company has changed as well, i.e. total nominal value of issued shares has become - 14 028 750 Euros. The change in share capital, resulting due to rounding the shares nominal values in Euros by accuracy of Euro cents, is not considered to be an increase of the share capital and is registered in the accounting as the company's inputs of the financial year, which includes Euro adoption date (if the change is positive).

On 30 June 2017 and 31 December 2016 the share capital amounted to 48.375.000 ordinary registered shares with a nominal value of 0.29 Eur.

On 30 June 2017 and 31 December 2016, 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.

13. LOANS

On 31 December 2016 and on 30 June 2017 the Group and the Company hadn't loans.

14. LIABILITIES UNDER THE FINANCIAL LEASE CONTRACT

On 31 December 2016 and on 30 June 2017 the Group and the Company hadn't unpaid financial lease contracts.

15. 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		The Company	
	31 12 2017	31 12 2016	31 12 2017	31 12 2016
Payables to suppliers	15.759	15.357	15.190	14.927
Payables to related parties	595	384	3.542	3.607
Prepayments	581	294	552	188
Total:	16.936	16.035	19.284	18.722



16. OTHER PAYABLE AMOUNTS

Other payable amounts consisted of the following:

	The Group		The Company	
	30 06 2017	31 12 2016	30 06 2017	31 12 2016
Accrued expenses	532	1.203	532	1.203
Holiday reserve	1.668	1.687	1.481	1.441
Wages and salaries payable	1.002	897	862	782
Social security payable	617	834	536	763
Taxes payable, other than income tax	178	282	178	223
Provisions	-	-	-	-
Dividends and tantiems	3.123	1.120	3.123	1.120
Other current liabilities	5	121	4	120
Total:	7.125	6.144	6.716	5.652

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

17. RELATED PARTY TRANSACTIONS

Related parties of the Group and the Company are:

- the parties that control, are controlled by or are under common control with the Company;
- the parties that can have material impact on the activities of the Company;
- the parties that are management members of the Company or its parent company;
- the companies that are under control or material impact of the aforesaid persons.

The main related parties of the Group and the Company are:

Company	Relationship
Šilutės Rambynas ABF	Subsidiary, common major shareholder
Žemaitijos Pieno Investicija AB	Common major shareholder
Baltijos Mineralinių Vandenių Kompanija UAB	Common major shareholder
Klaipėdos Pienas AB	Common major shareholder
Čia Market UAB	Common major shareholder
Muižas Piens SIA	Common major shareholder
Samogitija UAB	Common major shareholder
S.A.R. Dziugas France	Common major shareholder
Dziugas PL.Sp.z.o.o.	Common major shareholder
Dziugas UK Ltd	Common major shareholder
Dziugas USA LLC	Common major shareholder

Sales to and purchases from related parties (EUR thousand):

	The Group		The Company	
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
1) Sales				
Sales of goods				
<i>To the Group</i>				
Šilutės Rambynas ABF	-	-	11.135	7.440
	-	-	11.135	7.440
<i>To Related parties</i>				
Baltijos mineralinių vandenu kompanija UAB	8	116	8	116
Klaipėdos pienas AB	355	224	67	91
Žemaitijos pieno investicija AB	-	-	-	-
Čia Market UAB	3.418	3.400	3.417	3.400
Muizas piens SIA	515	583	515	583
Dziugas USA LLC	343	-	343	-
	4.640	4.323	4.350	4.190
Sales of inventory and services				
<i>To the Group</i>				
Šilutės Rambynas ABF	-	-	233	338
	-	-	233	338
<i>To Related parties</i>				
Baltijos mineralinių vandenu kompanija UAB	46	0	46	0
Klaipėdos pienas AB	299	57	299	57
Žemaitijos pieno investicija AB	18	22	18	22
Samogitija UAB	0	0	0	0
Čia Market UAB	98	44	96	42
Muizas piens SIA	2	3	2	3
Dziugas PL Sp. Z.o.o.	-	-	-	-
Dziugas USA LLC	14	-	14	-
	477	126	475	124
Total Sales:	5.117	4.449	16.193	12.092

	The Group		The Company	
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
2) Purchases				
<i>From the Group</i>				
Šilutės Rambynas ABF	-	-	13.330	9.552
	-	-	13.330	9.552
<i>From Related parties</i>				
Baltijos mineralinių vandenu kompanija UAB	963	1.077	962	1.076
Samogitija UAB	2	55	2	55
Klaipėdos pienas AB	271	190	270	189

ŽEMAITIJOS PIENAS, AB

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


Set of interim consolidated and interim separate financial statements for the period of 6 months, 2017

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Žemaitijos pieno investicija AB	413	414	413	413
Čia Market UAB	572	944	563	941
Muizas piens SIA	4	65	4	65
Dziugas PL Sp. Z.o.o.	48	33	48	33
Dziugas USA LLC	42		42	
	2.315	2.778	2.304	2.773
Total Purchases:	2.315	2.778	15.634	12.325

Balances outstanding with related parties

	The Group		The Company	
	30 06 2017	31 12 2016	30 06 2017	31 12 2016
3) Accounts receivable and financial debts				
<i>From Group</i>				
Šilutės Rambynas ABF	-	-	-	-
<i>From Related parties</i>				
Baltijos mineralinių vandenų kompanija UAB	-	-	-	-
Samogitija UAB	0	0	0	0
Žemaitijos pieno investicija UAB	60	466	60	466
Klaipėdos pienas AB	1.565	1.407	1.232	1.400
Čia Market AB	3.206	2.490	3.205	2.490
Muizas piens SIA	301	237	301	237
Dziugas France S.A.R.	-	-	-	-
Dziugas USA LLC	265	467	265	467
	5.397	5.067	5.063	5.060
Total balances of payables:	5.397	5.067	5.063	5.060

	The Group		The Company	
	30 06 2017	31 12 2016	30 06 2017	31 12 2016
4) Balances of payables				
<i>To Group</i>				
Šilutės Rambynas ABF	-	-	2.947	3.229
<i>To Related parties</i>				
Baltijos mineralinių vandenų kompanija UAB	532	279	532	279
Žemaitijos pieno investicija UAB	16	79	16	79
Klaipėdos pienas AB	-	15	-	15
Čia Market AB	-	5	-	-
Muizas piens SIA	-	-	-	-
Dziugas PL.Sp.z.o.o.	4	5	4	5
UAB Samogitija	3	-	3	-
Dziugas USA LLC	40	-	40	-
	595	384	595	378
Total balances of payables:	595	384	3.542	3.607

ŽEMAITIJOS PIENAS, AB

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



Set of interim consolidated and interim separate financial statements for the period of 6 months, 2017

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

Payables to related parties are normally settled within 30 day terms.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. On 30 June 2017, the Company have calculated EUR 447 thousand of decrease in distribution value for doubtful accounts, relating to the amounts that belong to the related parties (on 31 December 2016 – EUR 1.588 thousand). Evaluation of these doubtful accounts is being reviewed every financial period. The Group has many transactions with the related parties (the companies in “Žemaitijos pieno investicija” AB group), and Group's profit as well as sales are strongly influenced by the transactions with AB “Žemaitijos pieno investicija” group. It includes rent of fixed assets, raw material sales as well as full buy up of cheeses from “Šilutės Rambynas” ABF , sales of distribution services to “Baltijos mineralinių vandenų kompanija” UAB and sales of finished goods to “Čia Market” UAB , sales of raw materials, production and various services to “Klaipėdos pienas” AB

18. EVENTS AFTER THE REPORTING PERIOD

There were no events occurred after the reporting period that would influence financial results of the Group and the Company.

/Translation from the Lithuanian language/



**ŽEMAITIJOS PIENAS AB
REPORT
AND SET INTERIM UNAUDITED CONSOLIDATED
AND SEPARATED FINANCIAL STATEMENTS
FOR THE FIRST HALF OF 2017**

**2017
Telšiai**



ŽEMAITIJOS PIENAS AB
CONSOLIDATED REPORT
FOR THE SIX-MONTH PERIOD OF 2017

TABLE OF CONTENTS

<i>Interim Report for the six-month period of 2017</i>	2-27
I. GENERAL PROVISIONS	
1. Reporting period for which the interim report is developed	3
2. Basic data on the issuer	3
3. Information about the Group's subsidiaries (affiliated) and branches	3
4. The nature of the core business of the Company and subsidiaries	4
II. INFORMATION ABOUT THE AUTHORISED CAPITAL, SECURITIES, AND SHAREHOLDERS OF THE ISSUER	
5. Information about the contracts with intermediaries of public trading in securities	4
6. Stock trading on regulated markets	5
7. Authorised capital	6
8. Acquisition of own shares	7
9. Shareholders and shareholder rights	8
III. OVERWIED OF THE ACTIVITIES CARRIED OUT IN THE FIRST HALF OF 2017	
10. Risk management	9
11. Essential data on Company / Group performance	11
12. Business plans, development and forecasts	14
13. Environmental protection	15
14. Objective review of Company's status, performance and development	16
IV. MANAGEMENT AND SUPERVISION OF THE COMPANY	
15. Bodies of the issuer	16
16. Members of collegial bodies of the Company	17
16.1. Supervisory council of the Company	17
16.2. Board of the Company	18
16.3. Administration of the Company	18
17. Employees	19
18. Audit Committee of the Company	21
V. OTHER INFORMATION	
19. Publicly available essential information of the Company	22
20. Events during the reporting period	23
21. Information on significant transactions	26
22. Other information about the Company	26

I. GENERAL PROVISIONS

1. Reporting period for which the report is developed

The half-yearly consolidated report and financial statements have been prepared for the first half of 2017 in accordance with the terms, requirements and procedures established by legal acts.

2. Basic data on the issuer

Name:	Žemaitijos pienas AB
Legal / organizational form:	Public Limited Liability Company (AB) (hereinafter the 'Company').
Registered:	The Public Limited Liability Company registered on 23 June 1993.
Company Reg. No.:	180240752
VAT identification No.:	LT802407515
Authorized capital:	EUR 14,028,750 divided into 48,375,000 ordinary registered shares with a nominal value of EUR 0.29 each.
Registered office address:	Sedos g. 35, LT-87101 Telšiai
Phone:	+ 370-444-22201
Fax:	+ 370-444-74897
E-mail:	info@zpienas.lt
Web:	www.zpienas.lt
Stock trading code:	ZMP1L
ISIN code:	LT0000121865

3. Information about the Company's subsidiaries (affiliates) and branches

Subsidiarie managed by the Company:

Šilutės Rambynas, Public Company-Firm (Lith. ABF), Company Reg. No. 277141670, registered address: Klaipėdos g.3, Šilutė.

Date and place of registration: 09 12 1992, 3 Klaipėdos g., Šilutė Town, Šilutė District Municipality.



ŽEMAITIJOS PIENAS AB
Company Reg. No. 180240752

Authorised capital: EUR 2,493,028.50, 87.82% of authorised capital (shares) and votes held by Žemaitijos pienas AB.

Phone: +370 441 77442; fax: +370 441 77443; e-mail: info@rambynas.lt.

Nature of activity: Production of fermented cheeses.

Related party - Muižas piens SIA, Company Reg. No. 40003786632.

Date and place of registration: 02 12 2005, Bauskas iela 58A–8, Rīga, Latvija, LV-1004.

The Company owns 32 percent.

Registered address: Bauskas iela 58A–8, Rīga, Latvija, LV-1004.

Nature of activity: Retail, wholesale.

Phone: +371 29110028; fax: none.

Branches of Žemaitijos pienas, AB:

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

The branches of the Company carry out the functions of the goods' (dairy products) sales in the set area of branch activity and perform other assignments issued by the Company.

The Company does not have any representative offices established.

4. The nature of the core business of the Company and subsidiaries

The core business of Žemaitijos pienas AB is the development, production (NACE: C 10.5. Manufacture of dairy products; C 10.51. Operation of dairies and cheese making), and sales in Lithuanian and foreign markets of dairy products (fermented cheese and cheese products, pre-packaged cheese and cheese products, processed cheese and cheese products, cream, cream cheese, butter, dairy spreads, mixed spreads, milk fat, pasteurised cream, buttermilk, whey, dried milk products, fresh dairy products (milk, cream, curd, cheese products, yoghurt, desserts, curd cheese, glazed curd cheese, and fermented dairy products)).

The core business of Šilutes Rambynas ABF is the production and sale of fermented cheese and cheese products, as well as the production and sale of pasteurized cream, pasteurized whey and concentrated whey (NACE: C 10.5. Manufacture of dairy products; C 10.51. Operation of dairies and cheese making).

The core business of Muižas piens SIA is retail and wholesale trade in milk products within the Republic of Latvia.

II. INFORMATION ABOUT AUTHORIZED CAPITAL, SECURITIES, AND SHAREHOLDERS OF THE ISSUER

5. Information about the contracts with intermediaries of public trading in securities

July 16, 2004, the Company concluded a contract with Šiaulių bankas AB, address: Tilžės g. 149, Šiauliai, based on which the management of the accounts of securities issued by the Company was transferred to Šiaulių bankas AB as of July 23, 2004.

The register (accounting) of securities of Šilutės Rambynas ABF is managed by Šiaulių bankas AB based on the contract dated July 16, 2004. The securities of this issuer are not traded on regulated markets.

6. Stock trading on regulated markets

ISIN code	LT0000121865
Ticker symbol	ZMP1L
List / Segment	BALTIC SECONDARY LIST
Nominal value	EUR 0.29
Name of the issuer's securities	Ordinary registered shares
Issue amount (units)	48,375,000
Listed issue amount (units)	48,375,000
Listing start date	13,10,1997
Total number of voting rights attached to shares (units)	46,304,379 units
Number of shares managed by the Company	2,070,621 units

Only the shares issued by the Company are quoted on the supplementary list of the NASDAQ OMX Vilnius Stock Exchange (hereinafter 'Vilnius Stock Exchange') (Ticker symbol: ZMP1L). ISIN code of the securities: LT0000121865. Below is the information on the Žemaitijos pienas AB securities' transactions on the Vilnius Stock Exchange during the six-month period of 2017 and price dynamics.

Securities' trading (Dynamics of the Company securities' prices on the Vilnius Stock Exchange) within January to June 2017 period.¹



Historical data on trading securities (prices of the Company securities' purchase and sale transactions):

Historical data on trading securities²

Indicator	2013	2014	2015	2016	2017
Opening price	0.600	0.816	0.703	0.640	1.070
Highest price	0.833	0.888	0.730	1.150	1.950
Lowest price	0.596	0.690	0.610	0.617	1.070
Last price	0.774	0.703	0.644	1.070	1.890
Turnover (units)	2,864,080	1,799,959	639,686	6,213,064	318,672
Turnover (million)	EUR 2.09	EUR 1.43	EUR 0.42	EUR 6.40	EUR 0.44
Capitalization (million)	EUR 37.44	EUR 34.01	EUR 31.15	EUR 51.76	EUR 91.43

It should be noted that trading in the issuer's securities on other stock exchange markets and other organized regulated markets was not carried out.

7. Authorized capital

On June 30, 2017, the authorised capital of Žemaitijos pienas AB consisted of the following:

¹ Data source:

<http://www.nasdaqbaltic.com/market/?instrument=LT0000121865&list=3¤cy=EUR&pg=details&tab=historical&lang=lt&date=&start=2017.01.02&end=2017.06.30>

² Data source:

<http://www.nasdaqbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt¤cy=0&date=&start=2017.01.02&end=2017.08.07>

Class and type of shares	Number of shares (units)	Nominal value (EUR)	Total nominal value (EUR)	Share of authorized capital (%)
Ordinary registered shares ³	48,375,000	0.29	14,028,750	100

All shares are fully paid and are not subject to any restrictions on the transfer of securities (to the best knowledge of the issuer), as well as the issuer is not aware of any separate mutual agreements between the shareholders, which may restrict the transfer of securities and / or voting rights. Investuotojų asociacija, company code 302351517, registered office address: Konstitucijos pr. 23, Vilnius, manages the total of 1,392,280 securities and votes of Žemaitijos Pienas AB under the voting rights transfer agreements.

The structure of the authorized capital of Šilutės Rambynas ABF as of June 30 2017 was as follows:

Class and type of shares	Number of shares (units)	Nominal value (EUR)	Total nominal value (EUR)	Share of authorized capital (%)
Ordinary registered shares	859,665	2.90	2,493,028.50	100

All shares of Šilutės Rambynas ABF are fully paid and are not subject to any restrictions on the transfer of securities (to the best knowledge of the issuer), as well as the issuer is not aware of any separate mutual agreements between shareholders that may restrict the transfer of securities and / or voting rights.

8. Acquisition of own shares

During the financial year 2011, 10 units of ordinary registered shares of Žemaitijos pienas AB with a nominal value of LTL 1 (one) (EUR 0.29) each was acquired for LTL 18.00 (EUR 5.21) on the NASDAQ OMX Vilnius Stock Exchange via official tender submarket. In December 2012, based on the assignment, the Company purchased 1,360,010 units of the shares for the total of LTL 2,992,000 (EUR 767 thousand) on the NASDAQ OMX Vilnius Stock Exchange; all shares are fully paid by the Company, and currently the Company manages 2,070,621 units of own shares. The Company did not purchase (acquire) own shares during the period of 2013 to 2017. Presently the Company manages 2,070,621 units of own shares⁴, which comprises 4.28 percent of all shares of Žemaitijos pienas AB. The Company did not transfer any of the own shares during the reporting period.

³ Ordinary shares are the ordinary shares of the Company that do not confer special privileges or restrictions of rights. These shares are the items constituting the Company's share capital, whose owners (shareholders) become the members of the Company entitled to vote at annual meetings, receive dividends from the Company's profits, as well as to have other rights and obligations provided for by laws.

⁴ The shares purchased and managed by the Company do not grant the number of votes (Article 27 (4) 1 of the Law on Companies).

9. Shareholders and shareholder rights

According to the data as of 30 June 2017, the shares of the Company were owned by 2,935 shareholders (natural and legal persons). The following persons each own more than 5 percent of the authorized capital and votes of Žemaitijos pienas AB (according to the data as of 30 June 2017):

Item No.	Shareholder	Number of shares held by the right of ownership	The share of authorized capital and votes held by the right of ownership (%)	The share of votes held jointly with associated persons ⁵ (%)
1.	Mr. Pažemeckas Algirdas Personal ID no *****	14,014,581	30,27	68,24
2.	Ms. Pažemeckienė Danutė Personal ID no *****	14,014,581	30,27	68,24
3	Klaipėdos pienas, AB, company code: 240026930, address: Šilutės pl. 33, 91107 Klaipėda	2,901,844	6,27	6,27
4.	Other shareholders	17 443 994	33,19	
	TOTAL:	48,375,000	100	

All the shares issued grant to the holders of the shares equal rights as provided for by the Law on Companies of the Republic of Lithuania, other legal acts and the Articles of Association of the Company.

There are no restrictions on the transfer of securities or other limitations. The shareholders enjoy property rights and non-property rights, as well as have the duties stipulated in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company.

Restrictions on voting rights. All shares of the Company, that grant voting rights, are of the same nominal value, and each share grants one vote to the shareholder at the general meeting of shareholders. The Company does not have any data on restrictions or prohibitions and / or other special terms and conditions applicable to securities or their packages.

The shareholders of the Company have the following property rights:

⁵ Mr. Algirdas Pažemeckas (14,014,581 unit, 30.27 percent); Ms. Danutė Pažemeckienė (14,014,581 unit, 30.27 percent); Klaipėdos pienas, AB (2,901,844 units, 6.27%); Baltic Holding, UAB (665,106 units, 1.44 percent), and Žemaitijos pieno investicija, AB (0.00 percent), which holds 86.47 percent of the shares and votes of Klaipėdos pienas, AB, while Mr. A. Pažemeckas and Ms. D. Pažemeckienė jointly hold 73.43 percent of the shares and votes of Žemaitijos pieno investicija, AB.

To receive a part of the Company's profit (dividend); To receive a part of the assets of the Company being liquidated; To receive shares free of charge if the authorized capital is increased from the funds of the Company, except for the cases established by law; Where the shareholder is a natural person, to bequeath all of the shares or any part thereof to one or more persons; To assign or otherwise transfer all of the shares or any part thereof to the ownership of other persons following the procedure, terms and conditions established by laws; as well as other rights granted by legal acts.

The shareholders of the Company have the following non-property rights:

To participate in meetings; To vote at the meetings according to voting rights attached to the shares; To receive non-confidential information about the Company's economic activities based on the terms and conditions stipulated by legal acts; To elect and be elected to the management and supervision bodies of the Company, to take up any position in the Company, unless otherwise provided by the Law on Companies of the Republic of Lithuania and Articles of Association of the Company; To submit specific proposals concerning the improvement of the Company's financial, economic, organizational, etc. activities; To appeal to the court against the decisions or actions of the shareholders' meetings, supervisory council, board and manager of the Company, if such decisions or actions violate the laws of the Republic of Lithuania, the Articles of Association of the Company, as well as property and non-property rights of the shareholders. One or several shareholders, without any separate authorization, have the right to demand compensation for the damages caused to the shareholders; other non-property rights established by laws. A person acquires all rights and obligations that are assigned according to the share of the Company's authorized capital and (or) number of voting rights acquired by the person: in the event the authorized capital is increased, from the date of registration of the Articles of Association amended due to the increase in the authorized capital and / or a number of voting rights; and in other cases – from the date of occurrence of the ownership right to a share of the authorised capital of the Company and (or) voting rights.

Historical data on Company's dividend payment

Decision date	Rights date	Payment date	Currency	Amount
14/04/2017	28/04/2017	12/05/2017	EUR	0.10
16/09/2016	29/09/2016	12/10/2016	EUR	0.12
26/04/2013	10/05/2013	27/05/2013	LTL	0.05
08/04/2011	20/04/2011	-	LTL	0.05

III. OVERVIEW OF THE ACTIVITIES CARRIED OUT IN THE FIRST HALF OF 2017

10. Risk management

Financial and other risks and management thereof are disclosed in Item 27 (Financial Risk Management) of the Explanatory Notes to the Annual Audited Accountability for the year 2016 and in Item 12 of the Annual Report. No substantial changes took place during the first half of 2017. It should be noted that the Company applies the risk assessment methodologies aimed at qualifying, identifying and dissociating the main risk factors, identifying risk management priorities, preparing risk management plans and managing the risks inherent to the Company's operations in a proper and timely manner.

The Company is engaged in milk processing, therefore, the main risk factors that determine or are likely to lead to economically negative issues are potential material changes in the raw milk and produce sales markets, as well as any potential political, legal, social and technological changes related, directly or indirectly, to the business of Žemaitijos pienas AB, which could negatively affect the cash flows and performance of the Company.

The main raw material used by the Company is milk. In this sector, the economic activity is affected negatively by the still poor quality of the Lithuanian milk supplied. Small and widely scattered over the area farms cause the increase in the logistics costs of the Company and the seasonal production of milk also reduces the efficiency of operations and affects the degree of utilization of equipment and the need for employees during corresponding periods. In addition, one of the major factors behind the Company's business risk is the change in raw milk prices. The average recalculated quantity of the milk purchased in the first half of 2017 was 173,000 tons, which is 3.6% higher compared that of the first half of 2016 (167,000 tons in the first half of 2016). The average recalculated price of the milk purchased in the first half of 2017 was 249 EUR / ton, which is 41.5% higher compared to that of the first half of 2016 (the recalculated price of the milk purchased in the first half of 2016 was 176 EUR / t). Žemaitijos pienas AB is continuously looking for the possibilities to modernize production and reduce costs, as well as continuously strives to ensure that the rise in raw material prices is partly compensated by the efforts of the Company. However, Žemaitijos pienas AB may not assume and compensate for the entire increase in the raw material price, therefore, in view of the significant increase in raw material price, the Company is forced to review the prices of the products supplied for sale, which results in a change (the increase or a potential increase) in sales prices.

It should be noted that the sales of food products and the sales volumes directly determine the potential output of the produce, which is currently not fully utilized. The strong dairy product competition on the markets of sales (domestic and export markets), Russia's continuing embargo on Lithuanian dairy products, the presence of Polish products which are less expensive due to higher production capacities, and other reasons cause restrictions on the sales of the products manufactured by the Company. The Company specializes in the production of fresh dairy products and cheese. The major part of its income consists of the proceeds from the sale of these products in the domestic market; however, a constantly decreasing number of people in Lithuania adversely affects the Company's revenue, profit and overall financial position. The Company seeks to minimize the economic risks mentioned by searching for new sales markets, and the raw milk shortage is counterbalanced by purchasing milk in the closest neighbouring countries.

The Company gets insured the financial risks in relation to the insolvency of its customers, the avoidance of payments and / or other negative factors that may cause the Company to incur losses, as well as establishes various contractual terms and conditions to ensure to the maximum extent possible the payments for the goods sold, and applies various obligation security measures. Žemaitijos pienas AB manages the main risk of the Company – the liquidation of its debt obligations – through a commercial credit or other forms of insurance applicable to almost the entire export turnover. At Žemaitijos pienas AB, the Audit Committee is established and operates, which assesses the main risks, provides the management with proposals and controls their implementation, thus increasing the reliability of the assets and liabilities of the Company.

11. Essential data on Company / Group performance

The key financial performance indicators reflecting the Group and the Company's operations during the first half of 2017 and the first half of 2016 are as follows:

Financial ratio	First half of 2017		First half of 2016	
	Group	Company	Group	Company
Turnover (thousand euro)	78.686	78.073	67.131	66.158
Gross Margin (%)	20.71	19.79	24.31	22.62
Net Margin (%)	8.11	7.65	6.21	6.59
EBITDA (thousand euro)	9.830	9.067	7.300	7.083
EBITDA margin (%)	12.49	11.61	10.87	10.71
ROE (%)	9.10	9.79	6.50	7.33
ROA (%)	6.71	6.80	4.73	5.23
Current Ratio	2.63	2.10	2.45	2.18
Quick Ratio	1.48	1.12	1.33	1.15
Debt-to-Equity Ratio	0.36	0.44	0.35	0.38
Debt Ratio	0.26	0.31	0.26	0.27
Amount of Fixed Asset Investments	1.890	1.753	2.123	1.828

The ratios specified above were calculated applying the following formulas:

Gross Margin = gross profit / sales revenue. *Gross Margin (or Gross Profit Margin) reflects the company's ability to generate profit from its core business, and to control the level of sales revenue and sales costs. The higher the gross profit earned for each euro of the sales revenue, the more efficient the company.*

Net Margin = net profit / sales revenue. *The Net Margin ratio is the financial result of company's operations, and one of the most important (if not the most important) value for the owners of a company. Net margin, as a ratio of sales revenue and net profit, adequately represents the net profitability of company's operations. The monetary expression shows a portion of the net profit attributable to one euro of sales. The higher value of the indicator shows a higher profitability of a company.*

EBITDA = net profit + corporation tax + interest expense + depreciation and amortisation expense. *The earnings before interest, taxes, depreciation and amortization (EBITDA) are easily calculated: net profit plus taxes on income, interest expense, depreciation and amortization. The value is important in order to disassociate from the impact of the costs of financing of the company's activities, as well as depreciation and amortization. The value of EBITDA earnings is often used along with or even instead of the cash flow value.*

EBITDA margin = EBITDA / sales revenue.

ROE = net profit / equity capital. *The Return on Equity (ROE), also known as the equity profitability indicator, is a measure of the efficiency of use of the funds invested by the owners. Helps to decide how effectively the funds of the owners are used. It largely correlates with the*

structure of the company's capital. The ROE shows how much the company's management has earned by the use of the company's capital owned by the shareholders.

ROA = net profit / assets. The Return on Assets (ROA) indicator is assets' utilization efficiency measure. The return on assets describes the ability to use all assets more profitably. Shows the portion of the entirety of assets that is returned in a form of profit. The ROA shows how much the management has been able to earn from the total of assets used.

Current Ratio = current assets / current liabilities. The Current Ratio, also called 'liquidity ratio', reflects the ability of the company to cover its current assets with current liabilities. It shows how many times current assets exceed liabilities. It describes the company's ability to meet its current liabilities using its current assets. The value shows how one euro of current liabilities is covered with current assets.

Quick Ratio = (current assets – inventories) / current liabilities. The Quick Ratio, also called 'acid-test ratio', reflects the ability of the company to meet current liabilities by using its most liquid (quickly realizable) current assets, from which inventories are deducted as low-liquid assets. It defines how many times the most liquid assets exceed current liabilities. The quick ratio describes the ability of the company to meet its current liabilities using the most mobile (potentially converted into cash quickly) assets.

Debt-to-Equity Ratio = amounts due and liabilities / equity capital. Debt-to-Equity Ratio, also known as the coefficient of financial dependence, shows the amount of debt attributable to one euro of equity capital. This indicator is also used as a ratio between the capital structure and financial leverage group. In this case, unlike in the case of the general solvency ratio, the higher the value of this indicator, the worse the company's position in terms of solvency.

Debt (Arrears) Ratio = amounts due and liabilities / assets. The indicator of indebtedness, also called Debt Ratio, shows the amount of debts attributable to one euro of the assets. The lower the value of the indicator, the more debts are backed with assets, therefore, banks and other lenders appreciate the low value of this indicator. This indicator is also used as the ratio between the capital structure and financial leverage group.

Comparison of the raw milk purchase quantities and prices during the first half of 2017, 2016, 2015:

Purchase of raw milk (recalculated to basic fat)	First half of 2017	First half of 2016	First half of 2015
Quantity of purchased milk (in thousand tons)	142.6	137.8	137.5
Price of the milk purchased (EUR / t)	249	176	204

The distribution of the produce of Žemaitijos pienas AB sold during first half of 2017 and 2016 by product type was as follows:

Name of the product group	Turnover (in thousand EUR)		Change: first half of 2017 compared to first half of 2016 (%)
	First half of 2017	First half of 2016	
Cheeses and cheeses products	29.925	24.505	22.12%
Fresh dairy products	25.722	26.579	-3.22%

Other	22.426	15.074	48.77%
Total:	78.073	66.158	18.01%

The distribution of the produce of **the Group** of Žemaitijos pienas AB sold during first half of 2017 and 2016 by product type was as follows:

Name of the product group	Turnover (in thousand EUR)		Change: first half of 2017 compared to first half of 2016 (%)
	First half of 2017	First half of 2016	
Cheeses and cheeses products	31.840	26.545	19.95%
Fresh dairy products	25.722	26.579	-3.22%
Other	21.124	14.007	50.81%
Total:	78.686	67.131	17.21%

Sales of **the Company** by geographical segments (secondary segments) during the first half of 2017 and the first half of 2016:

Sales by geographical segments	Turnover (in thousand EUR)	
	First half of 2017	First half of 2016
Lithuania	42.564	39.916
Other Baltic States and CIS countries	13.003	10.489
Other European countries	19.013	12.378
Other	3.493	3.375
Total:	78.073	66.158

Sales of **the Group** by geographical segments (secondary segments) during the first half of 2017 and the first half of 2016:

Sales by geographical segments	Turnover (in thousand EUR)	
	First half of 2017	First half of 2016
Lithuania	42.015	38.625
Other Baltic States and CIS countries	13.860	11.366
Other European countries	19.078	13.588
Other	3.733	3.552
Total:	78.686	67.131

12. Business plans, development and forecasts

Long-term goals of Žemaitijos pienas AB is to become and be a strong, technically modern, and reliable company attractive to investors. To find and maintain the most profitable markets for our products in the European Union, the Baltic and other countries of the world by giving priority to the closest markets, as well as to the markets of Germany, France and England. To make maximum possible use of the existing production capacities. In addition, the consumer market studies are carried out continually, the consumer demand for new products is taken into account, tastings are carried out, and dairy products are perfected and new products developed with the help of scientists and new scientific methods.

The Company emphasizes the high quality of products and added value to the consumer, therefore a continuous cooperation with the researchers of Lithuanian University of Health Sciences, Vilnius University, the Centre for Physical Sciences and Technology of Kaunas University of Technology, as well as Lithuanian and foreign experts is carried out. Laboratory tests of the products are performed at the National Food and Veterinary Risk Assessment Institute, Eurofins, Hamilton, Institute of Metrology of Kaunas University of Technology, Veterinary Academy of the Lithuanian University of Health Sciences, and other laboratories, the recipes of products are perfected with the aim to enhance product exclusivity and when creating new products. The research is of a continuous nature and mainly aimed at perfection of the products within the existing food basket.

In pursuit of the highest standards of operation, the application of the most advanced operational methods and an innovative approach to both production technology and business management, as well as individual management and work processes of the Company, the professionals of the Company are continuously improving their skills, have traineeships abroad, visit exhibitions, and collaborate with major suppliers, thus horizontally integrating the best production practices not only in the production and logistics processes within their own scope but also initiating the improvement-related action at the level of supplier production processes and products.

The essential current objectives and plans of the Company are as follows:

- To purchase milk in accordance with market conditions but not at a higher price than that paid for raw milk by other market participants in Lithuania;
- To purchase solely high-quality milk;
- To increase sales at the prices favourable to the Company. To focus on the basket of the strongest main products and maintain at least 40-50%-share of the internal market.
- To focus on the sales of higher value-added products on export markets;
- To strengthen the marketing function and Company name recognition;
- To reduce the production costs and cost price of the products;
- To reduce product distribution expenses;
- To make maximum use of the designed production capacity;
- To provide employees with incentives solely for the achievement of the excellent final result and implementation of the plans undertaken.

The lack of skilled labour forces the Company to focus on human resources, therefore, it seeks to focus on the employee team strengthening, and the competence, qualification and specific skills development, as well as review and improvement of motivational systems.

Strong competition, the ever changing and dynamic market of the sale of products and the purchase of raw milk, as well as other factors, force Žemaitijos pienas Group to refrain from publishing the turnover and profit forecasts for the upcoming activity periods.

13. Environmental protection

Žemaitijos pienas AB, a company producing and selling dairy products, is assigned, according to the established criteria, to the Group of Installations referred to in Annex 1 to the IPPC Environmental Permit Regulation. On 29 12 2006, the Company has been issued an Integrated Pollution Prevention and Control permit, the validity period of which is not limited, however, it is adjusted due to changes. The Company does not make any negative impact on the environment the mitigation of which would require urgent measures to be taken. However, the Company continuously monitors its performance indicators, plans and implements the investments that would allow reducing production and operating costs as well as energy consumption, and improve the environmental protection order of the Company in every way possible. At the same time, we are always ready to deal with any emerging environmental problems along with the public.

The Company continuously improves the integrated quality management and food safety management system, which complies with requirements of the BRC, ISO 9001, ISO 22000, FSSC (ISO 22000, ISO / TS 22002-1) and IFS international standards, and plans to implement the ISO 14000 Environmental Management System. The Company is not included in the EU emissions trading system under the National Allocation Plan for 2013-2020.

Natural resources are used sparingly. The environmental impact is monitored according to harmonized monitoring programs. The Company is continuously renewing its fleet in order to reduce air pollution. The Company applies the best available production techniques to reduce the pollution from stationary sources. Waste is managed in accordance with established environmental protection requirements, the annual Waste Generation Accounting Reports are provided through the electronic environmental data collection system. The hazardous and non-hazardous waste within the area is stored and handled in a manner that allows avoiding the negative impact on the environment, is sorted, and the storage places are marked accordingly. The waste is removed in due time to the waste disposal companies. Žemaitijos pienas AB carries out the extraction of secondary raw materials and industrial waste from the waste streams and systematically transfers these to the waste collecting and processing companies.

Packaging is an important issue within the production process of Žemaitijos pienas AB. The products are packed in PET, plastic, paper, composite, wood and other packaging. In the matters of packaging waste management, the Company cooperates with Pakuočių tvarkymo organizacija, VŠĮ (*Eng. Public Institution*), which takes due care of packaging collection and processing. The Company continuously carries out the investment projects aimed at introduction of new modern technologies that enable more efficient use of energy resources, reduction of pollutant emissions, and application of other environmental protection measures.

In the first half of 2017, Žemaitijos pienas AB invested in a new packaging line – Multivac R225. Investing in the new equipment will allow the Company to consume less packaging materials and electricity, while a higher productivity of the installation will ensure and allow increasing production capacity. Apart from that, during the first half of 2017, the Company acquired a new

boiler, which consumes less energy and at the same time produces larger product quantities, thus, energy resources are used sparingly and a higher competitiveness is ensured. During the period of 2017, Žemaitijos pienas AB had the product packaging line – Fillpack WA7060 – for processed spreads reconstructed, which also allows saving energy resources and increasing labour productivity. The amount of the investments mentioned totals EUR 447,000 in 2017.

14. Objective review of the Company's status, performance and development

The sales of Žemaitijos pienas for the first half of 2017 comprised the sum exceeding 78 million euros (78,073 thousand euros). It is 18 percent higher compared to the first half of 2016 (During the first half of 2016, the sales exceeded 66,158 thousand euros).

The work experience gained over the years and unique recipes today allows us to deliver to our customers a wide range of products featuring excellent taste and high quality. Currently, the Company produces new and already well-liked dairy products under more than 200 names, which are intended not only for the local market but also for export to the European Union and other countries. The largest share of revenue of Žemaitijos pienas AB comes from Lithuania, which accounts for more than half of total income (about 55 percent), while the revenue from other Baltic States and CIS countries accounts for 16.7 percent, that from other European countries accounts for 24.4%, and other countries make up about 4.5% of total income. Poland, Latvia, Estonia, and Germany were the countries the turnover of export to which was highest in the first half of 2017. The products of the Company are well known all over the world!

The Company never stops perfecting its operation, which allows introducing new products to consumers continuously. The following new products were developed in the first half of 2017: Džiugas Exclusive cheese (60-month ripened), which is the first Lithuanian hard cheese aged for five years (60 months); Pink-Nik Kids Twiller and Pik-Nik Nigella string cheese sticks – a healthy, natural snack rich in minerals, proteins and vitamins; as well as Žemaitijos Kefir Cocktail Mimosa and Žemaitijos Kefir Cocktail Pina Colada innovative kefir beverages.

On January 16-18, 2017 and April 18-20, 2017, the auditors of Bureau Veritas Lit branch reassessed the compliance of Integrated Food Safety and Quality Management System (IFSQMS) (Lith. Integruota maisto saugos ir kokybės valdymo Sistema) with the requirements of ISO 22000 and FSSC 22000 international standards, as well as the requirements of the Issue 7 of the BRC (British Retail Consortium) international standard. The compliance was assessed at B+ level.

III. MANAGEMENT AND SUPERVISION OF THE COMPANY

15. Bodies of the issuer

The bodies of the issuer are the General Meeting of Shareholders, the Supervisory Council, the Board and the Company's Chief Executive Officer (General Director), as well as the Company's administration subordinate to the General Director of the Company, which consists of structural units: departments. At present, the Company has the following departments: Finance, Personnel and Law, Transport and Logistics, Production and Sales, and Marketing. The Audit Committee is formed and operates in the Company as well.

The General Meeting of Shareholders is the body of the Company making the most significant decisions. The scope, procedure for convening, as well as rights and duties of the General Meeting

of Shareholders are essentially the same as the scope, procedure for convening, and rights and duties of the general meeting of shareholders provided for by the Law on Companies of the Republic of Lithuania.

The Supervisory Council of the Company is a collegial supervisory body that carries out the supervision of the Company's activities. The head of the Council is its chairperson. The Council of the Company, which consists of 3 members, is elected by the General Meeting of Shareholders for a four-year period. The Articles of Association of the Company provides that the number of terms of office of a Council member is unlimited.

The Board of the Company is a collegial management body representing the shareholders of the Company within the periods between their meetings and making decisions on the most important issues of the Company's economic activities. The work procedure of the Board is established by the Rules of Procedure of the Board adopted by it. Currently, the Board consists of five *de facto* members, and seven members of the board are established *de jure*. The members of the Board are elected by the Supervisory Council for a maximum four-year period. The number of their terms of office is unlimited. The activities of the Board are managed by the chairperson who is elected by the Board from its members.

The Head of the Company is General Director who, while carrying out his activities, follows the Company's Articles of Association, decisions of the General Meeting of Shareholders, decisions of the Board as well as other local acts of the Company. General Director organizes daily activities of the Company and carries out the actions necessary for the performance of its functions and execution of the decisions of the Company's bodies, as well as to ensure the activities of the Company. General Director of the Company is accountable and regularly reports to the Board. The Company's audit consists of three persons who operate in the Company in accordance with the procedure established by legal acts.

While carrying out their activities, the bodies of the Company follow requirements established by the laws and other legal acts of the Republic of Lithuania, as well as the Articles of Association of the Company. The bodies of the Company are elected, appointed and removed from office following provisions of the above documents.

16. Members of collegial bodies of the Company

16.1. Supervisory Council of the Company

First name, last name	Position within the Issuer	Number of shares held (units) and authorised capital share (%)	Start of the term of office	End of the term of office	Activities and position
Kęstutis Trečiokas	Member of Supervisory Council, Chairperson	None	29 12 2016	29 12 2020	Member of Telšiai District Municipality Council

ŽEMAITIJOS PIENAS AB
Company Reg. No. 180240752

Hugo Ader	Member of Supervisory Council	None	29 12 2016	29 12 2020	Consultant of General Director of Lemminkainen Lietuva, UAB
Aristydas Kulvinskas	Member of Supervisory Council	None	29 12 2016	29 12 2020	Businessman

16.2. Board of the Company

First name, last name	Position within the Issuer	Number of shares held (units) and authorised capital share (%)	Start of the term of office	End of the term of office	Activities and position
Robertas Pažemeckas ⁶	Member of Board, General Director	None	05/04/2017	05/04/2021	General Director of Žemaitijos pienas AB
Marius Dromantas	Member of Board	None	07/02/2014	07/02/2019	Logistics Director of Žemaitijos pienas AB
Dalia Gecienė	Member of Board	475,160	07/02/2014	07/02/2019	Chief Accountant of Žemaitijos pienas AB
Ramūnas Dargis	Member of Board	None	02/04/2016	02/04/2020	Production Director of Žemaitijos pienas AB
Žydrūnas Valkeris	Member of Board	None	01/06/2017	01/06/2021	Director of Valkeris ir partneriai MB

16.3. Administration of the Company

First name, last name	Position	Number of shares held (units)	Authorised capital share owned (%)
Robertas Pažemeckas	General Director	-	-

⁶ Robertas Pažemeckas was elected the chairperson of the Board of the Company by the Company's Board decision dated 27 July 2017.

ŽEMAITIJOS PIENAS AB
Company Reg. No. 180240752

Dalia Gecienė	Chief Accountant	475,160	1.03
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The Head of Company's administration is General Director. The following positions are directly subordinated to the General Director: Production Director, Export Director, Chief Accountant, Personnel and Legal Director, Logistics Director and Purchasing Director. The above listed directors implement the goals and tasks set by the bodies of the Company, carry out functions within the scope assigned to them and manage the subordinate employees.

In the first half of 2017, the Company (the issuer) accrued EUR 202,551 (two hundred two thousand and five hundred fifty-one euro) to the members of the Company's Board, the head of the Company and the Chief Financial Officer / Chief Accountant based on the employment relationships, and EUR 23,194 (twenty three thousand one hundred and ninety-four euros) to the members of the Company's Supervisory Council based on the operating agreements.

During the reporting period, the members of the Supervisory Council and the Board, the General Director of the Company and Chief Financial Officer / Chief Accountant have not acquired any significant material obligations to the Company (the issuer), just as the Company (the issuer) has not acquired any obligations to these persons. No guarantees and suretyships and / or other obligation security measures on behalf of the issuer were issued related to the members of the management or supervisory bodies regarding the fulfilment of obligations of these entities during the first half of 2017, as well as the issuer did not grant any loans to these entities.

17. Employees

Based on the data as of 30 June 2017, Žemaitijos pienas AB had 1235 employees, which shows that the number of employees increased slightly compared to that for the first half of 2016, i. e., during the corresponding period of the previous year, 1202 employees worked with the Company.

	30 06 2017	30 06 2016	30 06 2015	30 06 2014
Average number of employees	1235	1202	1247	1225

Grouping of employees by education:

Number of employees by education	30 06 2017	30 06 2016	30 06 2015	30 06 2014
Master's degree	52	51	48	40
Higher education	161	186	209	136
Post-secondary education	240	197	294	270
Vocational education	334	296	229	263
Secondary education	344	377	379	378
Incomplete secondary education	104	95	88	138
Total:	1235	1202	1247	1225

ŽEMAITIJOS PIENAS AB
Company Reg. No. 180240752

The number of employees of Žemaitijos pienas AB according to their respective groups and their average salary according to the respective employee work groups:

Number of employees Employee groups	30 06 2017		30 06 2016		30 06 2015	
	Number of employees	Average salary (EUR)	Number of employees	Average salary (EUR)	Number of employees	Average salary (EUR)
Managers ⁷	7	4503	28	2618	27	2343
Professionals	266	1395	249	1157	252	1149
Workers	962	812	925	769	968	740
Total:	1235		1202		1247	

The change in the average number of employees of Šilutės Rambynas ABF within the last financial year (half a year):

	30 06 2017	31 12 2016	31 12 2015
Average number of employees	190	192	195

Grouping of employees of Šilutės Rambynas ABF by education:

Number of employees by education	30 06 2017	31 12 2016	31 12 2015
Master's degree	9	9	9
Higher education	21	21	21
Post-secondary education	28	27	27
Vocational education	74	76	76
Secondary education	40	37	40
Incomplete secondary education	18	22	22
Total:	190	192	195

Average salary of employees of Šilutės Rambynas ABF according to the respective employee groups (in EUR):

⁷ The following are considered management positions: General Director, Production Director, Export Director, Chief Accountant, Personnel and Legal Director, Logistics Director and Purchasing Director.

Number of employees according to employee group	30/06/2017		31/12/2016		31/12/2015	
	Number of employees	Average salary (EUR)	Number of employees	Average salary (EUR)	Number of employees	Average salary (EUR)
Managers	7	2370,50	7	2048,81	6	2167,46
Professionals	31	1215,77	34	988,32	43	978,56
Workers	152	908,26	151	793,38	148	772,15
Total:	190		192		195	

In pursuing the Human Resource Policy, Žemaitijos pienas AB strives to create and develop long-term relationships with employees, therefore employees are continuously encouraged to develop in the professional field. The employees of the Company have the opportunity to improve their knowledge and skills at seminars and courses organized by the Company, as well as by making use of other learning and development forms. During the first half of 2017, 735 trainings took place, of which 326 were internal, and 409 were external.

In order to ensure a higher quality of the products, better sanitary conditions, work procedures and discipline, labour productivity, and increase the personal responsibility of employees for production defects, downtime of equipment and claims received, as well as satisfy employee expectations concerning higher salary paid by the Company, each employee is subject to an individual motivational remuneration system. To promote employee loyalty, the employees who have been with the Company for 10 years and more receive long-service pay. In order to ensure a better microclimate within the organization, the employees are congratulated on their jubilee birthdays, the best employees are elected and awarded at the end of the year, Farewell to the Old Year celebrations are organized, and salary extras for all employees are paid at Christmas and Easter time. Particular attention is paid to integrating a newcomer into the team: an individual training program is developed for each of them, external training is organized where necessary, certifications are carried out, and the most capable are given the opportunity to climb up the career ladder. A great deal of attention is paid to improving the working conditions of the employees and organizing work and rest regimes, while taking into account the employee comments and suggestions.

The rights and obligations of employees of Žemaitijos pienas AB and Šilutės Rambynas ABF are set out in their job regulations and other local acts. The employment contracts do not provide for special rights or obligations.

18. Audit Committee of the Company

The Company's Audit Committee operating at Žemaitijos pienas AB consists of the following three persons: Angelė Tareškevičienė (chairperson), Stanislava Vaičienė and Daiva Katarskienė (members). The main functions of the above committee is to perform unexpected financial checks

and stock-takings of tangible assets, submit proposals for optimization of processes, and perform other functions established by legal acts.

First name, last name	Work places Positions Authority	Number of shares held (units) at the Issuer	Start of the term of office within the committee	End of the term of office within the committee
Angelė Taraškevičienė	Head of Vertybių auditas UAB	-----	26/04/2013	Up to the date when the electing body of the Company removes the member from office or the term of office expires.
Stanislava Vaičienė	Accountant at Žemaitijos pienas AB	-----	26/04/2013	Up to the date when the electing body of the Company removes the member from office or the term of office expires.
Daiva Katarskienė	Bookkeeper at Žemaitijos pienas, AB	-----	26/04/2013	Up to the date when the electing body of the Company removes the member from office or the term of office expires.

The main function of the Audit Committee is to be the advisory body of the Company's Supervisory Council, and the main task is to increase the effectiveness of the Supervisory Council's work in the financial supervision sector, to help ensure that decisions are taken impartially and with due consideration. In pursuing these functions, the Audit Committee submits recommendations to the Board of the Company regarding the selection, appointment, reappointment and dismissal of the external audit firm, and the terms and conditions of the contract with the audit firm, monitors the process of conducting external audits, assesses the compliance of external auditor and audit firm with the independence and objectivity principles, as well as monitors the process of preparation of the Company's financial statements, and performs other functions provided for by the legal acts of the Republic of Lithuania and the recommendations of the Corporate Governance Code for the companies listed on the Vilnius Stock Exchange.

It should be noted that there are no other committees established in the Company.

IV. OTHER INFORMATION

19. Company's essential information published

The Company-related information (essential) is published via the Vilnius Stock Exchange (NASDAQ OMX Vilnius, AB) system (on the website). All essential events are stored on the Central Regulated Information Base, as well as posted on the Company's website: www.zpienas.lt.

During the reporting period, the following essential events have been published⁸ :

Date	Market	Company	Subject
28.07.2017 18:00	VLN	Žemaitijos pienas	CONCERNING ELECTION OF THE COMPANY BOARD CHAIRMAN
16.06.2017 18:00	VLN	Žemaitijos pienas	Notification Attachments: 
16.06.2017 18:00	VLN	Žemaitijos pienas	Notification about acquisition/loss of voting rights of ŽEMAITIJOS PIENAS AB Attachments:  
14.06.2017 18:00	VLN	Žemaitijos pienas	Notification Attachments: 
14.06.2017 18:00	VLN	Žemaitijos pienas	Notification about acquisition/loss of voting rights of ŽEMAITIJOS PIENAS AB Attachments:  
02.06.2017 18:00	VLN	Žemaitijos pienas	CONCERNING APPOINTMENT OF THE COMPANY BOARD MEMBER
20.04.2017 12:08	VLN	Žemaitijos pienas	Notification on the acquisition of voting rights in AB "ŽEMAITIJOS PIENAS" Attachments:  
18.04.2017 18:00	VLN	Žemaitijos pienas	The dividend payment procedure of Žemaitijos pienas AB for 2016
14.04.2017 19:00	VLN	Žemaitijos pienas	Resolutions of the General Meeting of Shareholders of AB "ŽEMAITIJOS PIENAS" Attachments:   
14.04.2017 18:00	VLN	Žemaitijos pienas	Resolutions of the General Meeting of Shareholders of AB "ŽEMAITIJOS PIENAS" as of April 14, 2017 Attachments:     
04.04.2017 19:00	VLN	Žemaitijos pienas	CONCERNING WITHDRAWAL/APPOINTMENT OF THE COMPANY BOARD MEMBERS
04.04.2017 18:00	VLN	Žemaitijos pienas	CONCERNING DRAFT DECISIONS OF THE GENERAL MEETING OF THE SHAREHOLDERS Attachments:  
23.03.2017 17:20	VLN	Žemaitijos pienas	Regarding ordinary general meeting of shareholders and submission of draft decisions Attachments:      
15.02.2017 09:32	VLN	Žemaitijos pienas	Statement of claim for cancellation of parts of decisions of the general meetings of shareholders was received
10.02.2017 18:00	VLN	Žemaitijos pienas	Regarding a decision of the Supervision Service of the Bank of Lithuania
09.02.2017 10:42	VLN	Žemaitijos pienas	Notification on the acquisition of voting rights in AB "ŽEMAITIJOS PIENAS" Attachments: 

20. Events during the reporting period

The Company has publicly disclosed a number of facts and events related to the Company and its shareholders, while other events during the reporting period, although being of not such great

⁸ http://www.nasdaqbaltic.com/market/?pg=news&issuer=ZMP&start_d=1&start_m=1&start_y=1996

actuality and relevance, are nevertheless noteworthy. In the first half of 2017, the Company participated in various events and that particular half-year period was especially successful to Žemaitijos pienas AB because of the participation in key international exhibitions and the number of awards received, which are as follows:

- GULFOOD 2017, the international food and beverage exhibition in Dubai, United Arab Emirates (February 26, 2017 - March 2, 2017);
- SIAL China 2017, the largest international food and beverage exhibition in Shanghai, China (May 17-19, 2017). The following awards were received at the exhibition: SIAL Innovation diplomas for innovative products: Džiugas Flakes; Džiugas Piquant (aged 18 months) and Džiugas Mild (aged 12 months); Pik-Nik fresh string cheese sticks; and Rambyno smoked processed cheese snacks (natural and with fried onions);
- Taste of London food show in London, United Kingdom (14-18 June, 2017);
- Summer Fancy Food Show 2017, the international and one of the largest specialty food industry exhibition held in New York, United States of America (25-27 June, 2017).

Other awards received: ŽEMAITIJOS brand name was awarded diplomas for innovation in milk product category at the Metų prekės ženklas 2017 (Brand of the Year 2017) awards and became the most well-liked brand among web surfers. The winner of the Populiariausia prekė 2016 (Most Popular Item 2016) contest organized by Lietuvos prekybos įmonių asociacijos (LPIA) (Association of Lithuanian Trade Enterprises); the diplomas received: Most Popular Hard Cheese 2016 (*Lith. Populiariausias kietasis sūris 2016 m*), Džiugas cheese (grated) and Pik-Nik fresh string cheese sticks.

The Company never stops perfecting its operation, which allows introducing new products to consumers continuously. The following new products were developed in the first half of 2017: Džiugas Exclusive cheese (60-month ripened), which is the first Lithuanian hard cheese aged for five years (60 months); Pik-Nik Kids Twiller and Pik-Nik Nigella string cheese sticks – a healthy, natural snack rich in minerals, proteins and vitamins; as well as Žemaitijos Kefir Cocktail Mimosa and Žemaitijos Kefir Cocktail Pina Colada innovative kefir beverages.

Apart from that, products of the Company were presented at various exhibitions and received the highest recognition:



1.	ŽEMAITIJOS brand name – the Brand of the Year 2017, for innovation in milk product category.
2.	ŽEMAITIJOS brand name – the Brand of the Year 2017 – the most well-liked brand among web surfers.



1.	SIAL INNOVATION CHINA 2017 – Džiugas flakes.
2.	SIAL INNOVATION CHINA 2017 – Džiugas Piquant (aged 18 months).
3.	SIAL INNOVATION CHINA 2017 – Džiugas Mild (aged 12 months).
4.	Premo Roma contest, Italy – a special prize for sensual properties of the cheese.
5.	International Cheese Awards, Nantwich, England – a gold medal in Cheese Snacks class awarded to Džiugas 24-month maturity, 100g package.
6.	International Cheese Awards, Nantwich, England – a gold medal for the best cheese awarded by a member of the <i>Guilde Internationale des Fromages</i> commission to the Džiugas cheese wheel (aged 48 months).



1.	Kinija SIAL China exhibition (Shanghai, China, 2017): the Innovation diploma.
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• GERMANTO •

SŪRIS - CHEESE - KÄSE - SIERS - FORMAGGIO - JUUST - SER - ЧИЗ

1.	One star by the International Taste and Quality Institute (iTQi) at the Superior Taste Award (Brussels, Belgium).
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1.	RAMBYNO cheese snack natural SIAL China exhibition (Shanghai, China, 2017): the Innovation diploma.
2.	RAMBYNO cheese snack fried onions SIAL China exhibition (Shanghai, China, 2017): the Innovation diploma.

21. Information on significant transactions

There are no agreements, a party to which is the issuer, and which would come into force, be modified or terminate following the change in the control of the issuer, as well as their impact, except where, due to the nature of the agreements, their disclosure would cause a significant damage to the issuer.

The issuer has not entered into the agreements with members of its bodies or employees, which provide for compensations in the event where such members or employees resign or are dismissed without good reason or where their work is terminated due to a change in the control of the issuer.

During the reporting period, there were no harmful transactions concluded, which do not comply with the objectives of the Company or the Group and normal market conditions, violate the interests of shareholders or other groups of persons, and which have had or could have in the future a negative impact on the Company's activities or performance. There were also no transactions concerning the conflicts of interest between the Company's management, controlling shareholders or other parties' obligations to the Company and their private interests and / or obligations. Transactions with stakeholders / related parties are disclosed by Item 17 (Related Party Transactions) of the Explanatory Notes to the Consolidated Financial Statements.

There were no related-party transactions executed and / or modified during the first six months of the current financial year, which have had or could have a significant impact on the financial position or business of the Company within that period, including the amounts under these transactions or the nature of the relationships between related parties or other terms and conditions that could affect or change the financial status of the Company (the Group).

22. Other information about the Company

Subsequent events following the reporting period related to the Company and its rights and obligations are as follows: (i) On 5 July 2017, the Šiauliai Regional Court overruled the decision of the District Court of Telšiai Region and returned the case to the court of first instance for reconsideration. The essence of the case is the issue of the legality of the decision of the General Meeting of Shareholders of Žemaitijos pienas, AB as of 16 09 2016 to allocate tantiemes to the members of the Board and the Supervisory Council. The action was initiated by Investuotojų asociacija (Investors' Association) and Vytautas Plunksnis; (ii) The civil case under the claim of Investuotojų asociacija and Vytautas Plunksnis was heard at the District Court of Telšiai Region on 27 July 2017. The essence of the case is the parts of the decisions of the General Meeting of Shareholders of Žemaitijos pienas, AB as of 28 10 2016 and 29 12 2016 concerning the procedure for the sale of own shares of Žemaitijos pienas, AB and the determination of the minimum selling price thereof. The ruling and the announcement thereof was postponed until 16 January 2017.

Mr. Robertas Pažemeckas was elected the Chairman of the Company's Board by the decision of the Board as of 27 July 2017.

On 7 August 2017, Investuotojų asociacija notified the Company that the Investuotojų asociacija holds 1,247,208 units (previously: 1,392,280 units) of votes of Žemaitijos pienas AB according to vote transfer agreements, as the Talerinvest SIA, a Latvian company, transferred 145,000 units of



ŽEMAITIJOS PIENAS AB
Company Reg. No. 180240752

the shares to another entity based on the transaction dated August 3, 2017. At the moment of notification, the Investors' Association manages 1,092,280 pcs. the company's votes.

It should also be noted that Žemaitijos pienas AB, taking into consideration its internal policy and other circumstances, seeks to comply with the Corporate Governance Code for the Companies Listed on the NASDAQ OMX Vilnius to the maximum extent possible.