

STOCK  
COMPANY



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## Approval of responsible persons

28 May 2013

Telšiai

Regarding drafting of financial statement for the three months ended 31 March 2013 following the Article No.22 of Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional approved by Securities Commission of the Republic of Lithuania we, Robertas Pažemeckas, Acting General Director of Žemaitijos Pienas, AB, and Natalija Vainikevičiūtė, Finance Director, hereby confirm that, to the our knowledge, the attached JSC "Žemaitijos Pienas" Consolidated Interim Financial Statements for the three months ended 31 March 2013 prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss of JSC "Žemaitijos Pienas" Group consolidated companies.

Acting General Director



Finance Director

Robertas Pažemeckas

Natalija Vainikevičiūtė

**AB „ŽEMAITIJOS PIENAS”**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
31 MARCH 2013**

## 1. Balance sheets

|  | <b>Group</b>                   |                                   |
|--|--------------------------------|-----------------------------------|
|  | <b>As of 31<br/>March 2013</b> | <b>As of 31<br/>December 2012</b> |
| <b>ASSETS</b>                          |                                |                                   |
| <b>Non-current assets</b>              |                                |                                   |
| Intangible assets                      | 457                            | 408                               |
| Property, plant and equipment          | 58 098                         | 60 462                            |
| Investment property                    | 4 200                          | 4 255                             |
| Available – for – sale investments     | 4                              | 4                                 |
| Investments into subsidiaries          | -                              | -                                 |
| Non-current receivables                | 6 162                          | 4 901                             |
| Own shares                             | -                              | -                                 |
| Deferred income tax asset              | 2 149                          | 2 149                             |
| <b>Total non-current assets</b>        | <b>71 070</b>                  | <b>72 178</b>                     |
| <b>Current assets</b>                  |                                |                                   |
| Inventories                            | 92 431                         | 97 674                            |
| Prepayments                            | 2 311                          | 1 740                             |
| Trade receivables                      | 31 347                         | 29 504                            |
| Receivables from subsidiaries          | -                              | -                                 |
| Receivables from other related parties | 5 355                          | 3 474                             |
| Other receivables                      | 4 506                          | 6 842                             |
| Deposits                               | -                              | -                                 |
| Cash and cash equivalents              | 3 123                          | 5 789                             |
| <b>Total current assets</b>            | <b>139 073</b>                 | <b>145 023</b>                    |
| <b>Total assets</b>                    | <b>210 143</b>                 | <b>217 201</b>                    |

**Balance sheets (cont'd)**

|  | <b>Group</b>                   |                                   |
|--|--------------------------------|-----------------------------------|
|  | <b>As of 31<br/>March 2013</b> | <b>As of 31<br/>December 2012</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                |                                |                                   |
| <b>Equity attributable to equity holders of the parent</b> |                                |                                   |
| Share capital  | 48 375                         | 48 375                            |
| Own shares (-)   | (3 002)                        | (3 002)                           |
| Legal reserve  | 4 838                          | 4 838                             |
| Other reserves   | 15 000                         | 15 000                            |
| Retained earnings  | 84 629                         | 82 985                            |
|  | <u>149 840</u>                 | <u>148 196</u>                    |
| Minority interest  | 1 920                          | 1 947                             |
| <b>Total shareholders' equity</b>                          | <b><u>151 760</u></b>          | <b><u>150 143</u></b>             |
| <b>Non-current liabilities</b>                             |                                |                                   |
| Grants received  | 4 175                          | 4 389                             |
| Long-term loans from related parties                       | -                              | -                                 |
| Financial lease obligations                                | 796                            | 796                               |
| Deferred income tax liability                              | 1 083                          | 1 083                             |
| Other current liabilities                                  | 1 910                          | 1 910                             |
| <b>Total non-current liabilities</b>                       | <b><u>7 964</u></b>            | <b><u>8 178</u></b>               |
| <b>Current liabilities</b>                                 |                                |                                   |
| Current portion of non-current loans                       | 3 099                          | 13 934                            |
| Current portion of non-current financial lease obligations | 1 752                          | 2 457                             |
| Trade payables   | 25 452                         | 27 283                            |
| Payables to subsidiaries                                   | -                              | -                                 |
| Payables to other related parties                          | 1 439                          | -                                 |
| Income tax payable   | 327                            | 53                                |
| Other current liabilities                                  | 18 350                         | 15 153                            |
| <b>Total current liabilities</b>                           | <b><u>50 419</u></b>           | <b><u>58 880</u></b>              |
| <b>Total liabilities and shareholders' equity</b>          | <b><u>210 143</u></b>          | <b><u>217 201</u></b>             |

## 2. Income statements

|  | <b>Group</b>                               |  |
|--|--|--|
|  | <b>01 January 2013 -<br/>31 March 2013</b> | <b>01 January 2012 -<br/>31 March 2012</b> |
| Sales                                    | 124 961                                    | 116 328                                    |
| Cost of sales                            | (108 516)                                  | (101 718)                                  |
| <b>Gross profit</b>                      | <b>16 445</b>                              | <b>14 610</b>                              |
| Operating expenses                       | (14 592)                                   | (14 391)                                   |
| Other operating income, net              | 21   | (293)                                      |
| <b>Profit from operations</b>            | <b>1 874</b>                               | <b>(74)</b>                                |
| Financial and investment activities, net | 17   | (156)                                      |
| <b>Profit before income tax</b>          | <b>1 891</b>                               | <b>(230)</b>                               |
| Income tax                               | (274)                                      | (862)                                      |
| <b>Net profit</b>                        | <b>1 617</b>                               | <b>(1 092)</b>                             |

### 3. Cash flow statements

|  | <b>Group</b>                   |                                |
|--|--------------------------------|--------------------------------|
|  | <b>As of 31<br/>March 2013</b> | <b>As of 31<br/>March 2012</b> |
| <b>Cash flows from (to) operating activities</b>   |                                |                                |
| Net profit   | 1 617                          | (1 092)                        |
| <b>Adjustments for non-cash items:</b>   |                                |                                |
| Depreciation and amortization  | 4 199                          | 4 174                          |
| Amortization of grants received  | (214)                          | (213)                          |
| (Profit) loss from disposal and write-offs of property,<br>plant and equipment and intangible assets | (25)                           | (-)                            |
| Result from financial and investment activities  | (46)                           | 160                            |
| Decrease ( increase ) values of inventories  | -                              | -                              |
| Decrease ( increase ) values of receivables  | -                              | -                              |
| Income tax expenses  | -                              | -                              |
| Other non-cash (income) expenses   | -                              | -                              |
|  | 5 531                          | 3 029                          |
| <b>Changes in working capital:</b>   |                                |                                |
| Decrease ( increase) in inventories  | 5 243                          | 4 901                          |
| (Increase ) in trade receivables   | (3 566)                        | (3 073)                        |
| Decrease in prepayments and other current assets   | (572)                          | 41                             |
| Decrease in other receivables  | 1 600                          | 530                            |
| Increase in other long-term payables   | -                              | -                              |
| Increase ( decrease ) terminable deposits  | -                              | -                              |
| Increase( decrease) in trade payables, payables to related<br>parties                                | 1 047                          | (2 673)                        |
| Income tax (paid)  | -                              | -                              |
| Increase (decrease) in other current liabilities   | 2 032                          | (1 914)                        |
| <b>Net cash flows from operating activities</b>  | <b>11 315</b>                  | <b>841</b>                     |
| <b>Cash flows from (to) investing activities</b>   |                                |                                |
| (Acquisition) of property, plant and equipment and<br>intangible assets                              | (2 087)                        | (2 709)                        |
| Disposal of property, plant and equipment  | 284                            | 36                             |
| Daughter enterprise liquidation  | -                              | 10                             |
| Repayment of loans granted   | 1 107                          | 897                            |
| Loans (granted)  | (1 632)                        | (680)                          |
| Interest received  | 100                            | 120                            |
| <b>Net cash flows (to) investing activities</b>  | <b>(2 228)</b>                 | <b>(2 326)</b>                 |

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

|   | <b>Group</b>                       |                                    |
|---|------------------------------------|------------------------------------|
|   | <b>As of 31<br/>March<br/>2013</b> | <b>As of 31<br/>March<br/>2012</b> |
| <b>Cash flows from (to) financing activities</b>              |                                    |                                    |
| Dividends (paid)  | -                                  | -                                  |
| Cash, (transferred) during reorganization                     |                                    |                                    |
| Loans received  | 32 959                             | 13 580                             |
| (Repayment) of loans  | (43 805)                           | (14 386)                           |
| Financial lease (payments)                                    | (705)                              | (1 088)                            |
| Sponsorship received  | -                                  | 1 484                              |
| Other revenue from financial activities                       | (148)                              | -                                  |
| Interest (paid)   | (54)                               | (280)                              |
| <b>Net cash flows (to) financial activities</b>               | <b>(11 753)</b>                    | <b>(690)</b>                       |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>(2 666)</b>                     | <b>(2 175)</b>                     |
| <b>Cash and cash equivalents at the beginning of the year</b> | <b>5 789</b>                       | <b>9 556</b>                       |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>3 123</b>                       | <b>7381</b>                        |

**4. Statements of changes in equity**

| <b>Group</b>                          | <b>Attributable to shareholders of the Company</b> |                      |                      |                       |                          |                |                          |                |
|---------------------------------------|--|----------------------|----------------------|-----------------------|--------------------------|----------------|--------------------------|----------------|
|                                       | <b>Share capital</b>                               | <b>Own shares(-)</b> | <b>Legal reserve</b> | <b>Other reserves</b> | <b>Retained earnings</b> | <b>Total</b>   | <b>Minority interest</b> | <b>Total</b>   |
| <b>Balance as of 31 December 2011</b> | <b>48 375</b>                                      | <b>-</b>             | <b>4 838</b>         | <b>17 997</b>         | <b>56 193</b>            | <b>127 403</b> | <b>1 944</b>             | <b>129 347</b> |
| Net profit for the three months       | -  | -                    | -                    | -                     | (1 095)                  | (1 095)        | 3                        | (1 092)        |
| <b>Balance as of 31 March 2012</b>    | <b>48 375</b>                                      | <b>-</b>             | <b>4 838</b>         | <b>17 997</b>         | <b>55 098</b>            | <b>126 308</b> | <b>1 947</b>             | <b>128 255</b> |
| <b>Balance as of 31 December 2012</b> | <b>48 375</b>                                      | <b>(3 002)</b>       | <b>4 838</b>         | <b>15 000</b>         | <b>82 985</b>            | <b>148 196</b> | <b>1 947</b>             | <b>150 143</b> |
| Net profit for the three months       | -  | -                    | -                    | -                     | 1 644                    | 1 644          | (27)                     | 1 617          |
| <b>Balance as of 31 March 2013</b>    | <b>48 375</b>                                      | <b>(3 002)</b>       | <b>4 838</b>         | <b>15 000</b>         | <b>84 629</b>            | <b>149 840</b> | <b>1 920</b>             | <b>151 760</b> |



## 5. Notes to the financial statements

### General information

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

As of 31 March 2013 and as of 31 December 2012 the share capital of the Company was LTL 48.375 thousand, which consisted of 48.375 thousand ordinary shares with a normal value of LTL 1 each. All the shares of the Company are issued, subscribed and fully paid. Subsidiaries did not hold any shares of the Company as of 31 March 2013 and as of 31 December 2012.

The Company had acquired its own shares 1 360 thousands ones for 3 002 thousands LTL as of 31 December 2012, and 31 March 2013.

As of 31 March 2013 the Group consisted of AB Žemaitijos pienas and the following subsidiaries (hereinafter referred to as “the Group”)

| Company                | Registration address                | Ownership of the Group | Percentage in consolidation | Cost of investment | Total equity holding 2012 12 31 | Total equity holding 2013 12 31 | Main activities          |
|------------------------|-------------------------------------|------------------------|-----------------------------|--------------------|---------------------------------|---------------------------------|--------------------------|
| ŽŪK Tarpučių pienas    | Klaipėdos Str. 3, Šilutė, Lithuania | 12,08%                 | 100%                        | 60                 | liquidated                      | liquidated                      | Milk collection services |
| ABF „Šilutės Rambynas“ | Klaipėdos g. 3, Šilutė, Lietuva     | 87,82%                 | 87,82%                      | 10 878             | 15 706                          | 15 479                          | Cheese production        |
| SIA „Muižas piens“     | Skaistkalnes g. 1, Rīga, Latvija    | 32%                    | -                           | 4                  |                                 |                                 | Retail, wholesale trade  |

On 31 January 2013, ŽŪK “Tarpučių Pienas”, which was considered as Company's subsidiary company, was liquidated and removed from Registry of Legal Entities.

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

As of 31 March 2013, the number of employees of the Group was 1.426 ( according of 31 March 2012 – 1.475).

### Basis of preparation

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

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

|  | As of 31<br>March 2013 | As of 31<br>March 2012 |
|--|------------------------|------------------------|
| <b>Sales, thousand LTL</b>                           | <b>124 961</b>         | <b>116 328</b>         |
| <b>Gross profit, thousand LTL</b>                    | <b>16 445</b>          | <b>14 610</b>          |
| <b>EBITDA, thousand LTL</b>                          | <b>6 145</b>           | <b>4 224</b>           |
| <b>Current ratio ( at the end of period)</b>         | <b>2,76</b>            | <b>1,821</b>           |
| <b>Book value per share ( at the end of period )</b> | <b>3,14</b>            | <b>2,65</b>            |

**Segment information**

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

|                                       | As of 31<br>March 2013 | As of 31<br>March 2012 |
|---------------------------------------|------------------------|------------------------|
| <b><u>Sales</u></b>                   |                        |                        |
| Lithuania                             | 65 713                 | 70 732                 |
| Other Baltic States and CIS countries | 35 214                 | 26 182                 |
| Other European countries              | 22 972                 | 18 597                 |
| Other                                 | 1 062                  | 817                    |
|                                       | <b>124 961</b>         | <b>116 328</b>         |

**Inventories**

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

|                                    | As of 31<br>March 2013 | As of 31<br>March 2012 |
|------------------------------------|------------------------|------------------------|
| <b><u>Inventories</u></b>          |                        |                        |
| Raw materials                      | 11 749                 | 12 396                 |
| Finished goods and work in process | 85 334                 | 79 375                 |

|  |               |               |
|--|---------------|---------------|
| Goods for resale                           | 973           | 784           |
| Decrease values of raw materials and goods | (5 625)       | (6 970)       |
| <b>Total inventories</b>                   | <b>92 431</b> | <b>85 585</b> |

**Loans' repayment terms**

|                                     |                             |
|-------------------------------------|-----------------------------|
|                                     | <b><u>31 March 2013</u></b> |
| 2013 m .                            | 3 099                       |
| 2014 m .                            | -                           |
| 2015 m .                            | -                           |
| <b>Total Loans on 31 March 2013</b> | <b>3 099</b>                |

31 March 2013, outstanding **loans of the Group** in national and foreign currencies ( thous. LTL)

|                        |                             |
|------------------------|-----------------------------|
|                        | <b><u>31 March 2013</u></b> |
| <b>Loans currency:</b> |                             |
| Euro                   | 1 511                       |
| Litas                  | 1 588                       |
|                        | <b>3 099</b>                |

**Subsequent events**

Subsequent events was not after was make consolidated financial statements.