



**ŽEMAITIJOS PIENAS AB
CONSOLIDATED
SEMI - ANNUAL REPORT FOR THE YEAR 2021**

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I. GENERAL INFORMATION

Reporting period for which the report is prepared

The consolidated annual report has been prepared and submitted for the period of January-June 2021, as well as the report discloses significant facts and data that have occurred after the end of the reporting period.

In this document, Žemaitijos Pienas AB (hereinafter referred to as the Company or the Issuer), Šilutės Rambynas ABF (hereinafter referred to as the Group Company or the Subsidiary), and in cases where facts and/or data on both Companies are described or indicated together, are referred to in the text as the Group companies.

Brief history of the Company

The beginnings of the activity of Žemaitijos Pienas AB began back in 1924, when Telšiai Dairy was established, the capacity of which was considered to be really high at that time. At the end of 1984, Telšiai Dairy started operating in new premises and operated until the opening and privatization of one of the largest Telšiai cheese factories in the Baltics. Žemaitijos Pienas AB was registered in the Register of Legal Entities on 23 June 1993 in Telšiai District Board, re-registered on 16 October 1998 at the Ministry of Economy of the Republic of Lithuania.

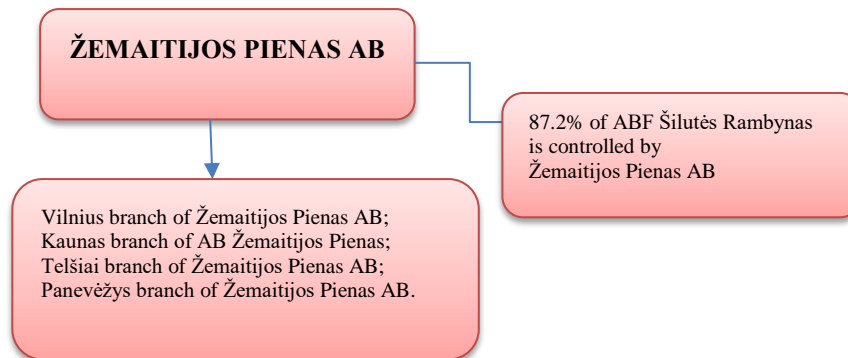
On 01 May 2004, by the resolution of the general meeting of shareholders it was reorganized by way of division, separating a part of assets, rights and obligations and establishing Žemaitijos Pieno Investicija AB. By the resolution of the General Meeting of Shareholders of December 18 2019, the Company was reorganized by merging the joint-stock company Baltijos Mineralinių Vandenių Kompanija, which after the merger on 10 January 2020 was deregistered from the Register of Legal Entities.

Details of the Company

AB "ŽEMAITIJOS PIENAS"	
Name	AB ŽEMAITIJOS PIENAS
Legal form	Public limited company
Company code	180240752
VAT code	LT802407515
Authorised capital	13 448 750 EUR
Registered office address	Sedos g. 35, Telšiai, Lithuania
Phone	+ 370 444 22201
Fax	+ 370 444 74897
E-mail	info@zpienas.lt
Website address	www.zpienas.lt
Stock trading code	ZMP1L
ISIN code	LT0000121865
LEI code	5299005U9E85Y55OHK45

Data on Žemaitijos Pienas AB are collected and stored in the State Enterprise Center of Registers in the Register of Legal Entities.

Structure of the Group



Branches and data of Žemaitijos Pienas AB

- Vilnius branch, personal code 123809154, address: Algirdo str. 40/13, Vilnius
- Kaunas branch, personal code 134853981, address: Europos ave. 36, Kaunas
- Telšiai branch, personal code 110893017, address: Sedos str. 35, Telšiai
- Panevėžys branch, personal code 148133399, address: J. Janonio str. 9, Panevėžys

The branches of the Company perform the functions of selling goods (dairy products) in the defined area of activity of the branch and carry out other actions or orders of the Company.

The Company has not established representative offices.

Subsidiary company - Šilutės Rambynas ABF

ABF „ŠILUTĖS RAMBYNAS“	
Legal form	Public limited company (Firm)
Company code	277141670
VAT code	LT714167015
Authorised capital	2 493 028,50 EUR
Registered office address	Klaipėdos g. 3, Šilutė, Lithuania
Phone	+ 370 441 77442
Fax	+ 370 441 77443
E-mail	info@rambynas.lt

The main activity of Šilutės Rambynas ABF is the production and sale of fermented cheeses and cheese products, pasteurized cream, pasteurized whey and concentrated whey (NACE, Group 10.5 “Dairy production”, class 10.51 “Dairy activities and cheese production”). In addition, the Company provides rental, transportation, warehousing, milk purchasing point service and other services. Šilutės Rambynas ABF has not established any branches or representative offices.

Main objectives and nature of economic activity

The Group companies carry out economic and commercial activities (production, trade, provision of services, etc.) in order to benefit and profit for themselves and their shareholders. The objectives of the activity are the organization and performance of the activities provided for in the Articles of Association in order to obtain income and profit, satisfy the property interests of the shareholders and the interests of the employees.

The main activity of Žemaitijos Pienas AB is development, production of dairy products (fermented cheeses and cheese products, prepacked cheeses and cheese products, processed cheeses and cheese products, creams, curd creams, butter dairy spreads, mixed spreads, milk fat, pasteurized cream, pasteurized cream, buttermilk, whey, dry dairy products, fresh dairy products (milk, cream, curd, curd products, yoghurts, desserts, curd cheeses, glazed curd cheeses, fermented milk products) (NACE, Group 10.5 "Manufacture of dairy products", class 10.51 "Dairy activities and cheese production") and sales in Lithuanian and foreign markets.

According to the ICB (Industry Classification Benchmark) widely used global company activity classification standard, Žemaitijos Pienas AB is classified to companies of everyday consumer goods - food, beverages and tobacco companies.

II. INFORMATION ABOUT THE ISSUER'S TRADING IN SECURITIES ON THE REGULATED MARKET

Žemaitijos Pienas AB securities (shares)

On 16 July 2004 Žemaitijos Pienas AB has entered into an agreement with Šiaulių bankas AB, according to which the management of securities accounts issued by the Company has been transferred to the competence of Šiaulių bankas AB since 23 July 2004.

Below are data on the capital¹ and securities of Žemaitijos Pienas AB.

¹ Data on the Company's capital and shares are provided to the condition as of 17 August 2021 when the reduced capital of Žemaitijos Pienas AB was registered.

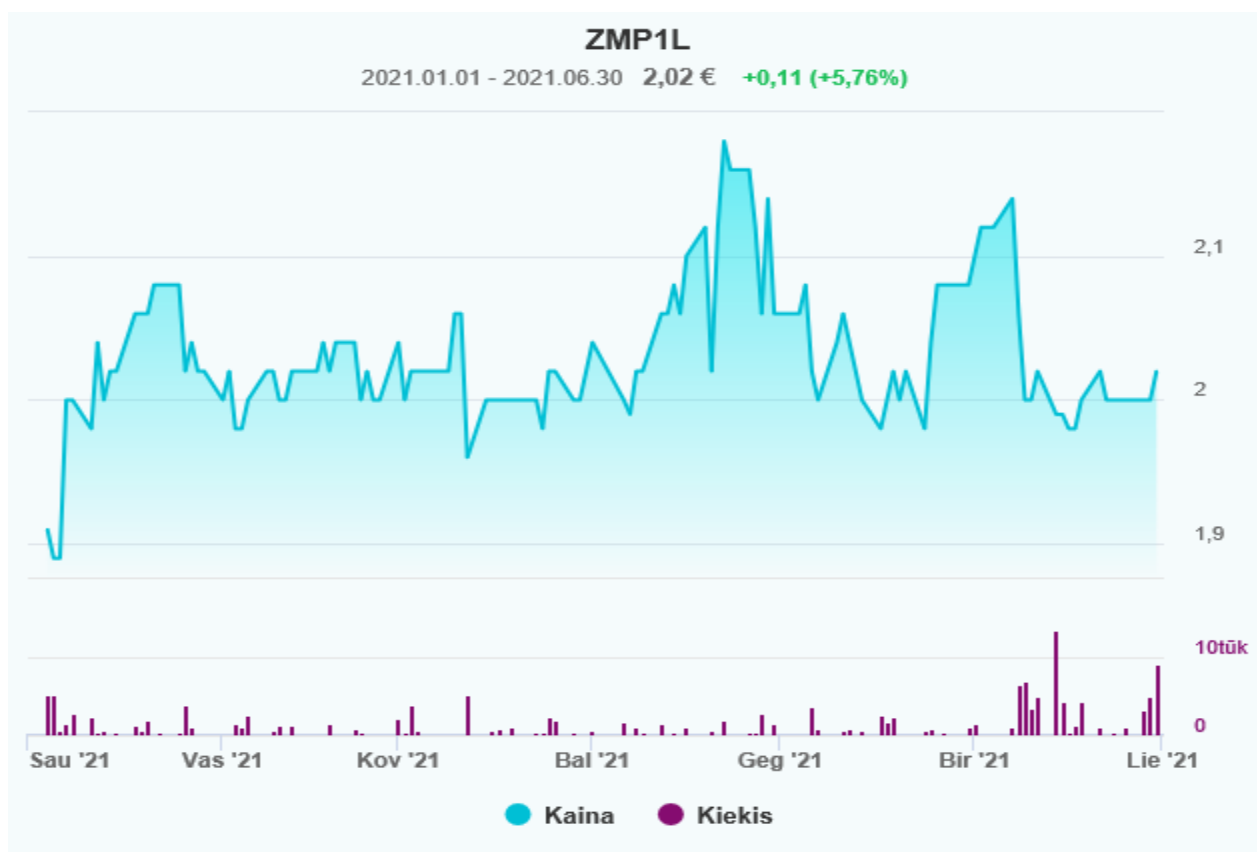
SHARES OF ŽEMAITIJOS PIENAS AB	
ISIN code	LT0000121865
Abbreviation / Symbol	ZMP1L
List / segment	Baltic supplementary list
Nominal value	EUR 0.29
Name of the securities	Ordinary registered shares
Issue size (psc.)	46 375 000
Listed issue size (psc.)	46 375 000
Listing start date	13/10/1997
The shares are listed on an supplementary trading list	13/10/1997
Total number of voting rights attaching to shares	46 375 000
Number of shares held by the company	2 836 327

Only shares issued by the Company (symbol - ZMP1L) are listed on the supplementary list of the NASDAQ OMX Vilnius Stock Exchange (hereinafter - Vilnius Stock Exchange). The securities of Žemaitijos Pienas AB were started to be listed on 13 October 1997. Securities (ZMP1L) ISIN code LT0000121865.

Below is the schedule of the Company's securities trading on the public exchange, which shows that from 01 January 2021 until 30 June 2021 the share price changed slightly (increased), the change at the end of the reporting period is (+ 5.76%)². Turnover of trading in the Company's shares in the first half of the year 2021 amounted to EUR 328,762.04; 164,382 psc. of shares were transferred by concluded transactions, the average (weighted) selling price per share is EUR 1.99.

During the reporting period, the sales volumes of shares and the dynamics of share prices are presented in the graph (see below).

² <https://www.nasdaqbaltic.com/statistics/lt/instrument/LT0000121865/trading>



Historical stock trading data for the year are presented in the table (see below):

Securities trading history

Price	2017	2018	2019	2020	2021
Deferred €	1.07	1.74	1.52	1.74	1.86
Max €	1.99	2.16	1.89	1.88	2.18
Min €	1.07	1.42	1.51	1.4	1.78
Last price €	1.74	1.5	1.74	1.85	1.97
Turnover pcs.	521 664	412 420	194 835	119 288	328 762
Turnover €	0.82	0.71	0.35	0.21	0.47
Capitalization €	84.17	72.56	84.17	89.49	91.36

Share price dynamics on NASDAQ Vilnius, 2021 01-06 months

Opening price, Eur 04/01/2021	Maximum share price, Eur 22/04/2021	Lowest share price, Eur 04/01/2021	Closing price, Eur 30/06/2021
1.86	2.18	1.85	2.02

The issuer's securities were not traded on other stock exchanges and other organized regulated markets.

Šilutės Rambynas ABF securities (shares)

ABF ŠILUTĖS RAMBYNAS AKCIJOS	
ISIN code	LT LT0000109217 LT 0000118945 LT 0000125668
Nominal value	2,90 EUR
Name of the securities	Ordinary registered shares
Issue size (units)	859 665
Listed issue size (units)	Unlisted
Total number of voting rights attaching to shares	859 665
Number of shares held by the company	0

AB Šilutės Rambynas securities register (accounting) has been managed by Šiaulių bankas AB since 16 July 2004 on the basis of the contract concluded. Šilutės Rambynas ABF shares are not traded on the Vilnius Stock Exchange and other organized regulated markets.

Žemaitijos Pienas AB owns 87.82% of Šilutės Rambynas ABF ordinary registered shares (has both property and non-property rights without any restrictions), Šilutės Rambynas ABF does not own Žemaitijos Pienas AB shares. Both companies do not hold shares in relation to each other on the basis of orders or other contractual grounds.

Dividends

On 02 April 2021 the Ordinary General Meeting of Žemaitijos Pienas AB Shareholders decided to allocate a part of the profit of EUR 900,000 to employee bonuses and EUR 1,000,000³ to annual raw material suppliers (farmers and other entities producing raw milk) and did not pay dividends to shareholders. The shareholders of ABF Šilutės Rambynas also did not pay dividends, and the shareholders of both companies decided not to pay bonuses.

Authorised capital

On 1 September 2021, the authorised capital of Žemaitijos Pienas AB consisted of:

Share class, type	Number of shares (units)	Nominal value (EUR)	Total nominal value (EUR)	Share of authorized capital (%)
Ordinary registered shares	46 375 000	0.29	13 448 750	100

³ <https://view.news.eu.nasdaq.com/view?id=be4a4d392d1d36a2e58a846bde32d0d3f&lang=lt>

All the Company's shares are fully paid and were not subject to any restrictions on the transfer of securities during the reporting period. The Issuer is not aware of any separate agreements between shareholders that may restrict the transfer of securities and/or voting rights. According to the Company, there are no shareholders with special control rights.

On 30 June 2021, the authorised capital of **Šilutės Rambynas ABF** consisted of:

Share class, type	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, and the issuer is not aware of any separate agreements between shareholders that may restrict the transfer of securities and/or voting rights. To the Company's knowledge, there are no shareholders with special control rights.

Acquisition and transfer of treasury shares

In the period from 01 January 2010 until 30 June 2021 The Company purchased the following amounts of treasury shares through the NASDAQ OMX Vilnius Stock Exchange.

No.	Abbreviation	Purchased	Min purchase	Start	End	Offered	Price	Quantity	Turnover	Paved. (%)	Currency
1.	ZMP1LTO2	1 176 70	1	2010.12.20	2011.01.18	10	1,7	10	17	100	LTL
2.	ZMP1LTO3	1 000 00	1	2011.08.22	2011.09.20	-	1,8	-	-	-	LTL
3.	ZMP1LTO4	1 360 000	1	2012.11.02	2012.12.14	3 777 532	2,2	1 360 000	2 992 000	36	LTL
4.	ZMP1LTO5	1 000 00	1	2013.03.25	2013.03.28	710 611	2,2	710 611	1 563 344,2	100	LTL
5.	ZMP1LOS	2 766 79	1	2016.07.04	2016.08.02	-	0,67	-	-	-	EUR
6.	ZMP1LOS1	742 857	1	2018.06.12	2018.06.25	62 223	1,75	62 223	108 890,25	100	EUR
7.	ZMP1LOS2	742 857	1	2018.07.09	2018.07.23	34 827	1,75	34 827	60 947,25	100	EUR
8.	ZMP1LOS3	742 857	1	2018.08.20	2018.09.03	59 557	1,75	59 557	104 224,75	100	EUR
9.	ZMP1LOS4	540 540	1	2019.05.06	2019.05.27	89 596	1,85	89 596	165 752,6	100	EUR
10.	ZMP1LOS5	300 000	1	2019.06.04	2019.06.11	23 963	1,8	23 963	43 133,4	100	EUR
11.	ZMP1LOS6	1 100 00	1	2019.06.18	2019.06.25	1 075 976	1,85	1 075 976	1 990 555,6	100	EUR
12.	ZMP1LOS7	675 000	1	2020.08.05	2020.08.12	65 788	1,48	65 788	97 366,24	100	EUR
13.	ZMP1LOS8	675 000	1	2020.08.31	2020.09.08	65 788	1,48	-	-	-	-
14.	ZMP1LOS10	606 000	1	2020.10.23	2020.10.30	8 850	1,65	8 850	14 602,5	100	EUR

On 02 April 2021, the general meeting of shareholders adopted a decision to allocate (create) a reserve for the acquisition of treasury shares, as well as established the conditions for the repurchase of shares. During the reporting period, the Company did not repurchase its treasury shares. At the end of the reporting period, the Company owned 3,491,501 psc. of treasury shares. On 13 July 2021

the Company bought 1,344,826 psc. and owned a shareholding of 4,836,327 psc., what accounts for 10% of all shares of Žemaitijos Pienas AB listed on the NASDAQ OMX Vilnius Stock Exchange.

At the shareholders' meeting of 02 April 2021, the shareholders of Žemaitijos Pienas AB set the main objectives of the share repurchase - (i) to ensure the possibility for the shareholders to sell the shares in order to increase, maintain and/or stabilize the liquidity of the Company's shares; (ii) increase, maintain and/or stabilize the market price of the Company's shares; (iii) have the ability to allocate its treasury shares to encourage employees of the Company to contribute to the Company's performance and to sell them to employees of the Company, other than employees who are members of the Company's Supervisory Board or Board of Directors or employees who are Shareholders of the Company; (iv) be able to use its treasury shares in possible exchange processes when the Company acquires or sells shares in other companies; (v) to hold a reserve of treasury shares which, if necessary, could be used for other specified purposes (or one or more of them) by decision of the Board of the Company.

During the reporting period, the Company did not transfer its treasury shares, did not enter into any other transactions, e.g. the shares have not been pledged or otherwise restricted, their rights are not subject to any other encumbrances or restrictions, and there are no disputes or claims regarding these shares.

Šilutės Rambynas ABF has not bought its treasury shares, does not manage its treasury shares on other grounds.

III. OVERVIEW OF ECONOMIC ACTIVITIES, RISKS AND PERSPECTIVES OF THE GROUP

Product safety and international recognition

The Group companies operate in the food industry segment, therefore one of the main goals of the Group companies is high-quality and safe products that meet the needs of consumers. This goal is achieved not only on its own, but also with the help of third parties - specialists, experts (auditors), who as independent entities are best able to evaluate the produced dairy products, production processes and give a message to the Company and the market.

Žemaitijos Pienas AB constantly invests in the renewal and modernization of equipment of individual production units in order to improve the quality of products, their taste properties, reduce production costs and optimize production processes, ensure the efficiency of food risk management related to food safety.

During the reporting period, the Company was assessed in accordance with the requirements of international food safety and quality management standards:

1. In March 2021 the auditors of UAB Bureau Veritas performed a remote risk assessment inspection of Žemaitijos Pienas AB, due to the extension of the certificates ISO22 000/FSSC 22 000 until October 2021.
2. In June 2021 an audit by the US Force (NATO) assessed the compliance of the mineral water production division with NATO requirements.

The auditors concluded that the Company meets the requirements of certified standards. The audits were carried out without prior agreement of the audit date and plan. Žemaitijos Pienas AB has complied with the requirements of the above-mentioned international food safety standards, which are recognized by the International Food Safety Initiative (GFSI).

Investments and ongoing investment projects

In 2021 Žemaitijos Pienas AB continued to invest in the renewal and modernization of equipment of individual production units in order to optimize production processes, ensure the efficiency and quality of management of food risk factors related to food safety.

During the first half of the year 2021 the main investment goal of the Company, as in previous years, was to increase the Company's competitiveness, to apply and use measures that would solve environmental problems, improve product quality and working conditions and safety of employees.

The main directions of investment were directed to the fresh dairy production unit, i.e. to the development of the curd workshop, modernization of packaging and refrigeration equipment, which will ensure and allow to improve the quality of the product and will allow to increase the productivity of the produced products. Investments were also made for small-scale operational works and repairs, which would improve the safety of works, the technical level of equipment, the reduction of wastewater pollution and the efficient use of energy costs. The aim is that the equipment and technological processes meet the expectations of employees and customers and that the final product is safe and of high quality for the buyer.

Žemaitijos Pienas AB also does not lag behind global sustainability trends. The amount of wrapping and packaging materials used is being optimized. The amount of plastic used for product packaging is reduced. In co-operation directly with the producers of packaging materials, the possibilities of using more environmentally friendly packaging for the packaging of dairy products produced from renewable natural sources are being assessed.

Products and trademarks

The vision is continued and realized - to represent the culture of the Samogitian region not only in Lithuania, but also in the world by creating delicious and unique products. The mission is to continuously create added value for the Group's companies, its shareholders and the buyer. Marketing is an integral part of a successful business, therefore in 2021 the staff of the Group's companies paid a lot of attention to it.

The priority of Žemaitijos Pienas AB is to produce only high-quality, healthy and safe products that would become a benchmark of exceptional taste for even the most whimsical buyers, thus developing the consumer habit of choosing goods only with the Žemaitijos pienas AB brand. The constant goal is never to disappoint the customer's expectations, to look for new markets, by getting established not only with excellent products, services and other development, but also to attract such specialists who would professionally represent the Company's interests in cooperation with customers and market partners. Continuously create added value for the Buyer and the Group's companies by retaining existing Customers and attracting new ones, ensuring the highest level of product quality from the "field" to the "shelf".

With continuous improvement, new products can be introduced to consumers. A news of the first half of the year 2021 - ACTIFEEL yogurt line. This line of yoghurts without added sugar and enriched with soluble dietary fiber consists of 3 different flavours (types):

1. Greek type yogurt Actifeel, 0.2% fat, 300 g. it is a natural source of protein suitable for daily nutrition;
2. Actifeel yoghurt with inulin 3.0% fat, 300 g, a source of dietary fiber for excellent intestinal function;
3. Actifeel yoghurt with Spanish sage seeds 2.7% fat, 300 g is a harmony of taste and nutritional properties in yogurt.

In order to "move forward" not only in the development of high-quality, healthy and delicious dairy products, but also in adapting to today's trade trends, trade was launched on a foreign website. In the first half of 2021 Žemaitijos Pienas AB launched e-commerce through e-commerce company Amazon in the United Kingdom. Ongoing trade - hard cheese "Džiugas" 180 g that has received

numerous international awards. Sales are made directly from the Amazon warehouse, which enables high-quality and fast delivery of products throughout the United Kingdom.

In 2021, commemorating the birth year of the warrior DŽIUGAS, Žemaitijos Pienas AB carries out the social campaign Grow Together with Džiugas and aims to contribute to the noble mission - to commemorate the 800th anniversary of the birth of the legendary mythological Samogitian hero DŽIUGAS.

Continuing the tradition, the traditional festival of DŽIUGAS® cheese, called "DŽIUGAS DAY", is being organized, which has moved everyone to the virtual space this year. The participants of the festival were "met" differently - remotely. However, modern technologies have made it possible to achieve the main goal - to certify the cheese with the help of independent evaluators and to take the participants of the festival on a wonderful journey of legendary cheese flavours. This year, representatives from as many as six European countries became independent evaluators of hard cheese, with 15 authoritative evaluators from Poland, Germany, France, Croatia, Hungary and England. "DŽIUGAS DAY" is celebrated on the first Friday of May each year. Kits for professional evaluation and cheeses for entertainment tasting with various ingredients compatible with the cheese were sent to all independent cheese evaluators. The virtual DŽIUGAS DAY was broadcast live with simultaneous translation into English, German, French and Polish. During DŽIUGAS DAY, as many as 4 matured cheese samples were evaluated according to the classic criteria - taste, smell, colour, appearance and consistency. It is gratifying that the distinguished foreign guests virtually felt at least a part of the taste of Lithuania and Samogitia, whose capital produces the legendary DŽIUGAS® cheese.

Financial information of Group companies

The Company has selected key standard financial indicators for analysis, which many companies use in practice to analyze financial data. The main financial performance indicators reflecting the activities of the Group and the Company for the half-year of 2020-2021 are as follows:

Financial indicators	Group		Company	
	1 st half-year of 2021.	1 st half-year of 2020.	1 st half-year of 2021.	1 st half-year of 2020.
Turnover, thousand euros	93 254	88 417	92 790	88 089
Gross profitability,%	21,14	22,57	21,22	22,89
Net profitability,%	4,46	6,77	4,96	7,52
EBITDA, thousand euros	6 955	8 756	7 181	9 267
EBITDA profitability,%	7,46	9,90	7,74	10,52
ROE profitability,%	4,14	6,45	4,97	7,76
ROA profitability,%	3,14	4,68	3,69	5,49
Overall liquidity ratio	3,40	4,04	3,10	3,67
Urgent coverage factor	1,62	2,19	1,44	1,99
Debt-equity ratio	0,32	0,38	0,35	0,41
Debt ratio	0,24	0,27	0,26	0,29
Amount of investments in fixed assets, thousand euros	7 620	903	7 454	662

The formulas for calculating the above financial ratios and a description of what the ratios mean shows submitted in the section **Performance results of the Group** of the annual report for 2020, pp. 19-20.

The Company's operating expenses in the first half of the year 2021 (EUR 15.25 million) accounted for 16.44% of the turnover. In the first half of the year 2020 (EUR 13.65 million) it accounted for 15.5% of the turnover. Group operating expenses in the first half of the year 2021 (EUR 15.74 million) accounted for 16.88% of the turnover when in the first half of the year 2020 (EUR 14.06 million) it accounted for 15.90% of the turnover. The increase in operating expenses was mainly due to the increase in sales expenses (wages; marketing). Due to the increase in raw milk purchase and packaging prices, the Company's and the Group's gross and net profits decreased compared to the first half of the previous year. Although sales increased, sales prices did not increase enough to cover the increase in prices for raw milk and other basic materials. Increases in the prices of basic materials and raw materials affected the values of all indicators.

Overview of the performance, condition and development of economic activities

Comparison of Žemaitijos Pienas AB raw milk purchase volume and prices in the first half of the year 2021 and in the first half of the year 2020:

Purchase of raw milk (recalculated to basic indicators) *	1 st half of 2021	1 st half of 2020	Change compared to 1 st half of 2021 and 1 st half of 2020
Quantity of purchased milk, thousand, tons	195	185	5.41 %
Price of purchased milk, Eur / t	265	243	9.05 %

* Purchased milk is converted into a basic one using a certain coefficient set by the state, calculated on the basis of fat and protein content.

Žemaitijos Pienas AB has been paying farmers a competitive price for the production of high quality milk for many years. The average amount of converted milk purchased in the first half of the year 2021 amounted to - 195 thousand tonnes, an increase of 5.41% compared to in the first half of the year 2020 (in the first half of the year 2020 - 185 thousand tons).

The average price of purchased converted milk for the first half of the year 2021 is 265 Eur/t and it is 9.05 percent more compared to the first half of the year 2020 (243 Eur/t in the first half of 2020).

AB Šilutės Rambynas subsidiary does not directly buy raw milk, Žemaitijos Pienas AB sells raw milk to it. For many years, Žemaitijos Pienas AB has based its activities with milk producers on a fair partnership and promotes dairy farm owners who achieve the best milk quality indicators.

Žemaitijos Pienas AB in the first half of the year 2021 paid farmers an annual partnership supplement in the amount of 768 thousand Eur, its aim is to promote the development of dairy farming and ensure further cooperation with milk producers. This supplement was paid for milk sold throughout 2020 to farmers, suppliers of stationary points, agricultural companies selling milk to Žemaitijos Pienas AB in 2020 without interruption and meeting the prescribed requirements.

In the first half of the year 2021 sales of Žemaitijos Pienas AB products were 92,790 thousand Eur, i.e. 5.34 percent more compared to the first half of 2020 (H1 2020 - EUR 88,089 thousand).

Žemaitijos Pienas AB receives the largest share of revenue from the Lithuanian sales market, which amounts to more than half of all revenue - 51.37 percent (52.76% in the first half of 2020). Other sales markets are the Baltic States and the CIS countries - 15.89 percent (16.52% in the first half of 2020); other European countries - 25.54 percent (23.18% in the first half of 2020) and the rest of the world account for 7.20% (7.55% in the first half of 2020). Export countries which had the highest turnover in the first half of 2021 - Poland, Latvia, Germany, USA.

Sales of Žemaitijos Pienas AB by geographical segments, in thous. Eur.

No.	Sales by geographical segments, in thous. Euros	H1 2021	Percent from total revenue in H1 2021	H1 2020	H1 2020	Percent from total revenue in H1 2020
1	Lithuania	47 671	51,37%	46 472	52,76%	2,58%
2	Other Baltic States and CIS countries	14 743	15,89%	14 548	16,51%	1,34%
3	Other European countries	23 697	25,54%	20 416	23,18%	16,07%
4	Other	6 679	7,20%	6 653	7,55%	0,39%
5	Total	92 790	100%	88 089	100%	5,34%

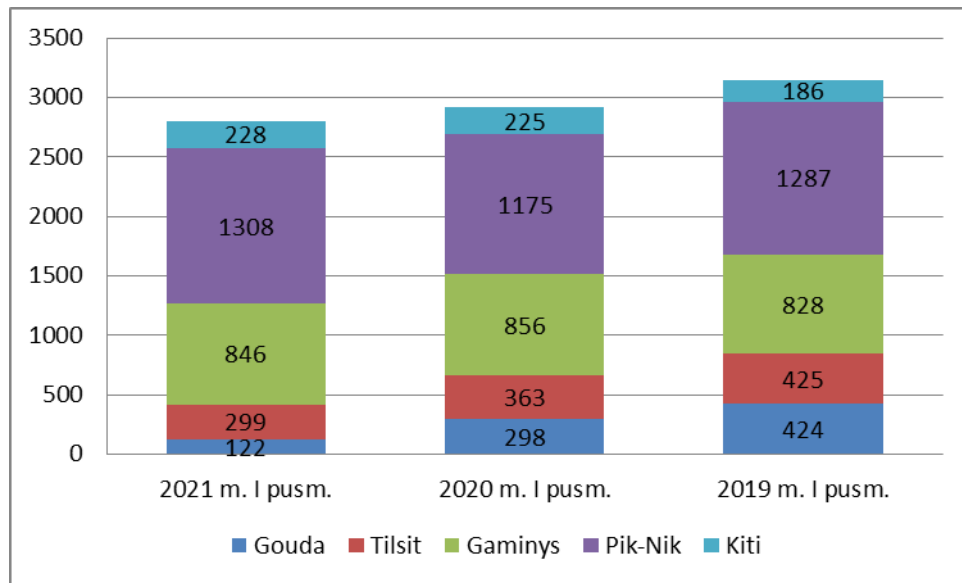
Sales of AB Žemaitijos pienas by product Groups, in thous. Eur.

No.	Sales by geographical segments, in thous. Euros	H1 2021	Percent from total revenue in H1 2021	H1 2020	H1 2020	Percent from total revenue in H1 2020
1	Fermented and processed cheeses	40 003	43,11%	37 702	42,81%	6,10%
2	Fresh dairy products	28 792	31,03%	31 397	35,64%	-8,29%
3	Butter and spreads	7 841	8,45%	7 136	8,10%	9,87%
4	Dry dairy products	8 333	8,98%	7 648	8,68%	8,95%
5	Other	7 821	8,43%	4 206	4,77%	85,94%
6	Total	92 790	100%	88 089	100%	5,34%

Comparing H1 2021 with H1 2020, sales turnover of fresh dairy products decreased by 8.29 percent. This was due to a decrease in the sales volume of glazed cheese, sour cream and curd in tonnes (in the first half of 2021 compared to the first half of 2020, the turnover in tons decreased by 14.78%).

Production of Šilutės Rambynas ABF products

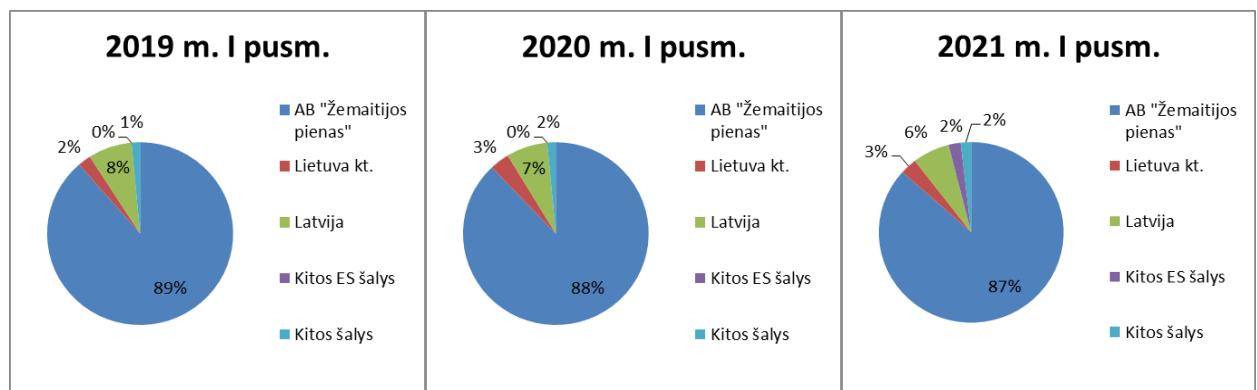
The Company specializes in the production of cheese. Production volumes (in tonnes) in 2021 for the first half of 2019, as well as comparative data for the respective periods in 2019 and 2020 are shown in the histogram below:



H1 2021 H1 2020 H1 2019 Gouda Tilsit Product Other

During the first half of 2021, 2803 tons of cheese were produced, or 114 t (3.9 percent) less than in the first half of 2020. The decline in production volumes was due to lower demand for products due to lower consumption and possibly due to the impact of Covid-19. Production of fermented cheeses (Gouda and Tilsit), which amounted to 421 t, continued to decline, while in 2020 661 tons were produced in the first half of the year (a decrease of 36.3 percent). Production of fermented cheese product remained at a similar level of 846 t in in the first half of the year 2021 and 856 t. during the relevant period in 2020. The production of peelable cheese sticks increased by 11.3% and that of other cheeses by 1.3%.

Most of the Company's products are sold through the parent company - Žemaitijos Pienas AB. The sales structure by markets is shown graphically:



H1 2021 H1 2020 H1 2019 Žemaitijos Pienas AB Lithuania Latvia Other ES countries Other countries

In the first half of the year 2021, products were sold for 14,135 thousand Eur or 4.6 percent more than during the same period in 2020, when sales amounted to 13,512 thousand Eur. The increase was due to an increase in the prices of raw products (cream, concentrated whey) compared to 2020 and increased sales of peelable cheese sticks.

Types of risks, their factors and uncertainties, their management

Financial and other risks and their management, hedging instruments, other financial matters are disclosed in Chapter 29 “Financial risk management” of the explanatory note to the annual audited financial statements for 2020 and a detailed statement on this in the consolidated financial statements of Žemaitijos Pienas AB management report for 2020 (section “Key risk factors and risk management”). There are no substantial changes on these issues in the first half of 2021.

The Company and other Group companies are insured against joint and several liability for the activities performed and for the manufactured product, the insurance policy is valid worldwide. Risk management is performed by the Company's management.

Uncertainty of business environment, challenges, risk management of COVID-19 pandemic impact

The impact of COVID-19 on business is widely explained in the 2020 Annual Report and Explanatory Note. No significant changes took place during in the first half of 2021. The Company's management continued to take all necessary preventive measures to manage the crisis caused by COVID-19: all procedures/instructions recommended by the Government were prepared; staff is further provided with PPE; the emergency plan has been supplemented, employees have been additionally tested, etc. In addition to all the recommended preventive measures, the Company's production employees in the first half of the year in 2021 were continued to be provided with free meals in order to avoid additional risks and contacts, and it was possible to enter the Company's territory without meeting other shift employees.

The management of the Company and the Group tried to maintain all jobs, there was no downtime. The Company's and the Group's management believes that the main risk that could arise in the future is a significant number of the Company's and the Group's employees infected with COVID-19, which would result in the cessation of partial or total production. This would lead to lower incomes, profits, loss of farmers and customers. The Company and the Group still operate in an enhanced security mode, the temperature of employees is constantly measured, any meetings are restricted, guests access to the territory, and the flow of employees in the canteen and other gathering places is restricted. The premises are disinfected daily, employees are provided with protective equipment and disinfectant liquid.

Business plans and forecasts of Group companies

The main goal remains to sell the Company's and the Group's products directly to the shelves of strategic foreign countries with their own brands and brands, and to ensure that the Company's and the Group's products in their segment are of the highest quality and best meet customer expectations, but also healthy and organic food.

The Company has sought and will continue to make optimal use of the opportunities for rapid development in a competitive environment. The long-term goals of Žemaitijos Pienas AB Group companies are to become and be strong, competitive, technically modern, reliable, attractive companies for investors, so that the Company's return to shareholders would be one of the largest among equal companies. To find and maintain the most profitable markets for its products in the European Union and the Baltic and other countries of the world, giving priority to the markets as close as possible, as well as to the markets of Germany, France, England and Hungary. Make the most of existing production capacity. The aim is to improve and develop new dairy products with the help of scientists and new scientific methods by constantly researching the consumer market, their needs for new products, carrying out tastings. In addition, the goal of the Companies is to get as close as possible to consumers by directly supplying and selling goods to the consumer

The main current goals of the Company remain:

- to buy raw milk on market conditions, but not more expensive than raw milk in Lithuania is bought by other market participants and to buy only quality milk;
- to encourage and assist farmers in improving milk quality;

- to increase sales at prices favourable to the Company;
- focus on sales of higher value-added products in export markets;

The lack of qualified workforce forces the Company to focus on human resources, therefore the aim is to pay special attention to strengthening the team of employees, developing competence and qualifications, forming specific skills, reviewing and improving motivational systems. The constantly changing and dynamic market for the sale of dairy products and the purchase of raw milk, characterized by strong competition, forces Žemaitijos Pienas AB Group to refrain from publishing turnover and profit forecasts for the coming operating periods.

Information on the company's research and development activities

The goal of the companies is to ensure the production and supply of products that meet the highest quality standards and create the highest added value to the consumer, therefore production technologists continue to cooperate with the scientists of Lithuanian University of Health Sciences, Vilnius University, Kaunas University of Technology, as well as Lithuanian and foreign experts. In cooperation with scientific institutions and foreign laboratories, new products are developed, adapted to the needs of the modern consumer. The development of products aims to take into account sustainable raw materials and technologies, and seeks added value designated to the functionality of products (protein products, products with fiber, vitamins, etc.). The Company's specialists are constantly doing internships in foreign countries, participating in exhibitions, raising their qualifications in trainings and seminars.

Laboratory tests of products are carried out regularly at the National Food and Veterinary Risk Assessment Institute, Eurofins, Hamilton, Food Institute of Kaunas University of Technology, Veterinary Academy of the Lithuanian University of Health Sciences, etc. laboratories. The research is of a continuous nature, focusing mainly on the improvement of the products of the existing product cart.

Activities of group companies in the field of environmental protection

Žemaitijos Pienas AB, a company producing and selling dairy products, which, according to the criteria established in the rules for issuing, amending and revoking integrated pollution prevention and control permits, is classified as an enterprise that uses equipment that requires a special permit issued in accordance with the said rules. Back in 2006 the Company has been issued a permit for integrated pollution prevention and control, the validity of which is not limited, but is adjusted due to changes. The Company does not have a negative impact on the environment, for which immediate measures should be taken, but the Company constantly monitors its performance, plans and implements the latest technologies that would reduce production and operating costs and energy costs, improve the Company's environmental condition.

The Company is constantly improving and refining the integrated quality and food safety management system, which meets the requirements of international standards BRC, ISO 22000, FSSC (ISO 22000, ISO/TS 22002-1).

Žemaitijos Pienas AB strives to save and use natural resources as rationally and economically as possible by various means. As you know, natural resources determine the economic development of countries. States that conserve natural resources have much greater opportunities to develop production, trade and the social sphere. The Company is well aware that its activities can cause significant damage to nature, and only the integrated use of economic, legal, technical and biological measures can guarantee the rational use of natural resources now and in the future, so the environmental impact is controlled by harmonized monitoring programs. When the Company expands or upgrades equipment and technology, an environmental impact assessment is performed to ensure that the Company's development does not exceed the permitted environmental standards, as well as industrial wastewater, biofuel quality and other factors that may affect the surrounding

environment are monitored. The Company is constantly updating its fleet to reduce air pollution from mobile sources. In order to ensure the reduction of pollution from stationary pollution sources, the Company uses the best available production methods.

Waste is managed in accordance with the established environmental requirements, through the environmental electronic data collection system GPAIS (product packaging waste information system), as well as quarterly waste generation accounting reports and accounting reports of released-imported packaging waste are provided (formed). Hazardous and non-hazardous waste is stored and managed in the area in such a way that it does not have a negative impact on the environment, it is sorted and its storage places are marked accordingly. Waste is transported to waste recovery companies in a timely manner. Žemaitijos Pienas AB sorts packaging at the waste generation site, presses it and prepares it for recycling. It also distinguishes between non-recyclable packaging waste, which is systematically transferred to collectors and recyclers of this waste.

Political-economic environment in the field of climate change

Climate change is a global challenge that requires a global response. The EU is committed to helping increase the global effort, and EU countries have agreed to the target of ensuring climate-neutral effects in line with the Paris Agreement by 2050. The European Green Course provides an action plan:

- promoting resource efficiency in the transition to a clean circular economy,
- restoring biodiversity and reducing pollution.

Climate neutrality will require a transformation of European society and economy. The Council of Europe considers legislative and other initiatives under the European Green Course after they have been proposed by the European Commission. Political commitments are transformed into legal commitments.

It is clear that huge public investments will be needed, and significant efforts will be made to channel private sector capital into climate and environmental action, avoiding attachment to unsustainable models.

Achieving the goals of climate neutrality will require action in all sectors of the economy:

- to invest in environmentally friendly technologies,
- to support industrial renewal through innovation and innovation,
- to introduce cleaner, cheaper and healthier forms of private and public transport,
- to reduce greenhouse gas emissions, increase the share of renewable resources and increase energy efficiency in the field of energy,
- to ensure greater energy efficiency of buildings,
- work with international partners to improve global environmental standards.

The EU also plans to provide financial support and technical assistance to those most affected by the transition to a green economy.

The Company and the Group constantly:

1. monitor the climate change situation, current affairs, trends, related policy initiatives and legislation;
2. assess the risks associated with climate change issues;
3. integrate operational threats and opportunities into its risk management system.

Personnel management and human resources aspects of group companies

The tendency of education of Žemaitijos Pienas AB employees does not change - most of the employees working in the Company have acquired professional or higher education. Employees are encouraged to pursue higher education and professional skills that are useful to the Company through scholarships or bonuses, which are awarded after obtaining education and providing supporting documents. Continuity of learning and development is also ensured. Employees continue to be

encouraged to deepen their professional knowledge in both internal and external training and to improve their professional qualifications.

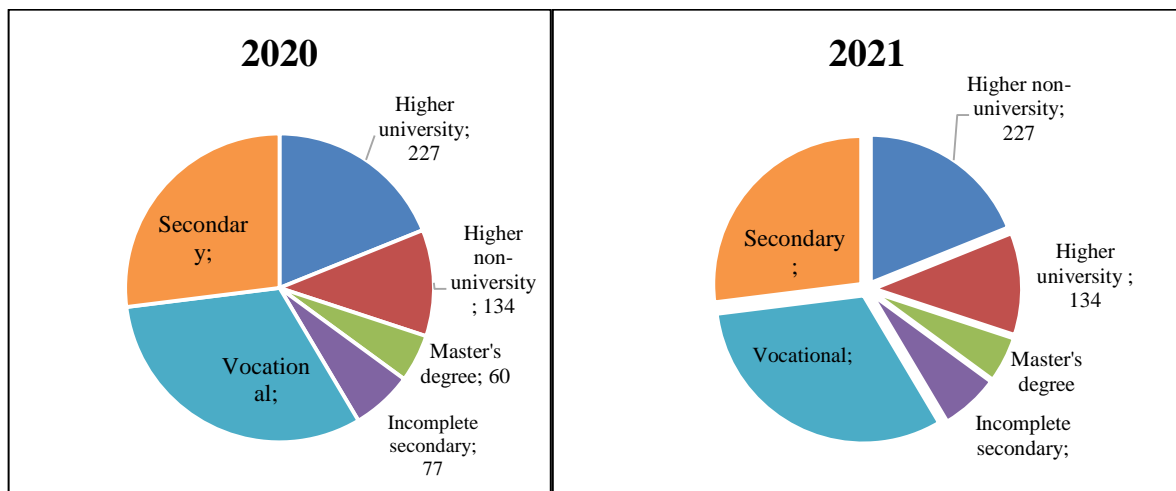
During the pandemic, the shortage of automation engineering specialists became apparent both in the labour market and in Žemaitijos Pienas AB. The goal of the Company is to attract the missing specialists. To this end, co-operation agreements are concluded with educational institutions that train the said specialists, and internships and employment opportunities for such specialists are ensured. Employees already working in the Company are trained and educated to take up higher, missing job positions, opportunities are created to raise one's category, thus increasing their salary.

According to the data as of 30 June 2021, Žemaitijos Pienas AB employed 1261 staff members (of which 60 pupils and students working temporarily during the summer). According to the data as of 31 December 2020, there were 1242 employees at Žemaitijos Pienas AB. According to the data of Žemaitijos Pienas AB as of 31 December 2019, there were 1210 employees. During the reporting period, the number of relatively permanent employees of Žemaitijos Pienas AB decreased.

Groups of employees at Žemaitijos Pienas AB by education (2019, 2020, 2021), after eliminating pupils and students working temporarily during the summer:

The number of employees	31/12/2019	31/12/2020	30/06/2021
With a master's degree	72	73	60
With higher university education	126	124	134
With higher non-university education	265	283	227
With vocational education	344	351	379
With secondary education	335	332	324
With incomplete secondary education	68	79	77
All together:	1210	1242	1201

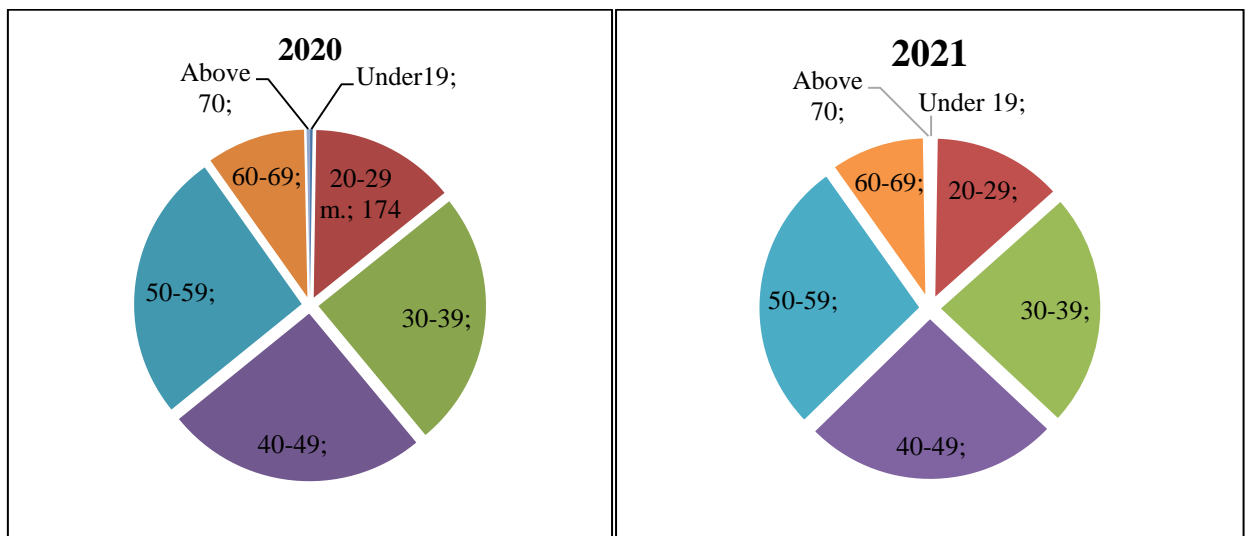
Žemaitijos Pienas AB Employee groups by education (2020 and 2021), after eliminating temporary summer pupils and students:



The number of employees of Žemaitijos Pienas AB, after eliminating temporary pupils and students working during the summer, according to their respective groups and their average salary according to the respective employee working groups in euros is:

Number of employees by groups	31/12/2019		31/12/2020		30/06/2021	
	Number of employees	Average wage, in euros	Number of employees	Average wage, in euros	Number of employees	Average wage, in euros
	9	7429	9	7193	9	6105
Managers	288	2246	311	2285	305	2422
Specialists	913	1194	922	1257	887	1317
In total:	1210		1242		1201	

Number of employees in age groups in 2020 and in 2021, with the elimination of temporary summer pupils and students:



Šilutės Rambynas ABF

At the end of the period, the Company had 168 employees, their number compared to 2020. during the same period, the number of employees decreased by 14 (7.7%). Changes in employee groups by education are presented in the table:

Employee education	30/06/2021	30/06/2020	30/06/2019
With a master's degree	9	9	8
With higher education	25	26	25
With higher education	24	24	26
With vocational education	58	64	70
With secondary education	38	43	44
With incomplete secondary education	14	16	22
Altogether:	168	182	195

The average salary during the first half of 2021 was 1582 Eur/month or 5.5 percent. higher than in 2020. The change in wages and salaries by Groups of employees is presented in the table:

Number of employees by employee groups	30/06/2021		30/06/2020		30/06/2019	
	Number of employees	Average wage, in euros	Number of employees	Average wage, in euros	Number of employees	Average wage, in euros
Leaders	7	3610	7	2978	7	3332
Specialists	21	2100	28	1781	30	1906
Workers	140	1403	147	1376	158	1382
Altogether:	168	1582	182	1500	195	1533

The Group company seeks to create and develop long-term relationships with employees, especially when the situation in the labour market is not satisfactory - there is a lack of highly qualified employees. Therefore, employees are constantly encouraged to develop professionally. The Company's employees have the opportunity to improve their knowledge and skills in seminars and courses. There are training programs for training and certifying specialists, production workers, machine operators, operators, locksmiths, foremen, supervisors.

IV. OTHER INFORMATION

Related party transactions

Related party transactions during the first six months of the current financial year that have a material effect on the financial position or performance of the company and/or Group during that period, including the amounts of those transactions, are presented in Note 18 to the Explanatory Letter for the first half year of 2021.

Judicial and extrajudicial proceedings

I. Administrative cases

1. Defendant Žemaitijos Pienas AB, Plaintiff/Applicant Public Institution Rural Business and Market Development Agency, the essence of the dispute regarding the cancellation of the fine of EUR 3,000, in the Supreme Administrative Court of Lithuania, the fine examined in the case was canceled;

2. Plaintiff/applicant Public Institution "Packaging Management Organization", third party Žemaitijos Pienas AB, Defendant Environmental Protection Department under the Ministry of Environment, essence of dispute regarding repeal of individual legal act, case in the Supreme Administrative Court of Lithuania, the outcome of the case is unpredictable;

3. Plaintiff/applicant Žemaitijos Pienas AB, Defendant Bank of Lithuania, the essence of the dispute - regarding the cancellation of the fine of EUR 158,000, the case in the Supreme Administrative Court of Lithuania, the outcome of the case is unpredictable;

4. Other cases that will not have a significant impact on the rights and obligations of Žemaitijos Pienas AB;

II. Civil cases

1. The plaintiff Žemaitijos Pienas AB, the Defendant VšĮ Pakuočių tvarkymo organizacija, the essence of the dispute claim for damages of 96,020 euros, the case in the Vilnius Regional Court, the outcome of the case is unpredictable, moreover, its outcome depends on the outcome of the case that is heard in the in the Supreme Administrative Court of Lithuania;

2. Other cases that will not significantly affect the rights and obligations of Žemaitijos Pienas AB;

III. There are no cases pending before the courts or other institutions in criminal, tax law or other relations;

Regulated information made public by the Company

During the reporting period, the Company published 16 notices via the information system of the Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) (on the website). All facts (events) are stored in the Central Regulated Information Database⁴, as well as this information is available on the Company's website www.zpienas.lt.

Public notices shall be published in accordance with the procedure established by legal acts and submitted in the electronic publication of the administrator of the Register of Legal Entities. Notices on the convening of the General Meeting of Shareholders and other material events are published in accordance with the procedure established by the Law on Securities in the Central Regulated Information Database www.crib.lt and on the Company's website www.zpienas.lt. The most important events of the reporting period were announced in the first half of the year 2021.

⁴ http://www.nasdaqbaltic.com/market/?pg=news&issuer=ZMP&start_d=1&start_m=1&start_y=1996

29 June	Decisions taken by the Extraordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS held on June 29, 2021
28 June	Regarding Acquisition or disposal of the issuer's own shares) Acquisition or disposal of block of shares
23 June	Notice of voting rights package
23 June	Notification of persons holding managerial positions and transactions of closely related persons
22 June	Notification of loss of a voting rights package
22 June	Notification of the acquisition of a voting rights package
22 June	Regarding the change of the place and registration time of the Extraordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS
18 June	Supplemented notification of the Board of the Company regarding the intention to delist the company's shares from trading on the regulated market of AB Nasdaq Vilnius and to terminate public offering of the shares
8 June	The announcement of the Company's Management Board of its intention to delist the Company's shares from trading on the regulated market of Nasdaq Vilnius, AB and to discontinue to offer the shares to the public
7 June	Regarding the convening of the Extraordinary General Meeting of Shareholders of AB "Žemaitijos pienas"
15 April	Regarding the decision of the Supreme Administrative Court of Lithuania
2 April	Annual information of AB "Žemaitijos pienas"
2 April	Regarding the appointment of a member of the Board
2 April	Decisions made by Ordinary General Meeting of Shareholders of AB "Žemaitijos pienas"
23 March	Regarding the draft alternative resolution submitted to the Ordinary General Meeting of Shareholders of AB Žemaitijos Pienas
11 March	Regarding the convening of the Ordinary General Meeting of Shareholders of AB Žemaitijos Pienas

Information related to Corporate Governance

During the reporting period, two meetings of Žemaitijos Pienas AB shareholders took place - (i) the Ordinary General Meeting of Shareholders, which resolved issues related to the financial results⁵ of the Company, also considered the determination of the budget and conditions for repurchase of treasury shares; (ii) Extraordinary General Meeting of Shareholders "On Delisting of the Company's Securities"⁶.

⁵ <https://view.news.eu.nasdaq.com/view?id=be4a4d392d1d36a2e58a846bde32d0d3f&lang=lt>

⁶ <https://view.news.eu.nasdaq.com/view?id=bf44e9aaf2f12fefe81d45bc47824303b&lang=lt>

During the reporting period, Šilutės Rambynas ABF held one shareholders' meeting to discuss the Company's financial results in 2020.

On 02 April 2021, Monika Jasiulionienė, a member of the Board who holds the position of Production Director in the Company, was elected to the Board of Žemaitijos Pienas AB. Education of the Board member Monika Jasiulionienė's - Kaunas University of Technology (Bachelor of Food Chemistry and Engineering); Kaunas University of Technology (Master of Manufacturing Engineering).

During the reporting period, no other significant changes in the management of the Companies or related to management took place, all more detailed information is provided in Corporate Governance Report for 2020⁷. It should also be noted that financial and information related to the securities of Žemaitijos Pienas AB and other relevant information is published at [-https://www.nasdaqbaltic.com/statistics/lt/news?issuer=ZMP&filter=1&page=2](https://www.nasdaqbaltic.com/statistics/lt/news?issuer=ZMP&filter=1&page=2).

V. EVENTS AFTER THE REPORTING PERIOD

The most important events after the reporting period

On 13 July 2021, Žemaitijos Pienas AB has completed the repurchase of its treasury shares through the Nasdaq Vilnius Stock Exchange. The Company bought 1,344,826 shares (2.78 per cent) during the repurchase of its treasury shares. After this repurchase of treasury shares, Žemaitijos Pienas AB held 4,836,327 shares or 10 percent of treasury shares.

The Extraordinary General Meeting of Shareholders held on 02 August 2021 revoked the entire Supervisory Board of the Company and elected new members of the Supervisory Board - Linas Siraštanovas, Gražina Norkevičienė and Virginija Vaitkuvienė, as well as decided to reduce the Company's capital by canceling part of the Company's shares.

On 16 August 2021, a new version of the Company's Articles of Association was registered in the Register of Legal Entities of SE Register of Legal Entities (after the reduction of the authorised capital), the authorised capital decreased from EUR 14,028,750 to EUR 13,448,750 and the number of ordinary registered shares decreased from 48,375,000. up to 46,375,000 psc. The reason is the resolution of the Extraordinary General Meeting of Shareholders of 02 August 2021 on cancellation of 2,000,000 ordinary registered treasury shares managed by Žemaitijos Pienas AB.

On 24 August 2021, the Company's Supervisory Board recalled the entire Board (members) and elected a new (re-elected) Board - R. Pažemeckas, D. Gecienė, M. Dromantas, J. Petrauskienė, M. Jasiulionienė became members of the Board.

No significant events related to the management of the Company occurred in Šilutės Rambynas ABF in the first half of the year 2021.

Until 1 September 2021, Žemaitijos Pienas AB announced eight significant events and other information required by legal acts and mandatory⁸.

⁷ <https://view.news.eu.nasdaq.com/view?id=be4a4d392d1d36a2e58a846bde32d0d3f&lang=lt>

⁸ <http://www.nasdaqbaltic.com/statistics/lt/news?issuer=ZMP&filter=1&page=1>

