



**ŽEMAITIJOS PIENAS, AB CONSOLIDATED SEMI-ANNUAL  
REPORT OF THE YEAR 2022**

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## GENERAL INFORMATION

### Reporting period for which the report is developed

Consolidated semi-annual report are developed and submitted for period of January-June 2022 (hereinafter – Reporting period). Moreover, the report contains significant facts and data obtained after the end of the Reporting period.

This document refers to ŽEMAITIJOS PIENAS, AB (hereinafter referred to as the Company or Issuer), Šilutės Rambynas, ABF (hereinafter referred to as the Group Company or Associated Company), and in cases when facts on both Companies are described and/or specified, the Companies shall refer to as the Companies of the Group.

### Brief history of the Company

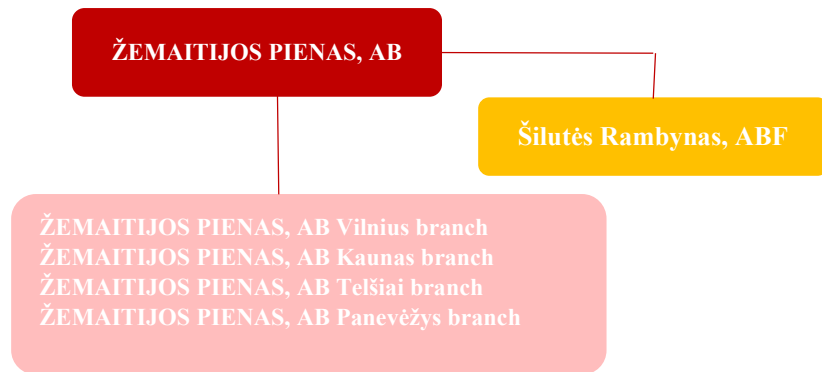
The beginning of ŽEMAITIJOS PIENAS, AB dates back to 1924, when Telšiai dairy plant of high capacity was incorporated. In the end of 1984 Telšiai dairy plant activity moved to new premises and operated until opening and privatization of Telšiai cheese plant which was one of the largest in the Baltic States. ŽEMAITIJOS PIENAS, AB was registered in the Register of Legal Entities on 23 June 1993 in Telšiai District Board and on 16 October 1998 it was re-registered in the Ministry of Agriculture of the Republic of Lithuania. Upon the decision of the General Meeting of Shareholders of 1 May 2004, it was reorganized by way of division, separating a part of assets, rights and liabilities, and establishing Žemaitijos pieno investicija, AB. Upon the decision of the General Meeting of Shareholders of 18 December 2019, the Company was reorganized by merging the Public Limited Liability Company Baltijos mineralinių vandenų kompanija, which after the merging on 10 January 2020 was deregistered from the Register of Legal Entities.

### Company information and contact details

<b>Name of the Company:</b>	<b>ŽEMAITIJOS PIENAS, akcinė bendrovė</b>
Legal-organizational form:	Public Limited Liability Company
Company code:	180240752
VAT number:	LT802407515
Address:	Sedos g. 35, Telšiai, Lietuva
Telephone number:	+ 370 444 22201
Fax number:	+ 370 444 74897
E-mail:	<a href="mailto:info@zpienas.lt">info@zpienas.lt</a>
Webpage:	<a href="http://www.zpienas.lt">www.zpienas.lt</a>
Stock trading code:	ZMP1L
ISIN number:	LT0000121865
LEI number:	5299005U9E85Y55OHK45

Data on ŽEMAITIJOS PIENAS, AB, are collected and stored in the State Enterprise Centre of Registers.

## STRUCTURE OF THE GROUP



### ŽEMAITIJOS PIENAS, AB branches:

Name of the branch	Information
Vilniaus branch	code: 123809154, address: Algirdo g. 40/13, Vilnius
Kaunas branch	code: 134853981, address: Europos pr. 36, Kaunas
Telšiai branch	code: 110893017, address: Sedos g. 35, Telšiai
Panevėžys branch	code: 148133399, address: J. Janonio g. 9, Panevėžys

Branches of the Company fulfil the functions related to sale of goods (dairy products) within the set territory of the branch and take other actions or fulfil orders of the Company.

The Company has no incorporated representative offices.

### Subsidiary company - Šilutės Rambynas, ABF:

Name of the Company	Šilutės Rambynas, akcinė bendrovė (firma)
Legal-organizational form:	Public Limited Liability Company (firm)
Company code:	277141670
VAT number:	LT714167015
Authorised capital:	EUR 2,493,028.50
Office address:	Klaipėdos g. 3, Šilutė, Lietuva
Telephone:	+ 370 441 77442
Fax:	+ 370 441 77443
E-mail:	<a href="mailto:info@rambynas.lt">info@rambynas.lt</a>

Basic activity of Šilutės 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). Furthermore, the Company provides transportation and storage services, services related to servicing of milk buying-up points and other services.

Šilutės Rambynas, ABF has no incorporated branches and representative offices.

### Main objectives and nature of economic activities

The Companies of the Group pursue economic and commercial activities (production, trade, provision of services, etc.) in order to get benefit for themselves and their shareholders. The objectives of the activity are the organisation and pursuing of the activities provided for in the Articles of Association to earn income and profit, satisfy the property interests of shareholders and the interests of employees. Basic activity 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 at 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)).

According to the ICB (Industry Classification Benchmark) widely used global company activity classification standard, ŽEMAITIJOS PIENAS, AB refers to the companies - everyday consumer goods - food, beverages and tobacco.

### INFORMATION OF SALES OF SECURITIES BY THE ISSUER AT THE REGULATED MARKET

On 16 July 2004 the Company concluded a contract with Šiaulių bankas, AB, address: Tilžės Str. 149, Šiauliai, under which management of securities accounts of the Company was delegated to Šiaulių bankas, AB competence as of 23 July 2004. The register (accounting) of securities of Šilutės Rambynas is kept by Šiaulių bankas, AB under the contract dated of 16 July 2004.

#### ŽEMAITIJOS PIENAS, AB shares, according to data of 30/06/2022

ISIN number:	LT0000121865
Abbreviation:	ZMP1L
List / segment:	Baltic Secondary List
Nominal value:	EUR 0.29
Name of securities:	Ordinary registered shares
Issued number (pcs.):	46,375,000
Listed Issued number:	46,375,000
Number of shares with voting rights:	46,375,000
Listing start date:	13/10/1997
Listed in supplementary list:	13/10/1997
Share capital:	EUR 13,448,750

Only the shares issued by the ŽEMAITIJOS PIENAS, AB are quoted on the supplementary list of NASDAQ OMX Vilnius (hereinafter referred to as Vilnius Stock Exchange) (Ticker symbol: ZMP1L). Securities of ŽEMAITIJOS PIENAS, AB were first time listed at Vilnius Stock Exchange on 13 October 1997. ISIN code of the securities: LT0000121865.

Below is the schedule of the Company's securities trading on the public exchange, from which it can be seen that from 3 January 2022 until 30 June 2022 the price of shares slightly increased, the change at the end of the reporting period is (0.03 euros or +1.68%). Trading turnover of the Company's shares in 2022 in the first half of the year amounted to EUR 170,393.07, 96,088 units of shares were transferred through concluded transactions. The average (weighted) selling price of one share is EUR 1.78.

During the reporting period, the sales volumes of shares and their price dynamics are demonstrated in the diagram (see below):



Historical data on shares is presented in the table below (see below):

#### SECURITY TRADING HISTORY

PRICE	2018	2019	2020	2021	2022
Open price €	1.74	1.52	1.74	1.86	1.81
High price €	2.16	1.89	1.88	2.18	1.87
Low price €	1.42	1.51	1.4	1.7	1.6
Last price €	1.5	1.74	1.85	1.8	1.82
Traded volume	412,420	194,835	119,288	403,496	153,836
Turnover mln €	0.71	0.35	0.21	0.77	0.28
Capitalization mln €	72.56	84.17	89.49	83.48	75.96

### Dynamics of share prices in NASDAQ Vilnius, in the first half of the year 2022

Open price, EUR 03-01-2022	Highest share price, EUR 03-05-2022	Lowest share price, EUR 04-03-2022	Closing price, EUR 30-06-2022
1.79	1.86	1.6	1.82

Securities of the Issuer have not been traded at other exchanges and other organised regulated markets.

### Securities (shares) of Šilutės Rambynas, ABF

#### Šilutės Rambynas, ABF shares

ISIN number:	LT LT0000109217 LT 0000118945 LT 0000125668
Nominal value:	EUR 2.90
Securities:	Ordinary registered shares
Issued number (pcs.):	859,665
Listed issued number (pcs.):	Non-listed
Total number of voting rights granted by the shares:	859,665

Shares of Šilutės Rambynas, ABF have not been sold at Vilnius Stock Exchange and other organised regulated markets.

ŽEMAITIJOS PIENAS, AB holds 87.82% of ordinary registered shares of Šilutės Rambynas, ABF (disposes both property and non-property rights without any restrictions). Šilutės Rambynas, ABF does not hold shares of ŽEMAITIJOS PIENAS, AB. Both Companies do not hold shares of each other neither based on orders nor on other contractual bases.

### Dividends and other profit distributions

On 15 April 2022 the Ordinary General Meeting of Shareholders of ŽEMAITIJOS PIENAS, AB decided to allocate part of the profit to employee bonuses in the amount of EUR 200,00 and annual bonuses of raw material suppliers in the amount of EUR 1,400,00<sup>1</sup> and did not pay dividends to the shareholders. The shareholders of Šilutės Rambynas, ABF also did not pay dividends, and the shareholders of both Companies decided not to pay bonuses.

### Authorised capital

As of 30 June 2022 the authorised capital of ŽEMAITIJOS PIENAS, AB consisted of:

Class, type of shares	Number of shares (pcs.)	Nominal value (EUR)	Total nominal value (EUR)	Share of the authorised capital (%)
Ordinary registered shares	46 375 000	0.29	13,448,750	100

<sup>1</sup> <https://view.news.eu.nasdaq.com/view?id=bd9157f2895a3316a3a87f6419bfd20be&lang=en>

All shares of the Company are fully paid up and were not the subject to restrictions on stock reassignment over the course of the reporting period. The Issuer is unaware of any individual agreements between the shareholders, which may result in restrictions on stock reassignment and (or) voting rights. According to the data available to the Company there are no shareholders who would have special control rights.

As of 30 June 2022, the authorised capital of Šilutės Rambynas, ABF consisted of:

Class, type of shares	Number of shares (pcs.)	Nominal value (EUR)	Total nominal value (EUR)	Share of the authorised capital (%)
Ordinary registered shares	859,665	2.90	2,493,028.5	100

All Šilutės Rambynas, ABF shares are fully paid up and are subject to no restrictions on stock reassignment. The Issuer is also unaware of any individual agreements between the shareholders, which may result in restrictions on stock reassignment and (or) voting rights. According to the Company's knowledge there are no shareholders who would have special control rights.

### Share buyback, transfer, reduction of authorized capital

On 15 April 2022 the Ordinary General Meeting of Shareholders of the Company adopted a decision to reduce the Company's authorised capital by EUR 1,344,875 (one million three hundred and forty four thousand eight hundred and seventy five euros) in order to cancel 4,673,500 of its own ordinary registered shares. The nominal value of one share is EUR 0.29.

It is important to mention that this procedure for the reduction of the authorized capital was completed and the authorized capital was reduced and the Company's articles of association were registered at the VĮ Registrų centras already after the reporting period on 05-07-2022.

The Company's authorized capital was reduced by EUR 1,344,875 canceling 4,673,500 of its own ordinary registered shares with a nominal value of EUR 0.29 per share. The purpose of the reduction of the authorized capital is the cancellation of a part of the shares purchased by the Company and owned by the Company.

After this cancellation of shares, the authorized capital of the Company decreased to EUR 12,103,875 divided into 41,737,500 ordinary registered shares, each of which has a nominal value of EUR 0.29.

During the reporting period, the Company did not dispose its own shares, did not enter into any other transactions, for example, the shares have not been pledged or otherwise restricted, their rights are not the subject to any other limitations or restrictions, there are no disputes or claims regarding these shares.

Šilutės Rambynas, ABF did not purchase own shares, it also does not hold own shares on other basis.

## OVERVIEW OF ECONOMIC ACTIVITIES OF THE GROUP COMPANIES, RISKS AND OUTLOOK

### Product safety and international recognition

ŽEMAITIJOS PIENAS, AB constantly invests in the renewal and modernization of the equipment of individual production units in order to: optimize production processes, ensure the efficiency of production risk management related to food safety and management efficiency.

In the first half of year 2022 the Company was assessed in accordance with various requirements of international food safety and quality management standards and compliance with them:

- in 25 February 2022, Bureau Veritas, UAB performed a remote risk assessment of ŽEMAITIJOS PIENAS, AB in accordance with BRC requirements;



- in 27 April 2022 and audit performed by the US Force (NATO) assessed the compliance of the mineral water production unit with the requirements of NATO;
- in 30 June – July 1, 2022 compliance of the Company's processes with FDA requirements was assessed.

The conclusions of the audits: the Company meets the requirements of the above-mentioned international food safety standards recognized by the Global Food Safety Initiative (GFSI).

In order to meet the requirements of export trade networks, the goals set for 2022 are:

- to continue certifications according to the currently available schemes;
- to expand the scope of BRC certification (including glazed cheeses, processed cheeses, processed spreadable cheeses, smoked cheeses, other products);
- to certify additionally all Company processes according to IFS (International food standard) requirements.

ŽEMAITIJOS PIENAS, AB does not stay behind global sustainability trends. The amount of used wrapping and packaging materials are being optimized:

- changing the construction of corrugated cardboard boxes has facilitated the packaging of products and at the same time abandoned adhesive tape. The changes were made in order to reduce the amount of corrugated board, and at the same time to implement the requirements of the shelves of retail chains;
- possibilities to reduce the amount of plastic for product packaging are being evaluated;;
- tests are being carried out to convert „7Other“ multi-component plastics into one-component, more recyclable plastics;
- after evaluation of logistical properties, corrugated cardboard boxes made of 100% recycled cardboard are used for product packaging;
- corrugated cardboard containers for internal needs are gradually being abandoned, i.e. circulation container used;
- tests are carried out with prototypes of connected plugs;
- tests are carried out with recycled PET packaging - both bottles and shrink films.

ŽEMAITIJOS PIENAS, AB continues to implement its goals:

- by 2023 the goal is to collect all the secondary and tertiary transport packages released to the Lithuanian market - cardboard and packaging film;
- to increase the amount of raw milk purchased every year;
- raising the qualifications of the Company's employees by participating in international exhibitions that present equipment innovations (more efficient and faster processes requiring lower energy costs, more compact and universal equipment) and trends related to environmental protection and sustainability (innovative waste recycling, energy extraction from secondary raw materials and waste , circular production trends and innovations).

### **Investments and ongoing investment projects**

During the first half of 2022 the main goal of the Company investments, as in previous years, was to increase its competitiveness, to implement measures that would solve environmental problems, improve the quality of products and the working conditions and also safety of employees.

The main directions of investment for improving the equipment and optimizing product quality and technological process. This will improve the quality of products and increase their production efficiency. Just like every year, investments were made in order to reduce the number of workplaces based on hard physical work, process automation and robotization. A lot of small activities, repairs, and programming works were carried out, which will

improve work safety, the technical level of equipment, also reduce pollution released with wastewater and the use of energy costs. The aim was to ensure that the equipment and technological processes met the expectations of the customers and that the final product was safer and of higher quality for the buyer.

### Products and trademarks

The Company is constantly improving, so it can provide consumers with new products. During the reporting period, the "Magija" glazed curd cheese bar line was replenished with new flavors:

- Curd cheese bar with cookie-flavored filling, 45 g - a rich combination of cookie flavor, crowned with a layer of milk chocolate;
- Curd cheese bar with peanuts and caramel, 45 g - a combination of the sweetness of milk caramel and peanuts, coated in milk chocolate;
- Curd cheese bar with caramelized coconuts, almonds and raspberry filling, 45 g - a combination of 3 natural ingredients combined with a soft milk chocolate frosting.

ŽEMAITIJOS PIENAS, AB has participated in international projects and was awarded for taste and quality of products in competitions on 2022.

Hard cheese DŽIUGAS has been awarded 4 highest evaluations for taste and quality in international competition of highest quality level taste „DLG Quality test” in Germany:

- 2 gold medals have been awarded to Džiugas Delicate cheese matured for 24 months;
- 2 silver medals have been awarded to Džiugas Gourmet cheese matured for 36 months.

Likewise, DŽIUGAS Extra Aged cheese matured for 120 months has been evaluated and awarded a high evaluation from commission „Premia Roma Award” (Italy) in Italy.

Currently, it has been awarded 84 international awards for taste and quality. As the company approaches its 100th anniversary celebration (ŽEMAITIJOS PIENAS AB was founded in 1924), DŽIUGAS is also approaching its 100th evaluation.

Curd bar MAGIJA, which is well-known in Lithuania has also provided some news to its consumers: in spring of 2022, 3 pieces of news reached Lithuanian residents – curd bar MAGIJA covered in milk chocolate:

- With coconut, almonds and raspberries;
- With peanuts and caramel;
- Cookie-flavored chocolate curd bar.

This year is very special for PIK-NIK peelable cheese sticks - they are celebrating their 20th anniversary. The company has celebrated this anniversary in a special way: on May 28, during the Šilutė city festival, the longest peelable cheese stick in the history of Šilutė Rambynas production was made. The agency "Factum" entered the record of the longest cheese stick PIK-NIK in the Lithuanian Book of Outstanding Achievements. The length of the record cheese stick reached 699.56 meters, weight - 91.2 kg, and 970 liters of milk were used to make it.

Also, this year, the annual PASIPLĖŠOM (in English „LET’S PEEL”) championships were continued in all Baltic countries, during which, Lithuania, Latvia and Estonia offered to try their hand at tearing PIK-NIK cheese sticks as quickly as possible with the aim of improving the previous record - to tear one cheese stick into 30 pieces in less than 42 seconds.

In the first half of 2022, PIK-NIK cheese sticks also received 2 additional awards in Poland, so it currently has a total of 20 international awards.

For the second year in a row, the RAMBYNAS National campaign "Travel and snack!" has been organized. During the game, people of Lithuania, Latvia and Estonia were invited to buy RAMBYNO products marked with a sticker during June and July, to register and check their winnings. During the game, 300 registered consumers across 3 Baltic

countries have been awarded instant prizes - RAMBYNO sets, 90 consumers - backpacks with an external battery and 9 consumers - 400 EUR coupons for recreation. The goal of the project is brand awareness, image and user involvement in the activation.

In June 2022, the TICHĖ National campaign of natural mineral water was launched, reaching buyers not only in Lithuania, but also in neighboring Latvia! During the campaign, the most loyal and new customers who found a Tichė water bottle with a campaign sticker on the shelf, could buy, register and win exclusive prizes for body and soul. TICHĖ gave away 300 sets of mineral water and 3 pieces of 500-euro coupons for exclusive rest at the hotel. The slogan of the promotion is "Summer of experience with TICHĖ", which invited to remember this summer not only with a new, relaxing experience at a high-class hotel, but also to replenish the body with minerals such as calcium, magnesium, sulfates.

### Financial information

The Company has selected the key standard financial indicators for its analysis, which many companies use in their practice to analyse their financial data. The main financial performance indicators reflecting the activities of the Group and the Company for the first halves of the 2021 and 2022 are as follows:

Financial indicators	The Group		The Company	
	First half of 2022	First half of 2021	First half of 2022	First half of 2021
Turnover, thousands EUR	122,675	93,254	122,464	92,790
Gross profitability, %	15.94	21.14	16.18	21.22
Net profitability, %	0.99	4.46	1.64	4.96
EBITDA, thousands EUR	4,913	7,184	5,612	7,409
EBITDA profitability, %	4.00	7.70	4.58	7.98
ROE profitability, %	1.21	4.14	2.16	4.97
ROA profitability, %	0.79	3.14	1.36	3.69
Current Ratio	2.36	3.40	2.21	3.10
Quick Ratio	0.81	1.62	0.77	1.44
Debt-to-Equity Ratio	0.51	0.32	0.56	0.35
Debt Ratio	0.33	0.24	0.35	0.26
Total investment to non-current assets, thousands EUR	3,114	7,620	2,800	7,454

The formulas for calculation of the above-mentioned parameters and their description are provided on page 20 of Chapter Outcomes of Activities of the Companies of the Group of the Annual Report for 2021 m.

Operating expenses of the Company in the first half of 2022 (EUR 17.57 million) accounted for 14.34% of the turnover, while in the first half of 2021 the expenses (EUR 15.26 million) accounted for 16.44% of the turnover. Operating expenses of the Group (EUR 18.11 million) in the first half of 2022 accounted for 14.76% of the turnover, while in the first half of 2021 the expenses of the Group (EUR 15.74 million) accounted for 16.88% of the turnover. According to the data provided, it is clear that the increase of operating costs was smaller than the increase of sales. The managers of the group's companies distributed expenses responsibly, taking into account the crisis period, although sales costs (wages, marketing, etc.) inevitably increased.

The biggest influence on the decline of the Company's and the Group's gross and net profitability compared to the same period of the last year, was the increase of raw milk market price and other basic raw materials, and also increase of packaging price. Although the sales volumes increased, the sales prices of the production itself did not increase enough to compensate raw milk and other basic raw materials price increase. The increase in the prices of basic materials and raw materials had an impact on the lack of working capital and changes in all key financial indicators. Taking this into account, the Company applied for loans to financial institutions due to the lack of working capital.

### Overview of activities, condition and development

Comparison of amounts and prices of raw milk purchased by ŽEMAITIJOS PIENAS, AB in the first half of 2022 and the first half of 2021:

Purchase of raw milk (converted to basic fat content*)	First half of 2022	First half of 2021	Difference between the first half of 2022 and the first half of 2021
Amount of purchased milk, thousands tons	214	195	9,74 %
Milk purchase price, EUR/t	407,1	265	53,62 %

\* The milk purchased is converted into a basic fat and protein content, using a specific coefficient.

As can be seen from the data provided, in 2022 in the first half of the year, the amount of converted basic fat and protein content milk purchased amounted to - 214 thousand tons, that is 9.74 % more compared to the same period of 2021. In the first half of the year 2021, were purchased 195 thousand tons of milk. The average price of converted into a basic fat and protein content milk purchased during the reporting period was 407.1 EUR/t, which is 53.62 % more than compared to the first half of the year 2021, when in average 265 EUR/t for milk was paid.

For many years, ŽEMAITIJOS PIENAS, AB has based its activities with milk producers on a fair partnership and promoted dairy farm owners who achieve the best milk quality indicators. Encourages milk producers who have achieved high results to improve and share their experience. Loyal milk producers who strive to produce high-quality milk are paid additional bonuses every month to encourage them to achieve even higher results. The company also provides consultations to all farms on issues of improving milk quality, performs tests of qualitative and quantitative parameters of raw milk.

In the first half of the year 2022, ŽEMAITIJOS PIENAS, AB to prospective, high-quality milk producers paid annual partnership supplement amounting to EUR 1,034,000. The partnership supplement was paid to farmers, suppliers for stationary points and agricultural companies for natural milk sold to the Company during 2021. The main goal is to promote the development of dairy farming, the creation of new farms, to help participate in EU-supported projects and to ensure further cooperation with milk producers.

During the Reporting period, the sales of ŽEMAITIJOS PIENAS, AB amounted to 122,464 thousand euros. That is 31.98% more than during the same period of 2021, when the sales amounted to 92,790 thousand euros. The sales of the Group during the Reporting period were 31.55% higher than during the same period of 2021.

ŽEMAITIJOS PIENAS, AB receives the largest share of its revenue from Lithuanian market, which accounts for more than half of total revenue (in the first half of 2021 – 51.37 %). During the Reporting period, the income from sales in the countries of the European Union amounted to 32.64 % of all income. Meanwhile, during the same period

of 2021 it amounted to 30.85 % of all income. Income from sales in other countries accounted for 12.34 % (17.77 % in the first half of 2021).

The export countries with the highest turnover during the first half of 2022 are - Latvia, Poland, Holland.

The sales of the Company and the Group according to geographic segments are presented below in tables 1 and 2.

*Table 1.* Sales of ŽEMAITIJOS PIENAS, AB, according to geographical segments, in thousand euros:

Row No.	Geographic breakdown of sales, thousand euros	First half of 2022	Percentage from total revenue in the first half of 2022	First half of 2021	Percentage from total revenue in the first half of 2021	Change when comparing the I half of 2022 and I half of 2021
1	Lithuania	67,380	55.02%	47,670	51.37%	41.35%
2	EU countries	39,972	32.64%	28,629	30.85%	39.62%
3	Other countries	15,112	12.34%	16,491	17.77%	-8.36%
4	<b>Total:</b>	<b>122,464</b>	<b>100%</b>	<b>92,790</b>	<b>100%</b>	<b>31.98%</b>

*Table 2.* Sales of Group companies by geographical segments, in thousand euros:

Row No.	Pardavimai pagal geografinius segmentus, tūkst. eurų	First half of 2022	Percentage from total revenue in the first half of 2022	First half of 2021	Percentage from total revenue in the first half of 2021	Change when comparing the I half of 2022 and I half of 2021
1	Lithuania	66,786	54.44%	46,659	50.03%	43.14%
2	EU countries	40,462	32.98%	29,847	32.01%	35.56%
3	Other countries	15,427	12.58%	16,748	17.96%	-7.89%
4	<b>Total:</b>	<b>122,675</b>	<b>100%</b>	<b>93,254</b>	<b>100%</b>	<b>31.55%</b>

The sales of the Company and the Group by product groups are presented below in tables 3 and 4.

*Table 3.* Sales of ŽEMAITIJOS PIENAS, AB by product groups, thousand euros:

Row No.	Sales by groups of products, thousand euros	First half of 2022	Percentage from total revenue in the first half of 2022	First half of 2021.	Percentage from total revenue in the first half of 2021	Change when comparing I half 2022 to I half 2021
1	Fermented and processed cheeses	46,790	38.21%	40,002	43.11%	16.97%
2	Fresh dairy products	41,400	33.81%	28,792	31.03%	43.79%
3	Butter and spreads	12,229	9.98%	7,841	8.45%	55.96%

4	Dry dairy products	12,888	10.52%	8,333	8.98%	54.66%
5	Other	9,157	7.48%	7,822	8.43%	17.07%
<b>6</b>	<b>Total</b>	<b>122,464</b>	<b>100%</b>	<b>92,790</b>	<b>100%</b>	<b>31.98%</b>

Table 4. Group sales by product groups, thousand euros:

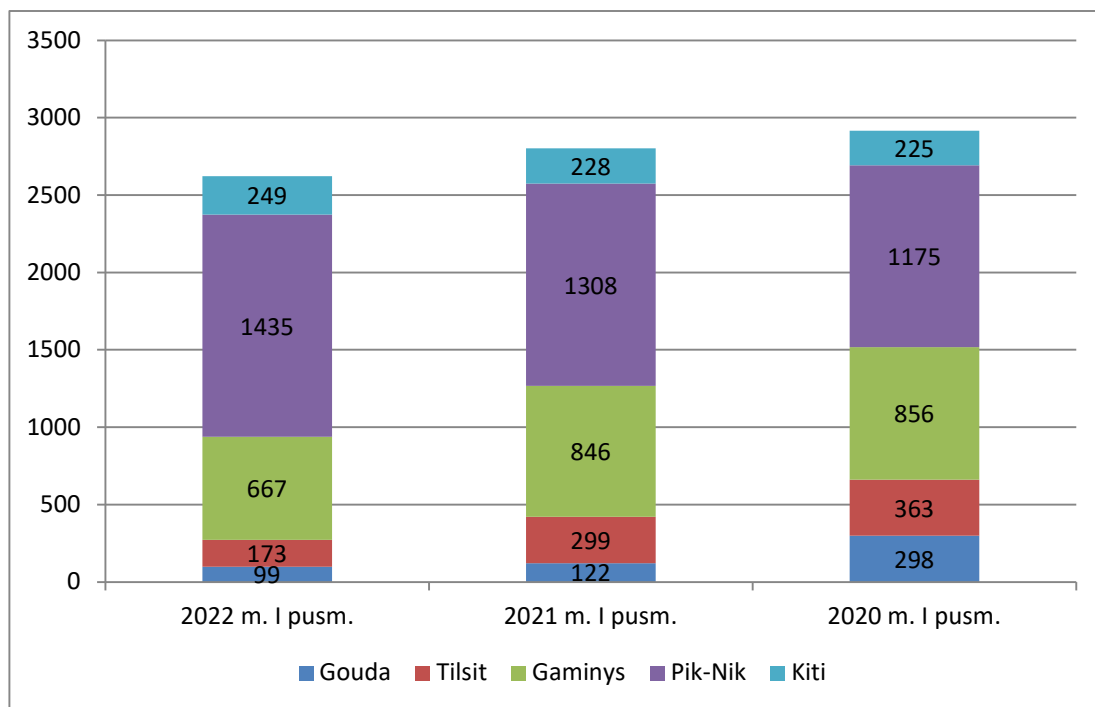
Row No.	Sales by groups of products, thousand euros	First half of 2022	Percentage from total revenue in the first half of 2022	First half of 2021.	Percentage from total revenue in the first half of 2021	Change when comparing I half 2022 to I half 2021
1	Fermented and processed cheeses	43,757	35.67%	41,630	44.64%	5.11%
2	Fresh dairy products	39,829	32.47%	28,951	31.04%	37.57%
3	Butter and spreads	12,229	9.97%	7,841	8.41%	55.96%
4	Dry dairy products	12,888	10.51%	8,333	8.94%	54.66%
5	Other	13,972	11.38%	6,499	6.97%	114.98%
<b>6</b>	<b>Total</b>	<b>122,675</b>	<b>100%</b>	<b>93,254</b>	<b>100%</b>	<b>31.55%</b>

Comparing first half of 2022 to the same period of 2021, the biggest impact for turnover alteration had butter and spread fats. The turnover increased by 55.96 %. This was influenced by the increase in their average selling price (in the first half of 2022, compared to the first half of 2021, the average selling price increased by 43.68 %). The sales turnover of dry milk products increased by 54.66 %. This was also due to the increase in the average selling price (in the first half of 2022, compared to the first half of 2021, the average selling price increased by 56.68 %). The sales turnover of fresh milk products increased by 43.79 %. Meanwhile, during the comparative periods, the average selling price of fresh dairy products increased by 25.03 %.

Comparing the first half of 2022 to the first half of 2021, sales of other products increased by 17.07 %. The biggest influence on this was the increase in the price of raw cream. Other production includes sales of raw cream, raw milk, water products, chestnuts and ice cream.

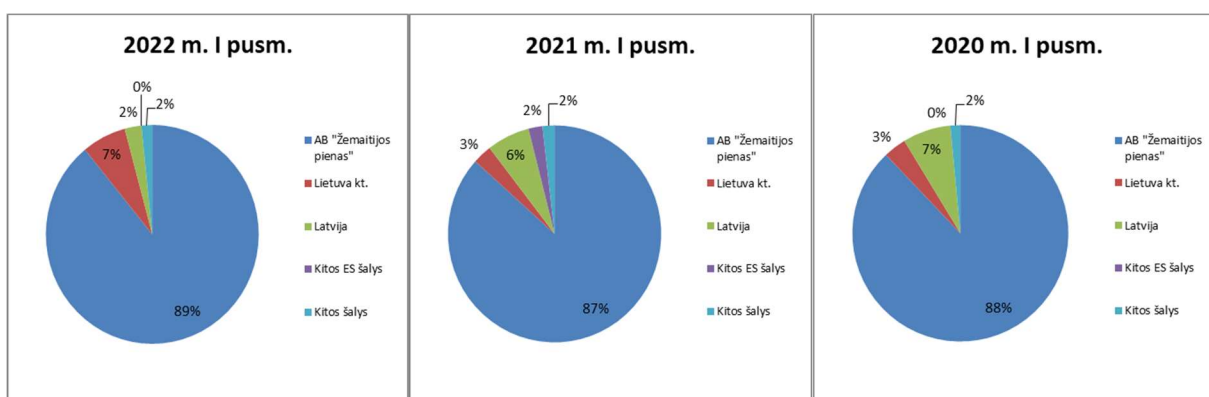
## Overview of Šilutės Rambynas ABF activities

The Group Company specializes in cheese production. Production volumes (in tons) for the first halves of 2022, 2021 and 2020 are shown in the histogram below:



During the Reporting period 2623 tons of cheese were produced, or 180 tons (6.4%) less compared to the same period of 2021. The decrease in production was predetermined by lower demand for production due to decreased consumption and increased prices. After the expansion of the production of semi-hard fermented cheeses in ŽEMAITIJOS PIENAS, AB the production of fermented cheeses (Gouda and Tilsit) in Šilutės Rambynas continued to decrease, of which 272 tons were produced, while during the first half of 2021, 421 tons were produced (the decrease is 35.4%). The production of fermented cheese products decreased to 667 tons, when during the first half of 2021 the production was 846 tons (that is -21.2%). Meanwhile, the production of cheese strings increased by 127 tons or (9.7%) and of other cheeses increased by 21 tons or (9.2%).

Most of the products produced in Šilutės Rambynas are sold through the parent company ŽEMAITIJOS PIENAS, AB. The structure of sales by markets is graphically represented:



During the first half of 2022 total sale of products was 19,243 thousand euros. That is 5,108 thousand euros or 36.1% more compared to the same period in 2021, when sales amounted to 14,135 thousand euros. The increase was determined by the significant increase in the prices of basic and raw materials.

Whereas the main sales are carried out through ŽEMAITIJOS PIENAS, AB, the company does not invest separately in marketing. During the first half of 2022, insignificant amounts were allocated to the development of sales in the markets of Middle East countries.

For the same reason that large sales are carried out through the parent company, the company is not directly exposed to significant risks due to market uncertainty and customer reliability. In order to manage the risk of direct sales, customers are subject to a prepayment system for production or a deferral of payments, but transactions are prohibited within the insurance limit set by the trade credit insurance company “Coface”.

### **Risk management (risk factors)**

Financial and other risks, as well as their management, security means, other financial aspects are disclosed in Chapter 28 “Financial Risk Management” of the Explanatory Note of the Annual Audited Financial Statements of 2021, it is also described in details in Consolidated Management Report of ŽEMAITIJOS PIENAS, AB for 2021 (Chapter “Key Risk Factors and Risk Management”). There were no essential changes in the first half of 2022.

The Company and other companies of the Group are insured by general civil liability for pursued activities and produced product, coverage is valid worldwide. The Management of the Company or authorized employees shall be responsible for risk management.

### **The impact of the war in Ukraine on business and financial statements**

The war between Russia and Ukraine started in 24 February 2022, disrupted plans to increase sales to Ukraine and Belarus. ŽEMAITIJOS PIENAS, AB sales to these countries amounted to about 2.5% of total sales. Group Companies conducted sales to these countries safely - products were supplied only with advance payments or with credit insurance limits. As of 30/06/2022, the Company and the Group Company had no receivables from buyers located in those countries, so there is no impairment of receivables.

With the closure of export markets such as Ukraine, Belarus, China and Russia (it was possible to transport only lactose), sales were redirected to other markets. A few months after the start of the war, the Company, having export credit guarantees, started selling to Ukrainian clients again.

ŽEMAITIJOS PIENAS, AB do not have any real estate or business in Ukraine or Belarus, therefore it does not assess any depreciation of the value of long-term assets.

The management of the Group constantly monitors the situation in Ukraine and assesses the potential financial impact for the coming periods, but due to significant uncertainties, as well as expected energy price increase, it is not possible to reliably assess the impact. The current situation does not affect the Group's current operations and ability to continue them.

### **Business plans and forecasts of the Group Companies**

When considering the business plans and strategy, the Company’s management confirmed that 2022 will be the year of SUSTAINABILITY AND UNDISCOVERED OPPORTUNITIES.. The main goal is 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. The products manufactured and sold by the Company in various countries of the world and this makes Lithuania and the region of Samogitia. The Company’s goal is to preserve and conserve what’s created by finding ways to do things that haven’t been tried before.

The Company still seeks to use the opportunities for quick development in the competitive environment.

The long-term goals of 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 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, England, and Hungary. To make maximum possible use of the existing production capacities. 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. One more goal is to become as close as possible to a consumer by providing and selling the products directly to a customer

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

- 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 and purchase high-quality milk only;
- encourage and assist farmers in improving milk quality;
- to increase sales at the prices favourable to the Company;
- to focus on the sales of higher value-added products on export markets.

The lack of skilled labour forces the Company to focus on human resources, so special attention is paid to team building, development of competence and qualification, formation of special skills, revision, and improvement of motivation systems.

Regularly changing and dynamic market of the sale of products and the purchase of raw milk, as well as other factors, force the Group to refrain from publishing the turnover and profit forecasts for the upcoming activity period.

In the face of unstable production prices, Šilutės Rambynas plans to focus on the search for new export markets and establishing a foothold in the existing ones. Šilutės Rambynas will give priority to further modernization, reduction of energy, material and labor resources, optimization of operations and production of profitable products.

Priority will be given to increasing the production and improving the quality of Pik-Nik cheese strings and searching for new markets.

### **Information of research and development activities of the Company**

The Company and its subsidiary (jointly or separately) continuously make investments and seek ways to ensure continuous growth of income and improvement of activity effectiveness. In 2022 the Company plans to allocate up to 15 million euros for investments. All investments are planned to reduce energy costs, improve product quality and for the purchase of new milk carriers

The goal of the Group Companies is to ensure production and supply of products complying with the highest possible quality standards and creating maximum possible added value, which is why the technologists cooperate with scientists from Lithuanian University of Health Sciences, Vilnius University, Kaunas University of Technology as well as experts from Lithuania and abroad. 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 consider sustainable raw materials and technologies, and seeks added value for the functionality of products (protein products, products with fibre, vitamins, etc.). The Company's specialists are constantly doing internships in foreign countries, participating in exhibitions, improving their qualifications in training and seminars.

Laboratory tests of products are carried out regularly at the National Food and Veterinary Risk Assessment Institute, Eurofins, Hamilton, KTU MI, LSMU Veterinary Academy and other laboratories. Uninterruptible tests are mainly oriented to improvement of available product cart.

### **Activities of the Companies of the Group in the field of environmental protection**

ŽEMAITIJOS PIENAS, AB, a company that produces and sells dairy products, which, in accordance with the criteria laid down in the Regulations for the issue, amendment and revocation of Integrated Pollution Prevention and Control Permits, refers to companies that use the equipment subject to a special permit for the performance of its activities in accordance with the above rules. Still in 2006 the Company received an Integrated Pollution Prevention and Control Permit, which is not limited in time, but is the subject to adjustment due to changes. The Company does not have a negative impact on the environment, which should be mitigated by immediate measures, however, the Company

constantly monitors its performance indicators, plans and implements the latest technologies that would reduce production and operating costs and energy costs, and improve the Company's environmental condition in every way.

ŽEMAITIJOS PIENAS, AB aims to maximize the use of natural resources by various means. As we know, natural resources determine the economic development of countries. Countries that conserve natural wealth 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 the environment, and only the complex use of economic, legal, technical, and biological tools can guarantee the rational use of natural resources now and in the future, so environmental impacts are controlled by harmonized monitoring programs. As the Company expands or upgrades its facilities and technology, an environmental impact assessment is carried out to ensure that the Company's development does not exceed the permissible environmental norms, as well as the production wastewater, the quality of biofuels and other factors that may affect the surrounding environment. The Company is constantly updating its fleet to reduce air pollution from mobile sources. To ensure the reduction of pollution from stationary pollution sources, the Company uses the best available production methods.

The waste is managed in accordance with the established environmental requirements, through the through the environmental electronic data collection system GPAIS (waste product package information system). Moreover, the Company provides (forms) quarterly waste accounting reports and shipped exported waste package accounting reports. Within the territory, hazardous and non-hazardous waste is stored and handled in a way that does not adversely affect the environment; Waste is shipped to waste recycling and timely disposal companies. ŽEMAITIJOS PIENAS, AB carries out sorting of packaging at the place of waste generation, presses it and prepares it for recycling. It also separates packaging waste for recycling but is suitable for energy recovery and systematically transmits this waste to collectors and processors.

Packaging plays an important role in the production process of ŽEMAITIJOS PIENAS, AB. The products are packed in glass, PET, plastic, paper, combined, wooden and other packaging. For the purposes of efficient packaging waste management in 2021 the Company cooperates with the Public Institution Gamtos ateitis, which takes care of packaging collection and recycling. Public Institution Gamtos ateitis, for a fee received from ŽEMAITIJOS PIENAS, AB (for the submitted documents proving that the waste has been disposed of), is committed to educating the public on packaging (garbage) management issues, as well as to contribute to the development of packaging collection from consumer infrastructure to supply the population with containers).

The Company is constantly implementing investment projects, during which it implements new advanced technologies that allow more efficient use of energy renewable resources, reduction of emissions and other environmental measures.

In order to reduce emission of gases contributing to the greenhouse effect ŽEMAITIJOS PIENAS, AB has assumed the initiative and either completely eliminated equipment relying on Freon gas for its processes or obtained equipment that uses a more environmentally friendly type of this gas.

The Company is actively implementing and promoting the use of renewable resources. ŽEMAITIJOS PIENAS, AB has a 10MW bio-fuel boiler house, which uses renewable energy resources - wood chips (SM2) instead of natural gas.

The Company's raw milk suppliers and employees devote their attention as much as possible to nature in order to preserve the environment for future generations. We are on the way to a climate-neutral future, and we aim to do it all in a sustainable value chain, promoting a circular economy. Climate change is a global challenge that requires a global response. The EU is determined to help scale up the global effort, with EU countries agreeing to reach the climate neutrality till 2050 in line with the Paris Agreement. The European Green Deal provides the following action plan:

- to promote the efficient use of resources during the transition to a clean circular economy;
- for restoring biological diversity and reducing pollution.

Climate neutrality achievement will require a transformation of Europe's society and economy. The Council of Europe considers legislative and other initiatives under the European Green Deal after they are proposed by the European Commission. Political obligations are transformed into legal obligations. It is clear, that massive public investment will be required and there will be significant efforts to channel private sector capital into climate and environmental action, avoiding lock-in to unsustainable models. Achieving climate neutrality targets will require action across all sectors of the economy:

- invest in environmentally friendly technologies;
- o support the renewal of industries through novelty and innovations;
- to implement cleaner, cheaper and healthier forms of private and public transport;
- reduce greenhouse gas emissions, increase the share of renewable resources and energy efficiency in the energy sector;
- to ensure higher energy efficiency of buildings;
- work with international partners to improve global environmental standards.

Group Companies always:

- monitor the climate change situation, current affairs, trends, related political initiatives and legislation;
- assess risks related with climate change issues;
- integrates operational threats and opportunities of the impact of climate change on activities in its risk management system.

In the first half of 2022:

- contributing to the implementation of the Sustainable Development Goals approved by the United Nations, greenhouse gas (GHG) accounting has been started in areas 1 and 2, and in the future it is planned to calculate area 3 as well, thus achieving even more accurate data on the Company's emission of pollutants into the environment;
- after the change in legal regulation, the Company adheres to and complies with all legal acts related to environmental protection, therefore a permit was obtained to carry out activities related to toxic substances;
- production processes are optimized in order to consume less electricity and emit as little carbon dioxide (CO<sub>2</sub>) gas into the environment as possible;
- investments are made in EURO 6 standard trucks and hybrid passenger cars, thus reducing carbon dioxide (CO<sub>2</sub>) emissions into the environment.

In accordance with the Public Procurement Law of the Republic of Lithuania, ŽEMAITIJOS PIENAS AB is included in the list of environmental protection criteria when carrying out its activities, therefore, in compliance with this and other related legal acts, it undertakes to fulfill the requirements of climate change, promote ecological innovations and raise the country's competitiveness.

### **Aspects on management of employees and human resources of the Companies of the Group**

During the Reporting period of ŽEMAITIJOS PIENAS, AB the greatest attention was paid to the education of employees, improving their qualifications, career opportunities and maintaining a suitable microclimate in the Company. In the first half of 2022, the Tutoring program was presented and approved - starting in July - which will bring together tutor community and which will develop Tutors - Mentors. The program, in which about 140 employees of the company will participate, will aim to create a long-term tool for the Tutor's – Mentor's education and motivation process, which will help reduce staff turnover and develop employees' competencies. From now on, employees in the Company are helped to pursue career opportunities by the employee career and education coordinator, who organizes individual interviews and prepares training plans for employees who want to pursue

careers or be high-level professionals in their field. Measures aimed at attracting and retaining qualified, competent specialists are being actively reviewed together with department heads.

The microclimate study in the Company's production departments that took place in 2021, will be continued this year as well - interviews with employees will be organized, conclusions and proposals will be made to improve workplace conditions and the atmosphere.

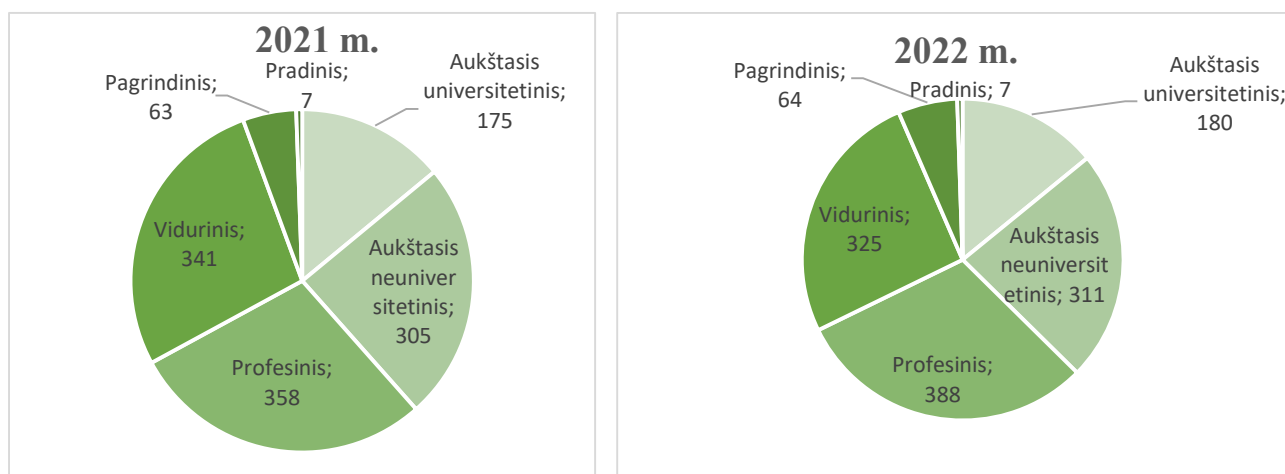
From 11 March, 2022, 11 Ukrainian citizens were employed at the Company. The Company provided them with living quarters, household and work equipment.

According to the data, on 30 June 2022 ŽEMAITIJOS PIENAS, AB had 1,311 employees (of which 36 were apprentices and students working temporarily during the summer), while according to the data, on 31 December 2021 there were 1249 employees. According to the data, on 31 December 2020 there were 1242 employees. During the Reporting period, the number of relatively permanent employees in the Company increased.

Education of ŽEMAITIJOS PIENAS, AB employees (2020, 2021, 2022), after elimination of apprentices and students working temporarily during the summer:

Number of employees	31-12-2020	31-12-2021	30-06-2022
With a high university education	196	175	180
With higher non-university education	283	305	311
With vocational education	351	358	388
With secondary education	332	341	325
With basic education	69	63	64
With primary education	11	7	7
<b>Iš viso:</b>	<b>1242</b>	<b>1249</b>	<b>1275</b>

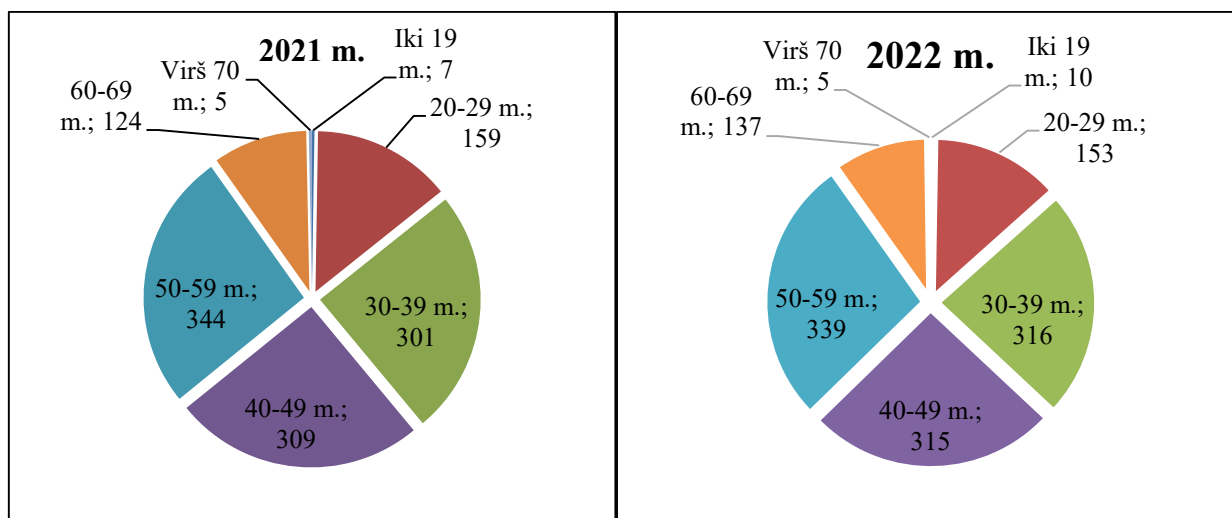
ŽEMAITIJOS PIENAS, AB employee groups by education (2021 and 2022), after elimination of apprentices and students working temporarily during the summer:



Number of ŽEMAITIJOS PIENAS, AB employees by their corresponding groups and their average wages in EUR for corresponding employee work groups make up, after elimination of apprentices and students working temporarily during the summer:

Number of employees by groups	31-12-2020		31-12-2021		30-06-2022	
	Number of employees	Average wage, EUR	Number of employees	Average wage, EUR	Number of employees	Average wage, EUR
Directors	9	7193	8	7314	8	7792
Specialists	311	2285	304	2453	309	2810
Workers	922	1257	937	1466	958	1695
In total:	1242		1249		1275	

Number of employees in age groups in 2021 and 2022, after elimination of apprentices and students working temporarily during the summer:



### Šilutės Rambynas, ABF

At the end of the Reporting period, Šilutės Rambynas had 165 employees, their number decreased by 3 employees (1.8 %) compared to the same period of 2021. Changes of groups of employees by education are provided in the table below:

Education of employees	30-06-2022	30-06-2021
With Master's degree	9	9
With University Degree	25	25
With College Degree	24	24

With Vocational Education	58	58
With Secondary Education	35	38
With unfinished Secondary Education	14	14
<b>In total:</b>	<b>165</b>	<b>168</b>

The average salary during the Reporting period was 1,643 EUR/month or 3.9% higher than in the same period of 2020. Changes in wages by employee groups are given in the table below:

Number of employees by groups	30-06-2022		30-06-2021	
	Number of employees	Average wage, EUR/month	Number of employees	Average wage, EUR/month
Directors	7	3,481	7	3,610
Specialists	21	2,206	21	2,100
Workers	137	1,463	140	1,403
<b>In total:</b>	<b>165</b>	<b>1,643</b>	<b>168</b>	<b>1,582</b>

Šilutės Rambynas seeks to develop and maintain long-term relationships with its employees, especially when the labour market is not satisfying - the lack of highly qualified employees. Therefore, employees are constantly encouraged to develop in the professional field. Šilutės Rambynas employees could improve their knowledge and skills in seminars and courses. There are training programs that train and certify specialists, production workers, technicians, operators, locksmiths, brigades and masters.

## OTHER INFORMATION

### Sandoriai su susijusiomis šalimis

Susijusių šalių sandoriai, įvykdyti per einamųjų finansinių metų pirmuosius šešis mėnesius, padariusius didelį poveikį to laikotarpio įmonės ir (arba) įmonių grupės finansinei padėčiai arba veiklai, įskaitant šių sandorių sumas, pateikta 2022 m. I pusmečio aiškinamojo rašto 18 pastaboje.

### Legal disputes

- As of 2019, the Company is participating as a third interested party in an administrative case pending before the Supreme Administrative Court of Lithuania. The case is currently suspended by order of the Supreme Administrative Court of Lithuania in 2019 pending the outcome of other related cases;
- The Company is the plaintiff in a civil case for the award of EUR 96,020 in damages. The defendant in this case is the Public Enterprise Pakuočių tvarkymo organizacija (Packaging Management Organisation). The Vilnius Regional Court has suspended this civil case at the request of the defendant in 2018, pending the decision of the Vilnius Regional Administrative Court in administrative case No. eI-1570-789/2018 related to this case. The outcome of this case is difficult to predict;

- During the Reporting period, the Company has submitted a request to the Telšiai district court to issue a European payment order to the debtor ADT Sp. z.o.o. for the amount of EUR 630,521 due to an unpaid credit account;

There are currently no other proceedings in which the Company is a party to civil, criminal or administrative proceedings which could have any material impact on the Company's financial position.

### Regulated information published by the Company

During the reporting period, the Company submitted 6 (six) 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 Database, as well as this information is available on the Company's website [www.zpienas.lt](http://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 Manager of the Register of Legal Entities. Notices on convocation 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](http://www.crib.lt) and on the Company's website [www.zpienas.lt](http://www.zpienas.lt). The most important events published during the Reporting period are:

Date	The most important notices of the reporting period
22-04-2022	<b>Notice on the reduction of the authorised capital</b>
15-04-2022	<b>Annual information of AB ŽEMAITIJOS PIENAS</b>
15-04-2022	<b>Decisions made by Ordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS</b>
24-03-2022	<b>Regarding the convening of the Ordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS</b>
14-03-2022	<b>The results of business activity of AB "Žemaitijos pienas" group in 2021, excluding audit</b>
13-01-2022	<b>Regarding the Ruling of the Supreme Administrative Court of Lithuania</b>

### The most important post-reporting events

- on 4 July 2022 a new wording of the Articles of Association of the Company was registered in the Register of Legal Entities (after reducing the authorized capital), the authorized capital was decreased from EUR 13,448,750 to EUR 12,103,875 and the number of ordinary registered shares decreased accordingly from 46,375,000 to 41,737,500 units. The reason was the decision adopted by the Ordinary General Meeting of shareholders in 15 April 2022. The decision was to cancel 4,637,500 units of own ordinary registered shares managed by ŽEMAITIJOS PIENAS AB.
- On 12 July, 2022 the Supervisory Board of the Company adopted the decision to recall Jurgita Petrauskienė from the Board of the Company from the end of the meeting of the Board of Supervisors of the Company that recalled her.
- On 27th July, 2022, the Supervisory Council of the Company adopted a decision to elect Algirdas Pažemeckas as a Board member of the Company until the term of office of the acting Board of the Company.
- On 30 August, 2022, the Board of the Company taking into account the fact that a reserve has been formed for the purchase of own shares and considering the resolution of the General Shareholders Meeting of the Company held on 2 April 2021, decided to initiate the buyback of the Company's own ordinary registered EUR 0.29 nominal value shares through the market of official offer of Nasdaq Vilnius stock exchange during period 09-01-2022 to 09-09-2022.

- On 9 September, 2022 the buyback of its own shares through the official offering market of the Nasdaq Vilnius Stock Exchange was completed. During this buyback, the Company purchased 222,020 units (0.53 %) of own shares for the total amount of EUR 388,535.00 (without brokerage fees). Share purchase price: EUR 1.75 per share. The Company could purchase maximum up to 570,000 units of shares.

Until 12 September, 2022 the Company announced 7 (seven) material events and other information provided by law and which must be published<sup>2</sup>.

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<sup>2</sup> <https://nasdaqbaltic.com/statistics/en/instrument/LT0000121865/news?date=2022-09-19>