



**CONSOLIDATED REPORT AND A SET OF  
CONSOLIDATED FINANCIAL STATEMENTS  
OF ROKISKIO SURIS AB  
FOR SIX MONTH PERIOD  
OF THE YEAR 2014**

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## 1. Reporting term of the Consolidated Interim Financial Statements

The Consolidated Interim Financial Statements are prepared for six month period of the year 2014.

## 2. Key information of the issuer

Name of the issuer: Joint stock company "Rokiskio suris".

Legal base: Joint Stock Company.

Address – Pramonės str. 3, LT 42150 Rokiskis, Republic of Lithuania.

Telephone: +370 458 55 200, fax +370 458 55 300.

E-mail address: [rokiskio.suris@rokiskio.com](mailto:rokiskio.suris@rokiskio.com)

Website: [www.rokiskio.com](http://www.rokiskio.com)

Registered in on 28<sup>th</sup> February 1992 by the Authorities of Rokiskis region.

Re-registered in on 28<sup>th</sup> November 1995 by the Ministry of Economy of the Republic of Lithuania.

Company code 173057512.

Manager of registry of legal entities – State company “Registru centras”.

The authorized capital of AB “Rokiskio suris” equals to LTL 35,867,970.

There are 35,867,970 shares. Nominal value per share equals to LTL 1 (one litas).

## 3. Information on the issuer's daughter enterprises and subsidiaries

The consolidated group (hereinafter the “Group”) consists of the Parent Company, two branches and five subsidiaries. (In 2013, the Parent Company, two branches, five subsidiaries and one joint venture).

### **Subsidiaries of AB “Rokiškio sūris”:**

UAB „Rokiskio pienas“ legal address: Pramonės str. 8, LT - 28216 Utena. Company code: 300561844. AB „Rokiškio sūris“ is its founder and the only shareholder having 100 per cent of shares.

UAB „Rokiškio pieno gamyba“ legal address: Pramonės str. 8, LT - 28216 Utena. Company code: 303055649. AB „Rokiškio sūris“ is its founder and the only shareholder having 100 per cent of shares.

Dairy cooperative „Žalmargė“ legal address: Kalnalaukio str.1, Širvintos. Company code: 178301073.

Latvian company SIA Jekabpils piena kombinats (company code 45402008851, legal address: Akmenu iela 1, Jekabpils, Latvija LV-5201).

Latvian company SIA Kaunata (company code 240300369, legal address Rogs, Kaunata pag., Rezeknes nov., Latvia).

### **Branches of AB “Rokiškio sūris”:**

AB „Rokiškio sūris“ branch Utenos pienas (Company code: 110856741, Pramonės g. 8, LT-28216 Utena);

AB „Rokiškio sūris“ branch Ukmergės pieninė (Company code: 182848454, Kauno g. 51, LT-20119, Ukmergė).

#### **4. Characterization of the issuer's basic business**

Basic business of the group of “Rokiškio sūris“:

◆ Dairying and cheese production (EVRK 10.51);

Basic business of AB „Rokiškio sūris“ is production and sales of fermented cheese, whey products, and skim milk powder.

Subsidiaries:

Basic business of UAB „Rokiškio pienas“ is sales of fresh dairy products (fluid milk, kefir, sour milk, butter, curds, fresh cheese, sour cream, chocolate coated curds dessert, desserts).

Basic business of UAB „Rokiškio pieno gamyba“ is production of fresh dairy products (fluid milk, kefir, sour milk, butter, curds, fresh cheese, sour cream, chocolate coated curds dessert, desserts).

Basic business of KB „Žalmargė“ is purchase of raw milk.

Basic business of SIA Jekabpils piena kombinats – purchase of raw milk.

Basic business of SIA Kaunata – purchase of raw milk.

#### **Branches of AB “Rokiškio sūris“:**

Basic business of AB „Rokiškio sūris“ branches Utenos pienas and Ukmergės pieninė is purchase of raw milk.

#### **5. Contracts with financial brokers**

On 24<sup>th</sup> December 2003, AB „Rokiškio sūris“ made a contract with UAB FMI „Baltijos vertybiniai popieriai“ (Gedimino pr.60, Vilnius) regarding administration of shareholders of AB „Rokiškio sūris“. On 15<sup>th</sup> January 2007, the financial company changed its name into UAB FMI „Orion securities“ (A.Tumėno str. 4 , LT-01109 Vilnius).

#### **6. Trade on issuer's securities by stock exchange and other organised markets**

The 35,867,970 ordinary registered shares of AB “Rokiškio sūris“ are listed on the **Official List of NASDAQ OMX Vilnius Stock Exchange**. (VVPB symbol RSU1L). Nominal value per share 1 (one) litas.

The Company has not issued any debt securities for the public stock trading.

The Company has not issued nor registered any debt securities for the non-public stock trading.

There are no securities which would not participate as a part of the Authorized Capital and be regulated by the Law on Securities.

The shares were not traded by other stock exchanges or similar institutions. As from 22nd November 2010 the trade on stock markets is performed in euros.

Trade by shares of AB Rokiskio sūris on NASDAQ OMX Vilnius Stock Exchange:

**Trade on central market:**

Reported period		Price (Eur)				Turnover (Eur)			
from	to	max	min.	avver.	Last session	Date of last trading session	max	min	Last session
2011.01.01	2011.03.31	1.789	1.505	1.696	1.750	2011.03.31	92,633.76	0	0
2011.04.01	2011.06.30	1.807	1.410	1.574	1.440	2011.06.30	118,496.02	0	118,496.02
2011.07.01	2011.09.30	1.485	1.370	1.404	1.400	2011.09.30	223,147.30	0	14,035.60
2011.10.01	2011.12.30	1.478	1.205	1.256	1.298	2011.12.30	644,770.74	0	3,595.46
2012.01.01	2012.03.30	1.388	1.29	1.360	1.359	2012.03.30	118,945.00	0	0
2012.04.01	2012.06.30	1.40	1.25	1.36	1.360	2012.06.29	108,953.50	0	4,128.00
2012.07.01	2012.09.30	1.40	1.30	1.37	1.40	2012.09.28	641,665.74	0	1,158.70
2012.10.01	2012.12.31	1.47	1.33	1.37	1.40	2012.12.28	390,622.20	0	1,950.00
2013.01.01	2013.03.28	1.59	1.39	1.46	1.57	2013.03.30	77,386.93	0	4,671.62
2013.04.01	2013.06.28	1.63	1.44	1.49	1.50	2013.06.28	335,690.00	0	5,992.78
2013.07.01	2013.09.30	1.64	1.48	1.57	1.64	2013.09.30	93,753.10	0	93,753.10
2013.10.01	2013.12.31	1.62	1.50	1.55	1.59	2013.12.30	265,880.80	0	1,162.22
2014.01.01	2014.03.31	1.74	1.59	1.68	1.70	2014.03.31	106,298.00	0	0
2014.04.01	2014.06.30	1.70	1.55	1.59	1.65	2014.06.30	813,077.60	0	907.50

**Trade by the shares of AB “Rokiškio sūris” within January-June 2014**

Price EUR



Data source – website of AB NASDAQ OMX Vilnius:

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=en&currency=0&downloadcsv=0&date=&start\\_d=1&start\\_m=1&start\\_y=2014&end\\_d=30&end\\_m=6&end\\_y=2014](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=en&currency=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2014&end_d=30&end_m=6&end_y=2014)

## Capitalization of the Securities

Reporting period		Total turnover		Date of last trading session	Capitalisation (Eur)
from	to	(units)	(Eur)		
2010.01.01	2010.03.31	988,352	975,929	2010.03.31	38,983,123
2010.04.01	2010.06.30	1,384,497	1,419,903	2010.06.30	37,406,882
2010.07.01	2010.09.30	829,929	1,022,024	2010.09.30	53,092,399
2010.10.01	2010.12.31	1,564,687	2,715,182	2010.12.30	68,893,250
2011.01.01	2011.03.31	482,039	817,582.95	2011.03.31	62,768,948
2011.04.01	2011.06.30	791,936	1,246,500.83	2011.06.30	51,649,877
2011.07.01	2011.09.30	821,016	1,152,527.70	2011.09.30	50,215,158
2011.10.01	2011.12.30	1,192,435	1,498,010.23	2011.12.30	46,556,625
2012.01.01	2012.03.31	189,564	257,712.33	2012.03.31	48,744,571
2012.04.01	2012.06.30	228,464	310,179.89	2012.06.29	48,780,439
2012.07.01	2012.09.30	835,557	1,142,089.88	2012.09.28	50,215,158
2012.10.01	2012.12.31	525,165	717,997.30	2012.12.28	50,215,158
2013.01.01	2013.03.31	265,841	389,055.13	2013.03.30	56,312,713
2013.04.01	2013.06.30	675,596	1,005,631.66	2013.06.28	53,801,955
2013.07.01	2013.09.30	358,981	562,423.85	2013.09.30	58,823,471
2013.10.01	2013.12.31	743,434	1,154,134.97	2013.12.30	57,030,072
2014.01.01	2014.03.31	381,601	640,913.17	2014.03.31	60,975,549
2014.04.01	2014.06.30	708,846	1,124,285.96	2014.06.30	59,182,150

## 7. Authorized capital of the issuer

As at June 30<sup>th</sup>, 2014, the Authorized capital of AB “Rokiškio sūris“ comprised of the following:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share of authorized capital (%)
1	2	3	4	5
Ordinary registered shares	35,867,970	1	35,867,970	100.00

All shares of AB „Rokiškio sūris“ are paid-up , and they are not subject to any limitations of transference.

## 8. Shareholders.

Total number of shareholders (as at 30.06.2014) – 5,536 shareholders.

**The shareholders having or owning over 5 per cent of the issuer’s authorized capital (as at 30.06.2014):**

Name, surname Name of company	Address	Proprietary rights			With associated persons	
		Number of shares	Capital share %	Votes %	Capital share %	Number of shares
<b>UAB "Pieno pramonės investicijų valdymas"</b> Company code 173748857	Pramonės str. 3, Rokiškis Lithuania	10 032 173	27.97	28.61	69.74	71.33
<b>SIA "RSU Holding",</b> reg.No.40103739795	Sliezu iela 9A-25, Riga	8 909 347	24.84	25.41	69.74	71.33
<b>Antanas Trumpa</b>	Sodų 41a, Rokiškis Lithuania	5 935 975	16.55	16.93	69.74	71.33
<b>Swedbank clients</b> Company code 10060701 EE 40003074764 LV	Liivalaia 8, Tallinn Estonia/ Balasta Dambis 1A Latvia	2 733 627	7.62	7.80	-	-
<b>SEB SA OMNIBUS</b> (funds/inst clients) LUESSE22	Liuksemburgas	1 778 605	4.96	5.07	-	-
<b>AB „Rokiškio sūris“</b> Company code 173057512	Pramonės g.3, Rokiškis Lithuania	802 094	2.24	-	-	-

## 9. Shareholders' rights

### **Shareholders have the following non-economic rights:**

- 1) to attend the general meetings of shareholders;
- 2) to make advance inquiries addressed to the company in regards with the items on the agenda of general meeting of shareholders;
- 3) based on the rights provided with the shares to vote on the general meetings of shareholders;
- 4) according with Part 1 of Article 18 of the Law on the Joint Stock Companies to obtain information on the company's operations;
- 5) to address the court requesting to bring an action of damages against the company if the damage was caused by noncompliance or inadequate compliance with duties of the company manager and board of directors as stated by the Law on Joint Stock Companies of the Republic of Lithuania or other laws, as well as the Articles of Association and or in any other cases as stated by the Lithuanian Laws;
- 6) other non-economic rights established by the Lithuanian Laws.

### **Shareholders have the following property rights:**

- 1) to receive a certain portion of the Company's profit (dividend);

- 2) to receive a certain portion of the company's funds when its authorized capital is decreased in order to pay out the fund to shareholders;
- 3) to receive shares without payment if the authorised capital is increased from the funds of the Company;
- 4) to have priority in acquiring the newly issued shares or convertible bonds of the Company unless the General Meeting of the Shareholders resolves to waive such right complying with the applicable Law;
- 5) to lend to the Company as determined by the Laws of the Republic of Lithuania, the company however cannot mortgage its assets when borrowing from shareholders. When the company borrows from shareholders the interest cannot exceed the average interest rate of the local commercial banks on the day of contracting. In this case the company and shareholders must not agree regarding the higher rate of interest;
- 6) to receive a portion of assets of the Company in liquidation;
- 7) other property rights established by the Lithuanian Laws.

The rights identified by points 1, 2, 3 and 4 are provided to the persons who were the company's shareholders at the end of the tenth working day after the corresponding general meeting of shareholders.

## 10. Information on purchase of issuer's own shares

During the public quotation from 2011.09.07 to 2011.09.20 AB „Rokiškio sūris“ acquired 788,804 own shares which made 2.20 % of the company's authorized capital, and during the period from 2011.12.01 to 2012.12.14 it was acquired 13,290 own shares which made 0.04 % of the company's authorized capital.

As at the end of the reporting period (30<sup>th</sup> June 2014), AB „Rokiškio sūris“ has in treasure 802,094 ordinary registered shares and it makes 2.24 % of the company's authorized capital.

Treasury shares have no voting right.

## 11. Operations of the issuer

AB „Rokiškio sūris“ is one of the largest and most modern dairy production companies in Lithuania. The Company's sales are widely spread and include both the export to East and West markets, as well as wide range of fresh dairy products sold on the local market and the markets of neighborhood countries.

The Group's production is developed in the towns of Rokiškis (AB „Rokiškio sūris“), Utena (UAB „Rokiškio pieno gamyba“) and Ukmerge (UAB „Rokiškio pieno gamyba“ subsidiary „Ukmergės pieninė“).

- Specialization of AB Rokiskio suris (Rokiskis) – production and sales of fermented cheese and whey products.
- Specialization of UAB „Rokiškio pieno gamyba“ (Utena) – fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
- Specialization of UAB „Rokiškio pieno gamyba“ (Ukmerge production plant) – curd and curd cheese production.
- Specialization of Rokiskio pienas UAB – sales of the Group's products in Lithuania, Latvia and Estonia.



The cheese produced by the company comprises of fresh, semi-hard and hard cheese. The group of fresh cheese includes „Cagliata“ (various fat content and weight), „Mozzarella“. The group of semi-hard cheese includes the following products: “Rokiškio sūris“ (various fat content and weight), Saulės sūris, Lietuviškas, „Gouda“, Edamo sūris, Sūris „Visiems“, “Naminis”, „Žaloji karvutė“ etc., whereas Kietasis suris (various fat, moisture content and weight), “Montecampo“ and “Gojus“ belong to the hard cheese type. In the end of 2011, the production of long term maturing hard cheese ROKISKIO GRAND was started.

The key activity of AB Rokiskio suris is production fermented cheese. Production of fermented cheese increased by 6 per cent compared to the same period last year.

Besides the main production of fermented cheese, AB “Rokiškio sūris” produces liquid whey protein concentrate (WPC) which is followed by the production of WPC powder, and also milk sugar (lactose), processed cheese, and smoked cheese.

UAB „Rokiškio pieno gamyba“ specializes in the production fresh dairy products, i.e. fluid milk, sour milk, kefir, cream, curds and fresh cheese, chocolate coated cheese bars, yogurts, butter, for the local market, also the company provide service to AB „Rokiškio sūris“ producing the products for expert such as butter, cream, WPC (whey protein concentrate) 34 and 80, and skim milk powder.

The biggest part of production is exported. As before, the main direction of export is European Union (mainly Italy, Germany, and Poland) and Russian markets.

In 2014, the sales of WPC80 (whey protein concentrate) were widened. The product raised interest of the customers from France, Germany, Denmark, Netherlands, and Spain. The first shipments reached New Zealand.

The Group’s export sales of traditional products such as butter, cream, milk powder and by-products of cheese production (Whey protein concentrate and lactose) are increasing. Milk powders were sold to Morocco, and Japan.

The biggest part of exported production is fermented cheese. In the EU region the main part of sales make unmaturing and hard cheese, whilst in the Russian market – semi hard cheese and hard cheese which becomes more and more popular. The sales of hard cheese increased by 29 per cent compared to the period of last year.

Rokiškis group is one of the dairy leaders on the local market with market share of 25 per cent. The company distributes its production throughout the local chains. In Lithuania Rokiškis is famous for its cheese and also other fresh dairy products such as kefir, fluid milk, sour cream, butter, curd products, yogurts, chocolate coated curd bars.

The consolidated non-audited net profit of 6 months 2014 of AB „Rokiškio sūris“ Group made LTL 4.449 million, i.e. less by 57.7 per cent vs last year same period. In 2013, the six month consolidated net profit made LTL 10.520 million. The group’s net profitability ratio for the six month period 2014 is equal to 1 per cent.

The key factor of the decreased profitability compared to last year was the increased raw milk prices. Particularly significant increase was faced within the first four months of the year which caused increase in cost of production of fermented cheese and fresh dairy products. The

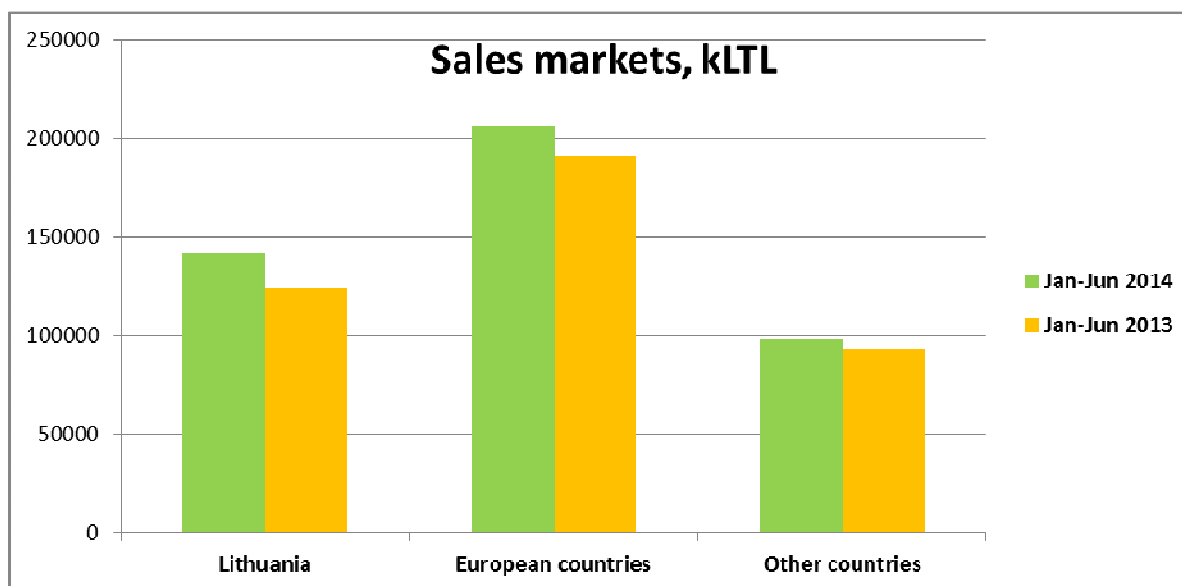
production cost of fermented cheese increased more than the sales prices were increasing. The second important factor was decrease of export sales prices of butter, lactose and cream.

## Sales markets

The January-June 2014 consolidated non-audited sales of AB „Rokiškio sūris“ Group made LTL 446.226 million, i.e. 9.25 per cent more than during the same period of last year. The consolidated sales of the same period of 2013 made LTL 408.455 million.

The improved results compared to the same period of last year were caused by the increased prices and volumes of WPC, hard and semi-hard cheese.

Name of countries	Sold			
	Jan-Jun 2014		Jan-Jun 2013	
	kLTL	%	kLTL	%
Lithuania	141 900	31.80	124 090	30.38
European countries	206 164	46.20	191 150	46.80
Other countries	98 162	22.00	93 215	22.82
<b>Total</b>	<b>446 226</b>	<b>100.00</b>	<b>408 455</b>	<b>100.00</b>



The Companies are highly concerned about food safety and quality issues in order to satisfy customer needs and comply with the environmental requirements. The Company AB “Rokiškio sūris” was the first in Lithuania who was certified in accordance with the Hazard Analysis and Critical Control Point systems (HACCP), and the first of dairy companies who was certified in accordance with the Quality management and Environment management systems (ISO 9001:2008, ISO 14001:2004, ISO 22000:2005).

Following requirements of the standards, certain rules are implemented in order to secure stable production of steady and safe products of high quality which contribute to the effective environment protection aligned with the company's strategy. The system covers all procedures from the purchase of raw materials to the products to end consumers.

The systems are being reviewed and upgraded all the time in order to maintain high product quality, and widen the product assortment.

The most important aspect of the companies' performance is food safety. In order to reach higher level of food safety effectiveness the company in Rokiskis improved the food safety system and in 2013 it was certified in accordance with the scheme for certification of food safety systems FSSC 22000. The system covers ISO 22000:2005 and ISO/TS 22002-1:2009 as well as additional requirements. The food safety scheme is recognized by the Global Food Safety Initiative GFSI, and it can replace some other previously recognized food safety standards such as BRCm IFS and SQF.

In 2012, UAB „Rokiškio pienas“ implemented a new Standard of social responsibility SA8000.

Every year AB „Rokiškio sūris“ renders great attention to modernization of existing production facilities and their maintenance: cooling systems, power supply, waste treatment and utilization, ventilation, monitoring of suitable air conditions in production premises. Therefore annual investments make a great share of the company's resources. In 2014, the total group of the company expects to invest around LTL 12 million.

In 2014, the main investment streams are directed into the main production departments of the company – acquisition and reconstruction of production equipment. The main target of the investments is to increase the company's competitiveness, and effectively employ available production equipment by implementation of new technologies whilst securing environment and improving work conditions for the employees.

It is provided that acquisition of equipment should first satisfy customer needs in terms of finished production. It is aimed the equipment would ensure safety and quality of the product as well as variability of packaging responding to growing market demand.

It is mostly likeable that the forthcoming period would show successive growth of export markets as it was in the previous periods which will increase raw milk prices.

It is not expected the local market would grow as the increased purchasing power due to higher wages will be reduced because of the manpower emigration.

The risk related with export to Customs Countries' markets is quite high as usual.

Long-term objectives of the Company:

- Creation of a solid and profitable EU market for AB “Rokiškio sūris” products and services.
- Ensuring of a stable and coordinated waste-free production programme.
- Maintenance of stable relationships with raw milk suppliers.

## **12. Environment**

The food safety and quality and environment protection politics of AB “Rokiškio sūris” covers continuous decrease of negative impact on environment, ensuring minimal consumption of resources, and strengthening waste treatment in order to minimize negative impact on air, water and earth.

Within the reporting period, AB “Rokiškio sūris“ implemented successfully the targets and tasks provided by the Environment Protection Program 2014. The company employs five programs in order to monitor and analyze the impact on environment, the contamination of waste and air is measured in accordance with the schedule agreed with environment authorities. It was not identified any unwelcome facts, the reports are supplied to Panevezys Department of Environment Protection. (RAAD).

Within the first half year 2014, the company processed 6.3 per cent more raw material, consequently the use of resources has changed also.

Consumption of energy resources in the first half year 2014, per 1 ton of raw material:

Thermal power	Electricity	Water	Waste effluent
Increased by 3.6 %	Increased by 2.2 %	Increased by 5.6 %	Increased by 15.8 %

During the first half year 2014 it was consumed the following amount of water 477.380m<sup>3</sup>, 42% of which was extracted from the company’s fresh water bores. The savings of the underground water made 10.5% as it was used the cleaned whey water instead.

The whey from production procedure is fully processed. Nanofiltration, ultrafiltration and reverse osmosis are used in the processing technology. The water extracted from whey (“cow water”) complies with the environmental requirements. Effectiveness of cleaning equals to 98% in terms of BDS<sub>7</sub>. 33.7% of the cleaned water is used second time.

The waste is treated by the internal waste water treatment plant with nitrification and denitrification, as well as chemical discharge of phosphorus. The effectiveness of cleaning amounts to 98-99 % in accordance with the controlled parameters.

A part of waste which increased due to the higher production in 2014, is handled by UAB „Rokiškio vandenys“, it amounts to 1.3% of total waste. The amount of discharged contaminants with the waste in accordance with BDS<sub>7</sub> is equal to 0.58 kg/ ton of raw material.

AB “Rokiškio sūris“ exploits 278 vehicles. 37% of which complies with the requirements set by Euro 4 or 5, 22% complies with Euro 3, and 4% with Euro 2 and 1. The average age of the used vehicles is 11.7 years. 68% of the vehicles run on diesel, 3% on oil gas, and 29% on petrol.

The comprised waste (both hazardous and non-hazardous) is handled by UAB „Rokiškio komunalininkas“. In the first half year 2014, it was 207 t of household waste, 4.19 t of hazardous waste, and 3292 t of sludge from waste water treatment plant was used for soil fertilization. It was collected the secondary waste as follows: paper and carton 26 t, plastics 32 t, metal 3 t, tires 2 t.

AB “Rokiškio sūris” received a Licence for integrated prevention and control of pollution (TIPK), which was renewed on 28<sup>th</sup> December 2009 and corrected on 1<sup>st</sup> July 2011. On 6<sup>th</sup> January 2014, it was applied for the renovation of TIPK license. The documents were accepted on 18<sup>th</sup> May 2014 after all credentials were established.

### **13. Procedure for amendments of the Articles of Association**

Pursuing the Articles of Association of AB „Rokiškio sūris“, the Articles may be exclusively changed by the general meeting of shareholders, except the cases provided by the Law on joint stock companies of the Republic of Lithuania. To accept the decision changing the Articles of Association, it is needed 2/3 of votes of total participants in general meeting of shareholders.

## 14. Management bodies of the issuer

In accordance with the Articles of Association of AB „Rokiškio sūris“, the managing bodies of the company are as follows: General shareholders' meeting, the Board of Directors and the Chief Executive Officer.

The competence and procedure of announcement applied to the general shareholders' meeting complies with the competence and procedure of announcement applied to the general shareholders' meeting established by the Law on Joint Stock Companies.

The Board of Directors is a collegial management body comprised of 5 (five) members. The Board members are elected and recalled by the general shareholders' meeting pursuing the procedure set by the Law on Joint Stock Companies.

The Chief Executive Officer is a one-man management body who organizes everyday activities of the company, discusses and solves the company's long term strategic objectives as well as issues of business plans. Within relationship between the company and other persons, the Chief Executive Officer acts determinatively on behalf of the company.

The 17<sup>th</sup> July 2012 extraordinary general meeting of shareholders of AB „Rokiškio sūris“ elected a new Board of Directors of AB „Rokiškio sūris“. In accordance with the new approved wording of the Articles of Association of AB „Rokiškio sūris“ (the new Articles of Association of AB „Rokiškio sūris“ was registered in the Registry of Legal Entities on 27<sup>th</sup> July 2012) the Board of Directors consists of 5 members.

The 17<sup>th</sup> July 2012 extraordinary general meeting of shareholders of AB „Rokiškio sūris“ elected a new Board of Directors of AB „Rokiškio sūris“ of 4 members.

### Members of the Board of Directors:

**Dalius Trumpa** – Board Chairman (elected on 17<sup>th</sup> July 2012). Owns 135,550 ordinary registered shares, i.e. 0.38% of the Authorized capital and 0.39% of votes of AB „Rokiškio sūris“.

Education – university degree. Works for the company since 1991. As from 2002 in the capacity of production director. As from 2007 appointed a deputy director.

Also the director of UAB Rokiskio pienas from 2007.

Participation in the activities of other companies:

Shareholder of UAB „Pieno pramonės investicijų valdymas“, having 3.91% of the company's shares and votes;

As from 2007, Chief executive officer of a subsidiary UAB „Rokiškio pienas“, having no shares;

As from 29<sup>th</sup> April 2013, Chief executive officer of a subsidiary UAB „Rokiškio pieno gamyba“, having no shares;

Director of UAB „Rokvalda“, having 100% of shares and votes.

**Antanas Kavaliauskas** - Deputy Chairman (elected on 17<sup>th</sup> July 2012), the Chief Financial Officer of AB „Rokiškio sūris“, having no ownership of AB „Rokiškio sūris“.

Works for the company since 2002 in the capacity of finance director. Education – university degree. In 1997, obtained a master degree of finance management in Kaunas technology university. As from 2002, a certified member of international accountants association ACCA.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas" owning 3.91% of shares of UAB "Pieno pramonės investicijų valdymas".

Board Chairman of Latvian company SIA Jekabpils piena kombinats, having no shares.

**Ramūnas Vanagas** - Board member (elected on 17<sup>th</sup> July 2012), Development Director of AB „Rokiškio sūris“, having no ownership of shares of AB „Rokiškio sūris“.

Education – university degree. Works for the company since 2005 in the capacity of business development director.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas" owning 3.91% of shares of UAB "Pieno pramonės investicijų valdymas".

**Darius Norkus** - Board member, (elected on 17<sup>th</sup> July 2012), Sales and Marketing director of AB „Rokiškio sūris“, having no shares of the company.

Education – university degree. Works for the company since 2001 in the capacity of the sales and marketing director.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas", having 3.91 % of the company's shares and votes;

The Board of Directors remains in office for a tenure of 4 years. The cadence ends on 17<sup>th</sup> July 2016.

### **Manager of the Company:**

The Chief Executive Officer is a one-man management body who organizes everyday activities of the company. Within relationship between the company and other persons, the Chief Executive Officer acts determinatively on behalf of the company.

### **Information on the company's manager (director):**

#### **The CEO of the Company:**

**Antanas Trumpa** owning 5,935,975 ordinary registered shares of AB „Rokiškio sūris“, i.e. 16.55% of the authorized capital of AB "Rokiškio sūris" and 16.93% of votes.

Education – university degree. Works for the company as from 1966. In 1979, prepared a dissertation "Organizing the work of vacuum apparatus" in Kaunas Polytechnic Institute, consequently on 12th October 1994 was granted a doctor degree by Lithuanian Science Council.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas" with 6,758, i.e. 67.04% of the shares and votes of UAB "Pieno pramonės investicijų valdymas".

### **Information on the company's finance director:**

#### **Chief Financial Officer Antanas Kavaliauskas**

For more information about the Chief Financial Officer see point 14 as per information about the management bodies.

## 15. Management structure and Employees

AB „Rokiškio sūris“ Group’s management structure is formed in line with the key functions such as Sales, Production, Finance management, Milk procurement, Logistics, Central services, and Development.

In accordance with the corporate strategy approved by the Board of Directors the Company’s key operational targets cover all functional areas such as finance, marketing, procurement, production and control of human resources and their achievements. In order to reach the set targets the company has established an internal control system as well as the Audit Committee. The main functions include analyzing and evaluation, also providing recommendations for improvement of the Company’s operational performance. The findings of Audit Committee are presented to the Company’s management, and an action plan is prepared accordingly in order to eliminate identified weaknesses.

The accounting system of the company’s groups is prepared in accordance with the International Accounting Standards applied in the European Union.

The company’s Audit Committee is made of 3 members one of which is independent and has at least 5 year experience in accounting. Other members of the Committee also have appropriate experience to perform their duties. The Audit Committee performance includes independent and objective surveillance, review, evaluation and consultation of the company in order to improve procedures and to increase additional value.

The Company’s performance is managed and controlled in assistance with the informational technologies. Security of the data on the Company’s information system is ensured by document copying.

As at 30<sup>th</sup> June 2014, the number of employees working for the group of AB „Rokiškio sūris“ amounted to 1,674 (average number of employees).

The table shows average number of employees of Rokiškio sūris group and variation of average salaries in six month period 2014:

<b>Average number of employees</b>	<b>2014.06.30</b>	<b>2013.12.31</b>
Total:	1674	1720
Incl. Managers	10	10
Specialists	309	313
Workers	1355	1393
<b>Average monthly salary, Lt</b>	<b>2669</b>	<b>2518</b>
managers	5992	5148
specialists	2718	2773
workers	2762	2528



Education of the employees working for Rokiskio suris

Education	2014.06.30	2013.12.31
University degree	157	160
Vocational school	774	803
High school	710	727
Unfinished high school	33	30

There is a practice of signing Corporate Labour Contract between the Company and an employee, also there is Trade-Union Committee of AB Rokiskio suris.

## 16. Key up-to-date information of the issuer's performance

### 1. Regarding an award in the exhibition PRODEXPO'2014

In the international food industry exhibition in Moscow PRODEXPO'2014 which took place on 10<sup>th</sup>-14<sup>th</sup> February, 2014, a new product of Rokiskio suris AB – the hard grating cheese “Rokiskio GRAND” – was nominated as the best product in the International Competition THE BEST PRODUCT'2014 which was organized by the Central Tasting Committee of the Russian Ministry of Agriculture and a company Agroexposervice. Rokiskio GRAND was granted a gold medal in this competition.

Rokiškio GRAND is a classical cheese of *Parmigiano Reggiano* type, produced in Lithuania from the best quality raw milk and matured in Italy for at least 9 months.

### 2. Share-block of Pieno upes UAB sold

On 24<sup>th</sup> April 2014, AB Rokiskio suris sold its 50 per cent block of shares of UAB Pieno upes. The block of shares was sold pursuing the long term shareholding agreement following the request of other shareholders to purchase the shares. The main activity of UAB Pieno upes was purchase of raw milk.

### 3. General Meeting of Shareholders of AB “Rokiškio sūris” was held on 25<sup>th</sup> April 2014.

The approved resolutions of the 25<sup>th</sup> April 2014 General Meeting of Shareholders

#### 1. Auditor's findings regarding the consolidated financial reports and annual report.

##### Resolution:

To endorse the auditor's report. (attached)

#### 2. The Audit Committee report.

##### Resolution:

To endorse the report of the Audit Committee. (attached)

#### 3. The Company's annual report for the year 2013.

##### Resolution:

Debriefed with the annual report for the year 2013 of AB “Rokiškio sūris“. (attached)



4. Approval of the company's consolidated financial accounting for the year 2013.

Resolution:

To approve the consolidated financial reports for the year 2013. (attached)

5. Allocation of the profit of the Company of 2013.

Resolution:

To approve allocation of the profit of the Company of 2013.

		thou LTL	thou EUR
1.	Non-distributable profit at beginning of year	94 798	27 455
2.	Approved by shareholders dividends related to the year 2012	(3 507)	(1 016)
3.	Transfers to reserves provided by law	13 289	3 849
4.	Non-distributable profit at beginning of year after dividend payout and transfer to reserves	104 480	30 288
5.	Net profit of fiscal year for Company	64 240	18 605
6.	Distributable profit	168 820	48 894
7.	Profit share for mandatory reserve	-	-
8.	Profit share for other reserves	-	-
9.	Profit share for dividend payout <sup>1</sup>	(3 507)	(1 016)
10.	Profit share for annual payments (tantiemes) to the Board of Directors	1 168	338
11.	Profit share for employee bonuses and other	2 886	836
12.	Non-distributable profit at end of year	165 313	47 878

<sup>1</sup>Distributed profit earned by the Company until 2009

Allotted for the dividends related to 2013 – LTL 3 506 588 (EUR 1 015 578) i.e. LTL 0,10 (EUR 0,029) per share (before taxes).

The Law on Companies of the Republic of Lithuania provides that dividends shall be paid to the shareholders who at the end of the tenth business day following the Annual General Meeting that adopts a decision on dividend payment (rights accounting day) will be on the Shareholders' List of the Company, i.e. the shareholders of AB Rokiskio suris on 12 May 2014.

Following Lithuanian laws dividends paid to natural persons-residents of the Republic of Lithuania and natural persons-residents of foreign countries are subject to withholding Personal income tax of 20 per cent. Dividends paid to legal entities of the Republic of Lithuania and legal entities-residents of foreign countries are subject to withholding Corporate income tax of 15 per cent, unless otherwise provided for by the laws.

6. Election of the Company's auditor and establishment of payment conditions.

Resolution:

To appoint UAB "PriceWaterhouseCoopers" as an Auditor of JSC Rokiskio suris. The Board of Directors will establish the fee for the auditor's work. The Company's Chief Executive Officer will sign a contract with the auditor.

7. Regarding purchase of own shares.

Resolution:

- 1). To purchase up to 10 per cent of own shares.
- 2). Purpose of acquisition of own shares – maintain and increase the price of the company’s shares.
- 3). Period during which the company may purchase own shares - 18 months from the approval of resolution.
- 4). Maximal purchase price per share set as – EUR 3,475 (LTL 12,00) minimal purchase price per share is set equally to nominal value of share – EUR 0,290 ( LTL 1,00).
- 5). Minimal sales price per share of the treasury shares is equal to the price at which the shares were purchased.

When selling treasury shares it should be established equal opportunities for all shareholders to acquire the company’s shares. Also, it shall be provided the opportunity to annul treasury shares.

- 6). To authorize the Board of Directors to organize purchase and sales of the own shares, establish an order for purchase and sales of the own shares, as well as their price and number, and also complete all other related actions pursuing the resolutions and requirements of the Law on Joint Stock Companies.

8. Regarding compounding the reserve to acquire own shares.

Resolution:

Reserve for acquisition of own shares accumulated amounts up to LTL 40 287 thousand (EUR 11 668 thousand).

#### 4. Interim financial results for three months of 2014

The consolidated non-audited sales of the AB ”Rokiskio suris” group for 3 months 2014 made LTL 218.863 million (EUR 63.387 million), i.e. 15.24 per cent more compared to the same period last year. In 2013, the consolidated sales of the three months made LTL 189.927 million (EUR 55.007 million).

In 3 months 2014 the group’s loss amounted to LTL 2.062 million (EUR 0.597 million). The consolidated net profit of the group for the three months of 2013 was LTL 1.256 million (EUR 0.364 million).

All information on the company’s material events is presented following Article 28 of the Law on Securities of the Republic of Lithuania.

The company publishes its information through the base of Central Public Information, on the website of Vilnius Securities Exchange <http://www.baltic.omxnordicexchange.com> and the company’s website [www.rokiskio.com](http://www.rokiskio.com)

## 17. Information on observance of the Company management codex

Pursuing the company’s strategy and internal politics, Rokiskio suris AB respects the recommendations provided by the Governance Code approved by NASDAQ OMX Vilnius.

**AB „ROKIŠKIO SŪRIS“**
**CONSOLIDATED AND PARENT COMPANY'S**
**FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2014**

Company code 173057512, address: Pramonės g. 3, LT-42150 Rokiškis, Lithuania

(All tabular amounts are in LTL '000 unless otherwise stated)

**13. Consolidated Balance sheet**

	June 30, 2014	December 31, 2013	June 30, 2013
<b>PROPERTY</b>			
Long-term tangible assets	144,470	148,158	144,536
Intangible assets (with prestige)	779	1,023	1,104
Other receivables in a year	40,394	47,978	39,446
	185,643	197,159	185,086
<b>Current assets</b>			
Inventories	152,256	128,536	101,872
Receivables and advance payments	175,793	129,732	144,458
Short-term investments	33,462	34,636	39,223
Cash and cash equivalents	7,467	21,527	17,373
	368,978	314,431	302,926
<b>Total assets</b>	<b>554,621</b>	<b>511,590</b>	<b>488,012</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shares	35,868	35,868	35,868
Share premium	41,473	41,473	41,473
Reserve for acquisition of treasury shares	40,287	40,287	40,287
Treasury shares	(3,868)	(3,868)	(3,868)
Other reserves	49,406	55,627	66,611
Retained earnings	182,180	175,017	141,779
	345,346	344,404	322,150
<b>Non-current liabilities</b>			
Borrowings	4,443	4,056	3,366
Deferred income tax liability	7,755	8,809	10,132
Deferred income	3,286	3,805	3,154
	15,484	16,670	16,652
<b>Current liabilities</b>			
Trade and other payables	76,838	69,655	81,062
Tax liabilities	1,013	1,423	3,017
Deferred income	1,155	1,307	1,934
Borrowings	114,785	78,131	63,197
	193,791	150,516	149,210
<b>Total equity and liabilities</b>	<b>554,621</b>	<b>511,590</b>	<b>488,012</b>

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(All tabular amounts are in LTL '000 unless otherwise stated)

**14. Consolidated Statement of comprehensive income**

	January-June		April-June	
	2014	2013	2014	2013
Sales	446,226	408,455	227,363	218,528
Cost of sales	(407,886)	(365,010)	(201,813)	(191,702)
<b>Gross profit</b>	38,340	43,445	25,550	26,826
Selling and marketing expenses	(32,043)	(30,215)	(17,281)	(15,466)
<b>Operating profit (loss)</b>	6,297	13,230	8,269	11,360
Finance costs	(863)	(618)	(504)	(416)
<b>Profit before tax</b>	5,434	12,612	7,765	10,944
Income tax (accumulation)	(985)	(2,092)	(1,254)	(1,680)
<b>Operating activity income (loss)</b>	4,449	10,520	6,511	9,264
<b>Net profit (loss)</b>	4,449	10,520	6,511	9,264
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	4,449	10,520	6,511	9,264

**AB „ROKIŠKIO SŪRIS“**
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(All tabular amounts are in LTL '000 unless otherwise stated)

## 15. Consolidated cash flow statement

	<b>January-June</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities</b>		
Profit before tax and minority interest	5,434	12,612
<i>Corrections:</i>		
- depreciation	14,523	15,991
- amortisation (negative prestige not included)	32	169
- write-off of property, plant and equipment and intangible assets	3	112
- loss on disposal of property, plant and equipment	72	(341)
- interest expense	562	355
- interest income	(1,225)	(1,045)
- net unrealized currency exchange profit	105	(426)
- amortization of government grants received	(671)	(1,144)
<i>Circulating capital changes:</i>		
- inventories	(23,720)	(7,001)
- amounts payable	25,016	14,715
- amounts receivable and prepayments	(46,061)	(14,535)
Cash flows from operating activities	(25,930)	19,462
Interest paid	(785)	(355)
Net cash generated from operating activities	(26,715)	19,107
<b>Investing activities</b>		
Purchase of property, plant and equipment	(12,054)	(11,988)
Purchase of intangible assets	(2)	(4)
Loans granted to farmers and employees	(10,289)	(6,364)
Proceeds from sale of property, plant and equipment	146	236
Other loans granted	(16,235)	(23,258)
Repayments of loans granted to farmers and employees	4,726	3,882
Interest received	1,225	1,045
Other loan repayments received	11,991	24,063
Government grants received	-	-
Net cash generated from investing activities	(20,492)	(12,388)
<b>Financing activities</b>		
Lease payment	-	7
Loans received	284,424	354,808
Repayments of borrowings	(247,770)	(346,683)
Dividends paid	(3,507)	(3,507)
Net cash generated from financing activities	33,147	4,625
<b>Net increase in cash and cash equivalents</b>	(14,060)	11,344
Cash and cash equivalents at the beginning of the period	21,527	6,029
<b>Cash and cash equivalents at the end of the period</b>	7,467	17,373

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(All tabular amounts are in LTL '000 unless otherwise stated)

**16. Consolidated Own Capital Change Statement**

	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
<b>Balance at December 31<sup>st</sup> 2012</b>	<b>35,868</b>	<b>41,473</b>	<b>40,287</b>	<b>(3,868)</b>	<b>71,201</b>	<b>130,176</b>	<b>315,137</b>
<b>Comprehensive income</b>							
Profit (loss) of the year						10,520	10,520
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(7,276)	7,276	
Dividends related to 2012						(3,507)	(3,507)
Transfer to reserves					2,686	(2,686)	
<b>Balance at June 30<sup>st</sup> 2013</b>	<b>35,868</b>	<b>41,473</b>	<b>40,287</b>	<b>(3,868)</b>	<b>66,611</b>	<b>141,779</b>	<b>322,150</b>
<b>Comprehensive income</b>							
Profit (loss) of the year						22,254	22,254
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(10,984)	10,984	
<b>Balance at December 31<sup>st</sup> 2013</b>	<b>35,868</b>	<b>41,473</b>	<b>40,287</b>	<b>(3,868)</b>	<b>55,627</b>	<b>175,017</b>	<b>344,404</b>
<b>Comprehensive income</b>							
Profit (loss) of the year						4,449	4,449
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(6,221)	6,221	
Dividends related to 2013						(3,507)	(3,507)
<b>Balance at June 30<sup>st</sup> 2014</b>	<b>35,868</b>	<b>41,473</b>	<b>40,287</b>	<b>(3,868)</b>	<b>49,406</b>	<b>182,180</b>	<b>345,346</b>

**AB „ROKIŠKIO SŪRIS“**
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**FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2014**

Company code 173057512, address: Pramonės g. 3, LT-42150 Rokiškis, Lithuania

(All tabular amounts are in LTL '000 unless otherwise stated)

## 17. Commentary on the Report

### 1. General information

The joint stock company “Rokiškio sūris” (hereinafter – the company) is a public listed company incorporated in Rokiskis.

The shares of Rokiškio Sūris AB are traded on the Baltic Main List of the NASDAQ OMX Vilnius (symbol – RSU1L).

The Consolidated Group (hereinafter – the Group) consists of the Company, its two branches, and five subsidiaries. (2013: two branches, five subsidiaries and one joint venture). The branches and subsidiaries that comprise consolidated Group are indicated below:

	Operating as at 30 June			Group's share (%) as at 30 June	
	2014	2013		2014	2013
<b>Branches</b>			<b>Subsidiaries</b>		
Utenos Pienas	Yes	Yes	UAB „Rokiškio pienas“	100.00	100.00
Ukmergės Pieninė	Yes	Yes	UAB „Rokiškio pieno gamyba“	100.00	100.00
			KB „Žalmargė“	100.00	100.00
			SIA „Jekabpils Piena Kombinats“	100.00	100.00
			SIA „Kaunata“*	60.00	60.00
			<b>Joint venture</b>		
			UAB „Pieno upės“	-	50.00

\* These subsidiaries were not consolidated due to their insignificance.

All above subsidiaries, the joint venture and branches are incorporated in Lithuania, except for SIA “Jekabpils Piena Kombinats” and SIA “Kaunata” which are incorporated in Latvia.

On 24<sup>th</sup> April 2014, AB Rokiskio suris sold its 50 per cent block of shares of UAB Pieno upes. The block of shares was sold pursuing the long term shareholding agreement following the request of other shareholders to purchase the shares. The main activity of UAB Pieno upes was purchase of raw milk.

The Group's main line of business is the production of fermented cheese and a wide range of other dairy products.

As of 30 June 2014, the average number of the Group's employees was equal to 1,674 (compared to 1,702 employees as at 30<sup>st</sup> June 2013).

## **2. Accounting Principles**

These consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies applied in the preparation of these consolidated and parent company's financial statements are set out below. These policies have been consistently applied to all the years present, unless otherwise stated.

The preparation of consolidated and parent company's financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Subsidiaries are the entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Transactions among the Group's enterprises, residual values and retained transaction earnings between the Group's enterprises are eliminated. Unrealised loss is eliminated too; however, it is considered to be the sign of transfer asset value decrease. The accounting principles of daughter enterprises were changed where necessary in order to ensure their consistency with the accounting principles applied by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the statement of comprehensive income.

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Items included in the financial statements of the Company and each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter "the functional currency"). The financial statements are presented in Litas (LTL), which is the Company's (and each of the Group entity's) functional and presentation currency.

The value of long-term tangible assets is valued at historical cost less accumulated depreciation. Subsequent costs are included into the asset's carrying amount or recognized as separate assets, as appropriate, only when it is likely that in future the Group will receive economic benefits associated with the item and the cost of the item will be measured accordingly. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they have been incurred.



Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	15 – 55 years
Plant & machinery	5 - 29 years
Motor vehicles	4 - 10 years
Equipment and other property, plant and equipment	3 - 20 years

The asset residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

The Group's software which is expected to bring the Group material benefit in future, is valued at cost price less accumulated depreciation. Depreciation is calculated using the straight-line method for the estimated useful life from 1 to 5 years.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

Inventories are subsequently carried at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Loans granted and amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the amount of impairment loss. A provision for impairment of amounts receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The impairment amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within 'general and administrative expenses'. Bad debts are written off during the year in which they are identified as irrecoverable.

Cash and cash equivalents are carried at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their nominal value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid including any attributed incremental external costs is deducted from shareholders' equity as treasury shares until they are sold, reissued, or cancelled. No gain or loss is recognised in the statement of comprehensive income on the sale, issuance, or cancellation of

treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the amount at initial recognition and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Profit is taxable at a rate of 15 per cent (2013: 15 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. Social security contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue from sales of goods is recognised only when all significant risks and benefits arising from ownership of goods is transferred to the customer.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Basic earnings per share are calculated by dividing net profit attributed to the shareholders from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Company and the Group and held as treasury shares.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that make strategic decisions.

The Group's management identified the following operating segments within the Group: hard cheese, semi hard cheese, butter, milk, cream, sour cream, sour milk, yogurt, curds, curd cheese and other. These operating segments were aggregated into two main reportable segments, based on similar nature of products, production process, type of customers and method of distribution.

Government grants are recognised at fair value where there is sufficient evidence that the grant will be received and the Group and the Company will comply with all conditions attached.

Government grants received to finance acquisition of property, plant and equipment are included in non-current deferred income in the balance sheet. They are recognised as income on a straight-line basis over the useful life of property, plant and equipment concerned.

Provisions are measured at the present value of expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specified to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

With effect from 31 December 2011, the Company and the Group account for property, plant and equipment at revalued amount less accumulated depreciation and impairment loss. Under the newly adopted accounting policy, the revaluation is carried out periodically to ensure that the carrying amount of property, plant and equipment will not differ significantly from the value determined with reference to the fair value at the end of the reporting period. In 2011, the valuation of property, plant and equipment was carried out by Vadasa UAB using the comparative market price method. The Company's management believes the values of property, plant and equipment adjusted under these methods as of 31 December 2011 approximated the fair value. No revaluation of property, plant and equipment was conducted in 2013.

### 3. Information on segments

#### *Business segments and the segments presented by the financial statements*

The Group's top management indicated the following business segments of the Group: hard cheese, semi hard cheese, butter, milk, cream, sour cream, sour milk, yogurt, curds, fresh cheese etc. The segments were coupled into two main segments presented by the financial statements based on alike production procedure, customer group and distribution channels.

The Group's main business segments:

- Fresh dairy products
- Cheese and other dairy products.

Other operations of the Group comprise of raw milk collection. Transactions between the business segments are on normal commercial terms and conditions.

#### *Geographic segments*

Analysis of the Group's income from sales according to markets is as follows:

	2014 06 30	2013 06 30
<b>Lithuania</b>	141,900	124,090
<b>Countries of EU</b>	206,164	191,150
<b>Other (including USA and Japan)</b>	98,162	93,215
<b>Total</b>	<b>446,226</b>	<b>408,455</b>

Income analysis according to groups:

	2014 06 30	2013 06 30
<b>Product Sales</b>	444,832	408,084
<b>Provided services</b>	1,394	371
<b>Total</b>	<b>446,226</b>	<b>408,455</b>

#### 4. Long-term tangible assets

In the income statement the depreciation charge of long-term tangible assets is reported in the following entries: selling and marketing expenses, general and administrative expenses and cost of sales, as well as in production in progress and ready production entries.

Software and intangible asset depreciation charge are accounted in the entry of general and administrative expenses.

#### 5. Other receivables

As at 30<sup>th</sup> June 2014, the Group's receivables were made of:

	2014 06 30	2013 06 30
Long-term loans granted to farmers	1,019	494
Long-term loans granted to employees	972	1,021
Investments	560	551
Loans to other companies	35,422	36,265
Other	2,421	1,115
<b>Total</b>	<b>40,394</b>	<b>39,446</b>

The repayment terms of loans granted to farmers vary from 2 months to 10 years, whereas the annual interest rate varies from 0 to 10 per cent.

The repayment terms of loans granted to employees vary from 1 to 22 years, whereas the interest rate for them is not calculated. The company's managing bodies believe that the balance sheet values of long-term receivables are their fair values.

#### 6. Inventories

As at 30<sup>th</sup> June 2014, the Group's inventories were made of:

	2014 06 30	2013 06 30
Raw material	8,567	7,823
Production in progress	24,648	21,218
Ready production	115,191	68,508
Other inventories	3,850	4,323
<b>Total</b>	<b>152,256</b>	<b>101,872</b>

## 7. Selling and Other Receivables

As at 30<sup>th</sup> June 2014, the Group's selling and other receivables were made of:

	2014 06 30	2013 06 30
<b>Selling receivables</b>	144,636	111,979
<b>VAT receivable</b>	12,020	11,897
<b>Other receivables</b>	16,021	7,131
<b>Advance payments and future period expenses</b>	3,116	13,451
<b>Total</b>	<b>175,793</b>	<b>144,458</b>

## 8. Cash and cash equivalents

The money equivalents in Balance sheet and Cash Flow Statement are made of the following:

	2014 06 30	2013 06 30
<b>Money in bank and cash-in-hand (Group)</b>	7,325	17,332
<b>Current deposits</b>	142	41
<b>Total</b>	<b>7,467</b>	<b>17,373</b>

## 9. Financial ratios

The Group's financial ratios:

	2014 06 30	2013 06 30	2012 06 30
<b>Revenue (LTL thousand)</b>	446,226	408,455	360,882
<b>EBITDA (LTL thousand)</b>	20,551	29,127	24,871
<b>EBITDA margin (%)</b>	4.61	7.13	6.89
<b>Operations profit (LTL thousand)</b>	6,297	13,230	13,516
<b>Margin of operations profit (%)</b>	1.41	3.24	3.75
<b>Profit per share (LTL)</b>	0.13	0.30	0.31
<b>Number of shares (units)</b>	<b>35,867,970</b>	35,867,970	35,867,970

## 10. Information on the audit

The audit according to the International Accounting Standards will be made for the full year 2014 by audit company UAB "PricewaterhouseCoopers".

## 11. Up-to-date information on material events and transactions

On 11 February 2014, the amendment to the credit agreement was signed with the bank under which the repayment term of the overdraft (LTL 2 million) was extended until 31 January 2015 and the validity term of the agreement on the credit limit of EUR 18 million was extended until 15 February 2015. The total credit limit amounts to LTL 64,150 thousand; interest rate established remained unchanged.