



Vilkyskiu Pienine AB

Interim consolidated unaudited financial
statements for the 6 months of 2015

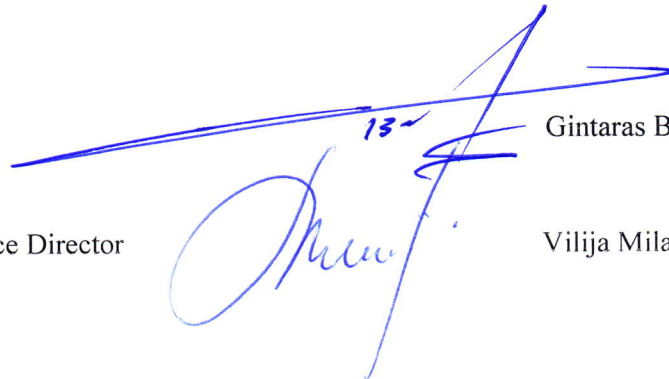
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Confirmation of Responsible Persons

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we Gintaras Bertasius, General Director of Vilkyskiu pienine AB and Vilija Milaseviciute, Economic and Finance Director of Vilkyskiu pienine AB hereby confirm that, unaudited interim consolidated financial statements for the six months of 2015, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of Vilkyskiu pienine AB group. We confirm that review of business development and results is correctly indicated in the consolidated financial statements.

General Director



Gintaras Bertasius

Economics and Finance Director



Vilija Milaseviciute



The financial statements were approved and signed by the Management on 31 August 2015.

Group details

Vilkyskiu Pienine AB

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Fax: +370 441 55242

Group code: 277160980

Registered office: LT-99254 Lukosaicio str. 14 Vilkyskiai, Pagegiai municipality, Lithuania

Board

Gintaras Bertasius (Chairman)

Sigitas Trijonis

Rimantas Jancevicius

Vilija Milaseviciutė

Andrej Cyba

Linas Strelis

Management

Gintaras Bertasius, General Director

Vaidotas Juskys, Chief Operation Officer

Sigitas Trijonis, Technical Director

Rimantas Jancevicius, Raw materials Purchasing Director

Arvydas Zaranka, Production Director

Vilija Milaseviciutė, Economic and Finance Director

Banks

AB SEB bankas

“Swedbank”, AB

Nordea Bank, AB

Consolidated statement of financial position

Thousand EUR	Note	30 06 2015	31 12 2014
Assets			
Property, plant and equipment		35,943	31,210
Intangible assets		7,052	6,951
Long-term receivables	5	385	406
Non-current assets		43,380	38,567
Inventories	6	10,813	10,321
Trade and other receivables	7	7,003	6,756
Prepayments	8	501	478
Cash and cash equivalents	9	123	115
Current assets		18,440	17,670
Total assets		61,820	56,237
Equity			
Share capital	10	3,463	3,459
Share premium		3,301	3,301
Reserves		5,199	5,126
Retained earnings		11,403	11,944
Total equity attributable to the shareholders of the Group		23,366	23,830
Non-controlling interest		47	47
Total equity		23,413	23,877
Liabilities			
Interest-bearing loans and lease liabilities		12,939	7,216
Derivative financial instruments		316	375
Government grants		3,096	3,119
Deferred tax liabilities		744	1,022
Non-current liabilities		17,095	11,732
Interest-bearing loans and lease liabilities		10,268	8,965
Current tax liabilities		-	11
Derivative financial instruments	12	94	109
Trade and other payables	12	10,950	11,543
Current liabilities		21,312	20,628
Total liabilities		38,407	32,360
Total equity and liabilities		61,820	56,237

Consolidated income statement

Thousand EUR	Note	<u>01 01 2015- 30 06 2015</u>	<u>01 01 2014- 30 06 2014</u>	<u>01 04 2015- 30 06 2015</u>	<u>01 04 2014- 30 06 2014</u>
Revenue	1	39,149	55,675	19,519	27,368
Cost of sales	1	-35,028	-51,108	-17,150	-24,438
Gross profit	1	4,121	4,567	2,369	2,930
Other operating income		188	384	85	213
Distribution expenses		-2,677	-2,314	-1,471	-1,213
Administrative expenses		-1,216	-1,280	-668	-731
Other operating costs		-91	-86	-32	69
Result from operating activities		325	1,271	283	1,130
Finance income		14	9	7	4
Finance costs		-323	-318	-210	-187
Net finance expense		-309	-309	-203	-183
Profit before income tax		16	962	80	947
Income tax expense		278	151	106	97
Net Profit for period		294	1,113	186	1,044
Attributable to:					
Shareholders of the Group		294	1,113	185	1,044
Non-controlling interest		0	0	1	0
Net Profit for period		294	1,113	186	1,044
Basic earnings per share (EUR)	2	0.02	0.09	0.02	0.09

Consolidated statement of comprehensive income

Thousand EUR	Note	<u>01 01 2015- 30 06 2015</u>	<u>01 01 2014- 30 06 2014</u>	<u>01 04 2015- 30 06 2015</u>	<u>01 04 2014- 30 06 2014</u>
Net Profit for period		294	1,113	186	1,044
Other comprehensive income					
Change in fair value of hedging instruments		73	-57	80	-9
Effect of income tax		-	-	-	-
Other comprehensive income for period, net of income tax		<u>73</u>	<u>-57</u>	<u>80</u>	<u>-9</u>
Total comprehensive income		<u><u>367</u></u>	<u><u>1,056</u></u>	<u><u>266</u></u>	<u><u>1,035</u></u>
Attributable to:					
Shareholders of the Group		367	1,056	265	1,035
Non-controlling interest		0	0	1	0
Total comprehensive income		<u><u>367</u></u>	<u><u>1,056</u></u>	<u><u>266</u></u>	<u><u>1,035</u></u>

Consolidated statement of changes in equity

Thousand EUR	Equity attributable to shareholders of the Group										
	Note	Share capital	Share premium	Revaluation reserve	Hedging reserve	For acquisition of own shares	Legal reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2014		3,459	3,301	1,800	-453	1,729	346	10,351	20,533	53	20,586
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	1,113	1,113	0	1,113
Other comprehensive income											
Allocated from reserves		-	-	-55	-	-	-	55	-	-	-
Increase of revaluation reserve due to income tax effect		-	-	-	-	-	-	-	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	-57	-	-	-	-57	-	-57
Total other comprehensive income		-	-	-55	-57	-	-	55	-57	-	-57
Total comprehensive income for the period		-	-	-55	-57	-	-	1,168	1,056	0	1,056
Contributions by and distributions to owners:											
Transfers to the reserve for own shares		-	-	-	-	692	-	-692	-	-	-
Dividends		-	-	-	-	-	-	-1,038	-1,038	-	-1,038
Total contributions by and distributions to owners		-	-	-	-	692	-	-1,730	-1,038	-	-1,038
Changes in the Group without losing control											
Other changes in the Group		-	-	-	-	-	-	-	-	-4	-4
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-4	-4
Balance at 30 June 2014	10	3,459	3,301	1,745	-510	2,421	346	9,789	20,551	49	20,600

(continued)

Consolidated statement of changes in equity (continued)

Thousand EUR	Equity attributable to shareholders of the Group										
	Note	Share capital	Share premium	Revaluation reserve	Hedging reserve	For acquisition of own shares	Legal reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 July 2014		3,459	3,301	1,745	-510	2,421	346	9,789	20,551	49	20,600
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	2,096	2,096	0	2,096
Other comprehensive income											
Allocated from reserves		-	-	1,152	-	-	-	-	1,152	-	1,152
Increase of revaluation				-53	-	-	-	53	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	26	-	-	-	26	-	26
Total other comprehensive income		-	-	1,099	26	-	-	53	1,178	-	1,178
Total comprehensive income for the period		-	-	1,099	26	-	-	2,149	3,274	0	3,274
Contributions by and distributions to owners:											
Dividends		-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-	-
Changes in the Group without losing control											
Other changes in the Group		-	-	-	-	-	-	6	6	-2	4
Total contributions by and distributions to owners		-	-	-	-	-	-	6	6	-2	4
Balance at 31 December 2014	10	3,459	3,301	2,844	-484	2,421	346	11,944	23,831	47	23,878

(continued)

Consolidated statement of changes in equity (continued)

Thousand EUR	Note	Equity attributable to shareholders of the Group									
		Share capital	Share premium	Revaluation reserve	Hedging reserve	For acquisition of own shares	Legal reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015		3,459	3,301	2,844	-484	2,421	346	11,944	23,831	47	23,878
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	294	294	0	294
Other comprehensive income											
Increase of the authorized capital due to translation of the nominal value from Litass to EUR		4	-	-	-	-	-	-	4	-	4
Other comprehensive income											
Allocated from reserves		-	-	-88	-	-	-	88	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	73	-	-	-	73	-	73
Total other comprehensive income		-	-	-88	73	-	-	88	73	-	73
Total comprehensive income for the period		-	-	-88	73	-	-	382	371	0	371
Contributions by and distributions to owners:											
Allocation to legal reserve		-	-	-	-	-	-	-	-	-	-
Allocation to reserve for acquisition of own shares		-	-	-	-	87	-	-87	-	-	-
Dividends		-	-	-	-	-	-	-836	-836	-	-836
Total contributions by and distributions to owners		-	-	-	-	87	-	-923	-836	-	-836
Changes in the Group without losing control											
Changes in non-controlling interest due to the sale of shares		-	-	-	-	-	-	-	-	-	-
Other changes in the Group		-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2015	10	3,463	3,301	2,756	-411	2,508	346	11,403	23,366	47	23,413

Consolidated statement of cash flows

Thousand EUR	Note	01 01 2015- 30 06 2015	01 01 2014- 30 06 2014
Cash flows from operating activities			
Profit for the year		294	1,113
Adjustments:			
Depreciation of property, plant and equipment	3	1,556	1,382
Amortization of intangible assets	4	18	4
Amortization and write down of grants		-204	-191
Profit (loss) from disposal of property, plant and equipment		8	-13
Income tax expense		-278	-151
Interest expenses, net		309	309
		1,703	2,453
Change in inventories		-491	283
Change in long-term receivables		21	51
Change in trade and other receivables and prepayments		-260	-904
Change in trade and other payables		-1,044	-472
		-71	1,411
Paid interest		-253	-280
Paid profit tax		-11	-
Net cash from operating activities		-335	1,131
Cash flows from investing activities			
Acquisition of plant and equipment		-6,275	-2,729
Acquisition of intangible assets		-119	-24
Proceeds from sale of plant and equipment		4	85
Acquisition of the subsidiary's shares		-	-5
Loans granted		-12	-
Loans repaid		-	-
Interest received		-	-
Net cash flows used in investing activities		-6,402	-2,673

Consolidated statement of cash flows (continued)

Thousand EUR	Note	01 01 2015- 30 06 2015	01 01 2014- 30 06 2014
Cash flows from financing activities			
Loans received		9,430	4,006
Repayment of borrowings		-2,404	-1,828
Dividends paid		-462	-680
Government grants received		181	147
Net cash flows from financing activities		6,745	1,645
Increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January	9	115	70
Cash and cash equivalents at 30 June	9	123	173

Notes to the consolidated financial statements

Background information

The Group (hereinafter – the Group) consists of the following companies:

- Vilkyskiu Pienine AB, the parent Company (hereinafter – the Parent Company or the Company)
- Modest AB, the subsidiary (hereinafter – the subsidiary Modest AB)
- Kelmes Pienine AB, the subsidiary (hereinafter – the subsidiary Kelmes Pienine AB)
- Pieno Logistika AB, the subsidiary (hereinafter – the subsidiary Pieno Logistika AB)

Vilkyskiu Pienine AB was established in 1993. The Company does not have any branches or representative offices.

Vilkyskiu Pienine AB is a Lithuanian Company listed on the Vilnius Stock Exchange. As at 30 June 2015 the Company's shares were owned by the following shareholders:

Shareholder	Shares	Nominal value in EUR	Total value in EUR
Gintaras Bertasius	6,067,206	0.29	1,759,490
Multi Asset Selection Fund	2,035,729	0.29	590,361
Other	3,840,065	0.29	1,113,619
Total	11,943,000	0.29	3,463,470

Gintaras Bertasius and persons related to him are ultimate controlling parties of the Company.

The Parent Company is engaged in production and sales of different types of cheese. Also, it produces and sells whey, raw milk and cream.

Operations are carried out in the main production buildings, located in Vilkyskiai, Pagegiai region. The Parent Company also has a milk purchase and milk processing centre in Erzvilkas, Jurbarkas region.

The Parent Company has a subsidiary Modest AB, which is engaged in milk processing and production of dairy products. The Company holds 99.7% voting rights of the subsidiary. Modest AB produces fermented cheese “Mozzarella”, melted cheese and other cheese products.

The Parent Company has also a subsidiary Kelmes Pienine AB, which is engaged in milk processing and production of dairy products. The Company holds 100% voting rights of Kelmes Pienine AB. Kelmes Pienine AB specializes in production of fresh dairy products.

Since December 2013 the group of companies of a subsidiary company Pieno Logistika AB. Its registered capital is 107 thousand EUR and main activity rent for buildings. Vilkyskiu Pienine AB holds 56.1% voting rights of the subsidiary.

At 30 June 2015 the Group had 988 employees (31 December 2014: 990).

Basis for preparation of financial statements

Statement of compliance

These are interim consolidated financial statements (hereinafter - financial statements or consolidated financial statements) of Vilkyskiu Pienine AB Group, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim consolidated financial statements are unaudited.

Basis of measurement

Financial statements are prepared on the historical cost basis except for:

- derivative financial instruments which are measured at fair value;
- buildings that are a part of property, plant and equipment and are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Functional and presentation currency

The financial statements are presented in thousands EUR (tEUR). From 1 January 2015 Euro (EUR) is the legal currency of Lithuania and the functional currency of the Parent Company and its subsidiaries. All comparative figures of year 2014 have been translated to Euro at the exchange rate of 1 Euro=3.4528 Litas

Foreign currency transactions

Transactions in foreign currencies are translated into EUR at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into EUR at the exchange rate ruling at that date.

Foreign currency exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into EUR at foreign exchange rates ruling at the dates the values were determined.

Basis of consolidation

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable (due to financial instruments potentially convertible into shares) are taken into account. The financial statements of subsidiaries are included in the Group consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the consolidated annual financial statements for the year 2014. There have been no other significant IFRS changes, that could have impact on financial statements of the Group.

A detailed description of the accounting policies presented in the consolidated financial statements for the year ended 2014 December 31.

1 Segment information

The Group has several reportable segments, as presented below.

Reportable segments are different product groups, which are managed separately because they require different technology and marketing strategies. For each of the product groups, the General Director reviews internal management reports on at least a monthly basis.

The following summary describes the products in each of the Group's reportable segments:

- *Cheese and cheese products.* Segment includes cheese and cheese products produced by the Company and its subsidiaries;
- *Fresh dairy products.* Segment includes fresh dairy products (milk, kefir, yoghurt, curd and its products) produced by subsidiaries;
- *Other dairy products.* Segment includes other dairy products.

Segments results on 30 June 2015 were as follows:

Thousand EUR	Cheese and cheese products	Fresh dairy products	Other products	Total
Sales	17,728	11,507	9,914	39,149
Cost of sales	-16,747	-9,863	-8,418	-35,028
Gross profit	981	1,644	1,496	4,121

Segments results on 30 June 2014 were as follows:

Thousand EUR	Cheese and cheese products	Fresh dairy products	Other products	Total
Sales	26,927	13,305	15,443	55,675
Cost of sales	-25,694	-11,624	-13,790	-51,108
Gross profit	1,233	1,681	1,653	4,567

Revenue per geographical segments:

Thousand EUR	30 06 2015	30 06 2014
Lithuania	15,320	18,412
European Union	16,577	17,511
Russia	0	16,383
Other countries	7,252	3,369
	<u>39,149</u>	<u>55,675</u>

2 Profit (loss) per share

	01 01 2015 -30 06 2015	01 01 2014- 30 06 2014
Number of issued shares calculated based on weighted average method, in thousand units	11,943	11,943
Net profit, attributable to ordinary shareholders of the Parent Company, in thousand EUR	<u>294</u>	<u>1,113</u>
Profit (loss) per share, in EUR	<u>0.02</u>	<u>0.09</u>

3 Property, plant and equipment

Depreciation is recognized in production, distribution, administrative and other operating expenses of profit (loss) statement.

On 30 June 2015 depreciation amounted to 1,556 thousand EUR (on 30 June 2014 – 1,382 thousand EUR).

4 Intangible assets

Amortization is calculated in administrative expenses of profit (loss) statement.

On 30 June 2015 amortization amounted to 18 thousand EUR (on 30 June 2014 - 4 thousand EUR).

5 Non-current receivables

Thousand EUR	30 06 2015	31 12 2014
Prepayments to related parties	214	214
Loans granted to related parties	102	102
Non-current receivables from farmers	61	81
Other non-current receivables	8	9
	<u>385</u>	<u>406</u>

A prepayment (214 thousand EUR) is made to a related company UKB Šilgaliai. Prepayment shall be fully covered until 31 December 2019. The outstanding balance of the prepayment bears an administrative fee.

The loan (102 thousand EUR) issued to a related party ŪKB Šilgaliai, matures on 31 December 2017. The outstanding balance of the loan bears a fixed interest rate.

Non-current receivables from farmers include prepayments to farmers for milk. The outstanding balance of the prepayments bears an administrative fee.

Other non-current receivables (8 thousand EUR) from Swedbank AB include obligations with warranty.

6 Inventories

Thousand EUR	30 06 2015	31 12 2014
Finished production	8,491	8,091
	<u>8,491</u>	<u>8,091</u>
Raw materials	86	24
Other auxiliary materials	2,110	2,089
Production in progress	126	114
Goods for re-sale	-	3
	<u>10,813</u>	<u>10,321</u>

Raw materials comprise raw milk and other materials used in production.

As at 30 June 2015 write down of inventories to net realisable value amounts to 998 thousand EUR (31 December 2014: 850). Write down to net realisable value and reversal of the write down is accounted as administrative costs.

As at 30 June 2015 the inventories with the carrying amount of up to 146 thousand EUR (31 December 2014: up to 146 thousand EUR) have been pledged to financial institutions.

Write-off to net realisable value and reversal of the write down is accounted in cost of sales.

As at 30 June 2015, the inventories with the carrying amount of up to 6.1 million EUR (31 December 2014 : up to 5.9 million EUR) have been pledged to financial institutions.

7 Trade and other receivables

Thousand EUR	Note	30 06 2015	31 12 2014
Trade receivables		5,638	5,637
Loans issued to related parties, including calculated interest		126	141
Other receivable		58	68
Financial assets		<u>5,822</u>	<u>5,846</u>
Taxes receivable (excluding income tax)		<u>1,181</u>	<u>910</u>
Total trade and other receivables		<u>7,003</u>	<u>6,756</u>

Receivable taxes mainly comprise receivable VAT.

Trade and other receivable amounts are interest free and their settlement term is up to 30 days.

8 Prepayments

Thousand EUR	30 06 2015	31 12 2014
Prepayments	362	344
Prepayments to related parties	139	134
	<u>501</u>	<u>478</u>

Prepayments include advance payments to entities for goods and services and to farmers for milk.

9 Cash and cash equivalents

Thousand EUR	30 06 2015	31 12 2014
Cash at bank	62	105
Cash in hand	61	10
	<u>123</u>	<u>115</u>

Cash inflows in the bank accounts are pledged to secure bank loans.

10 Capital

Authorized capital of the Parent Company as at 30 June 2015 comprised 11,943,000 ordinary shares at par value of 0,29 EUR each. All shares are fully paid.

According to the Law on Companies, holders of ordinary shares have at the shareholders meeting one voting right for one share and the right to dividends, which are declared from time to time, and to participate in capital on a winding up.

11 Interest bearing loans and finance lease liabilities

On 19 June 2015, AB Vilkyskių Pieninė restructured a long-term credit of EUR 3.9 million provided by AB SEB Bankas. The credit repayment date has been extended to 21 June 2020, interest – 3 month Euribor + margin.

On 19 June 2015, AB Vilkyskių Pieninė received an account credit excess limit of EUR 0.9 million from AB SEB Bankas until 21 June 2016, interest – 3 month Euribor + margin.

On 14 June 2015, AB Modest received a credit of EUR 4.5 million from Nordea Bank AB for the financing of credits of 2015-2016.

12 Trade and other payable amounts, including derivative financial instruments

Thousand EUR	30 06 2015	31 12 2014
Trade payables	8,581	9,719
Employment related liabilities	1,539	1,411
Payable dividends	483	182
Prepayments received	211	101
Fair value of interest rate swap transaction (short-term part)	94	109
Other payable amounts and accrued costs	136	130
	<u>11,044</u>	<u>11,652</u>

Derivatives instruments are stated at fair value. The Company entered into swap transactions with the bank AB SEB Bankas where fixed interest on loans has been determined.

13 Staff costs

Thousand EUR	01 01 2015- 30 06 2015	01 01 2014- 30 06 2014
Staff costs are included in the following items:		
Cost of finished production	3,419	3,163
Distribution and administrative costs	863	894
Other operating costs	4,282	4,057
	4,282	4,057

Cost of inventories is accounted for in cost of sales after the inventories are sold.

Staff costs include social security of 30.98% paid by the Group, calculated from the nominal salary of employees.

14 Subsequent events

On 17 July 2015, AB Vilkyskiu Pienine received a funding of EUR 112,000 from the Lithuanian Environmental Investment Fund programme for the modernisation of wastewater facilities.

On 17 July 2015, AB Modest received a funding of EUR 40,800 from the Lithuanian Environmental Investment Fund programme for the modernisation of a boiler.

Vilkyskiu Pienine AB Consolidated interim report for the 6 months of the year 2015

1. Issuer Overview

1. Accounting period for which the interim report has been prepared

The report has been prepared for 6 months of the year 2015.

2. Issuer Information and Contact Details

Name of Issuer	AB Vilkyskių pieninė (hereinafter – Company or Issuer)
Legal Form	Public limited company (Lith. Akcinė bendrovė)
Date and place of registration	18 May 1993, Tauragė Division of VĮ Registrų centras
Date and place of re-registration	30 December 2005, Tauragė Division of VĮ Registrų centras
Head office address	P.Lukošaičio str. 14, Vilkyskiai, LT-99254, Pagėgių savivaldybė
Registration No.	060018
Company Register Code	277160980
Telephone	+370 441 55330
Fax	+370 441 55242
E-mail	info@vilkyskiu.lt
Website	http://www.vilkyskiu.lt

3. Subsidiary Company Data and Contact Details:

AB Modest

Name of subsidiary	AB Modest (hereinafter – AB Modest)
Legal form	Public limited company
Date of registration	25 March 1992
Date of re-registration	31 December 2009, Tauragė Division of VĮ Registrų centras
Registration No.	017745
Company register code	121313693
Head office	Gaurės str. 23, LT-72340 Tauragė
Telephone	+370 446 72693
Fax	+370 446 72734
E-mail	modest@vilkyskiu.lt
Website	http://www.vilkyskiu.lt

AB Kelmės pieninė

Name of subsidiary	AB Kelmės pieninė (hereinafter – AB Kelmės pieninė)
Legal form	Public limited company
Date of registration	3 August 1993, Šiauliai Division of VĮ Registrų centras
Date of re-registration	4 July 2007 (issue of new registration certificate)
Head office	Raseinių str. 2, LT-86160 Kelmė
Registration No.	110109
Company register code	162403450
Telephone	+370 427 61246
Fax	+370 427 61235
E-mail	kelmespienine@vilkyskiu.lt
Website	http://www.vilkyskiu.lt

AB Pieno logistika

Name of subsidiary	AB Pieno logistika (hereinafter – AB Pieno logistika)
Legal form	Public limited company
Data and place of registration	10 December 2013, Šiauliai Division of VĮ Registrų centras
Head office	Pagojo str. 1, Pagojo km., Kelmės raj.
Company register code	303203457
Telephone	+370 427 61246
Fax	+370 427 61235
E-mail	stasys@cheese.lt
Website	http://www.vilkyskiu.lt

4. Main Types of Activity

The main business activity of the *AB Vilkyskių pieninė* group of companies is production and sale of dairy products.

Dairy operation and cheese production (EVRK 10.51)

The main business activity of *AB Vilkyskių pieninė* is production and sale of fermented cheese, cream and whey products.

Subsidiary company *AB Modest* makes fermented mozzarella cheese, blue cheese and other cheese products.

Subsidiary company *AB Kelmės pieninė* makes fresh dairy products: milk, kefir, yogurts, cottage cheese, chocolate-glazed cottage cheese bars and butter.

Subsidiary company *AB Pieno logistika* mainly engages in the lease of buildings.

5. Agreements with Brokerages for Public Issue

AB Vilkyskių pieninė has an underwriting agreement with *UAB FMĮ Orion Securities* brokerage (address A. Tumėno str. 4, B korp., LT-01109, Vilnius) on the accounting of *AB Vilkyskių pieninė*'s, *AB Kelmės pieninė*'s and *AB Modest* shareholders and services associated with the accounting of the Company's securities. *AB FMĮ Finasta* brokerage manages shareholder accounts for *AB Pieno logistika*.

6. Trading in the Issuer's Securities on Regulated Exchanges

The name of securities: *AB Vilkyskių pieninė* common registered shares. The number of securities issued: 11,943,000 units. Share face value: EUR 0,29 per share.

The Company's issue is included in the Official List of AB NASDAQ OMX Vilnius. The ISIN code of the securities: LT0000127508, Ticker symbol: VLP1L.

The Company's shares have been listed since 17 May 2006.

The securities of the subsidiary companies are not publicly traded.

II. OVERVIEW OF OPERATIONS

AB Vilkyskių pieninė produces a wide range of delicious dairy products made to original recipes, many of them winning accolades at various international trade fairs. We are proudly continuing the long-standing traditions of cheese production that originated in the picturesque valleys of western Lithuania. The lush flood-meadows of the Nemunas River inspire us to create and share what nature has so generously bestowed on us.

Our mission is to make gourmet dairy products for people to enjoy.

Values:

Quality – we make high-quality dairy products and keep to the highest standards.

Innovation – we constantly strive to surprise our customers with new products by introducing original tastes and flavours. We keep investing in new technologies and are expanding our range of products. We find joy in the creative process and in sharing what we create — that is how new traditions are born.

Competence – in the hands of our dairy masters, ordinary dairy products turn into exceptional and original ones, setting the standard for the rest.

Honesty – we are open and trustworthy. We cherish the confidence and respect of our customers. Time-tested relationships with our partners and the professionalism of our people make the foundation of our business.

7. Patents & Licenses

The Group is wholly committed to the quality of its products, customer satisfaction and compliance with food safety regulations. *AB Vilkyskių pieninė* has obtained certification of its Quality Management and Food Safety systems under the international standards ISO 9001:2008 and ISO 22000:2005. These standards set a number of rules that ensure stable and safe production processes. The system covers every process from raw material supplies to customer satisfaction surveys, all performed in line with the organisation's policies.

The Quality Management and Food Safety systems are subject to continuous monitoring, review and improvements with a view to maintaining the high quality of the Company's products. The continual search for improvements and adherence to the top food safety standards has enabled the Company to start preparation in 2014 for certification under ISO 22000:2005/FSSC 22000, a stricter version of the same standard. This certification scheme is part of the Global Food Safety Initiative (GFSI) and is equivalent to such internationally recognised standards as BRC and IFS.

The *Vilkyskių pieninė* dairy lab, operating at *AB Modest*, has been issued with a State Food and Veterinary Service approval, which confirms the laboratory's compliance with the highest requirements for labs. The new laboratory validation rules were adopted in early 2014, and *AB Modest* lab managed to obtain its new license in October the same year.

For the purpose of entering Islamic markets and having our products appreciated by buyers, the production process of *AB Vilkyskių Pieninė* and *AB Modest* has been certified according to the requirements of the Halal rules. A Halal certificate was issued on 30 January 2015. Halal products are associated with product safety, healthiness, quality and ecology. Therefore, these products are frequently consumed by people of other confessions as well.

8. Human Resources

AB Vilkyskių pieninė Group's human resources policy is focused on promoting team welfare and professional advancement. In order to maintain its collaborative and highly motivated workforce, the Group implements regular trainings, occupational safety and health measures, as well as promoting a favourable work environment.

Occupational safety and health is another key priority for the Group. Every year, employees are offered free health checkups and flu vaccination. Special projects are implemented to promote the employee's children's health. The Company plans to open a canteen and a company boarding house for employees visiting from other towns.

AB Kelmės pieninė has the status of a social enterprise. Approximately 40 percent of its staff are people with disabilities. One of the key priorities for the company is to ensure integration and social skill development for people with disabilities. The company aims to create conditions for each employee to maximise their vocational potential and participate in various social projects, including discussion groups, lectures, excursions, festivals, etc.

AB Vilkyskių pieninė took an active part in the public project "The creation and development of career development and monitoring models as part of the general education and professional training". The aim of

the project was to help students explore various occupations, professions and career paths, build early work experience, develop professional motivation and plan their careers – so they can find work in Lithuania rather than abroad. As part of the project, *AB Vilkyskių pieninė* holds monthly professional information and consultation meetings with students, in addition to organising field visits so young people can gain first-hand insights about work, careers and professions at the Company.

As part of motivation-building efforts, the Group launched a Work Climate and Motivation survey 2014, which has continued to date. The study aims at setting clear future priorities for work and greater productivity.

In summer 2015, *AB Vilkyskių Pieninė* carried out film project “Movies on your doorstep” and provided fellow-countrymen with the opportunity to watch quality non-commercial movies in three towns – Vilkyskiai, Tauragė and Kelmė. During the whole summer, residents Tauragė region had the opportunity to watch movies that won awards in international festivals and competitions. The repertoire included movies that the festival audience liked most of all.

We seek to be an active member of the community, to contribute to more active social life in our county and to strengthen mutual relationship and communication. There is a shortage of cultural and educational events in regions; therefore, we do our best to promote the dissemination of culture in our region, and first of all we take care of people living close to us.

9. Environmental Protection

Based on the European Parliament and Council IPPC Directive 2008/1/EC, *AB Vilkyskių pieninė* is attributable to the Annex I installations and is required to have an IPPC permit. The Company obtained its first IPPC permit from the Klaipėda Regional Environmental Protection Department on 10 August 2004, which was renewed on 28 December 2012. The first IPPC permit was issued to *AB Kelmės pieninė* on 28 December 2005 by the Šiauliai Regional Environmental Protection Department. The permit has been extended seven times, with the last extension on 10 April 2013. *AB Modest's* IPPC permit was last updated on 17 February 2011. The Company has implemented the best available techniques (BAT), and its running costs and emissions are in line with the prescribed EU levels.

AB Vilkyskių pieninė Group has an environmental protection policy aimed at reducing the environmental impact of its operations, ensuring integrated pollution prevention measures, minimising the use of resources and waste generation, so that its operations do not affect air, water and soil. *AB Vilkyskių pieninė* performs regular environmental impact assessments.

Based on the existing legal requirements, programmes have been put in place to monitor the impact of the Company's water source and fuel storage on underground waters and to monitor air emissions and wastewaters.

Production wastewater is treated at the Company's own combined biomechanical treatment facility. In 2014, *AB Vilkyskių pieninė* treated 459057 m³ of wastewaters. The resulting sludge is given to local waste managers and is used as fertiliser in agriculture. Wastewater treatment efficacy has been estimated to be in the 83-99 percent range. *AB Kelmės pieninė* and *AB Modest* do not have their own wastewater treatment facilities and deliver their waste to Kelmė and Tauragė municipal treatment plants.

In 2015 the Company finished modernisation of its wastewater treatment plant in order to boost treatment efficacy. This is being done in line with the main national strategies and legal acts on wastewater treatment: the Baltic Marine Environment Protection Strategy, the Lithuanian Law on Water Bodies, the National Long-Term Development Strategy and the National Sustainable Development Strategy.

10. Group Results of Operations

Key financial consolidated indicators of AB Vilkyskiu pienine Group:

	6 months of 2015	6 months of 2014
Revenue (EUR tho)	39,149	55,675
EBITDA (EUR tho)	1,695	2,466
EBITDA margin, pct	4.3	4.4
Operating profit (EUR tho)	325	1,271
Operating profit margin, pct	0.8	2.3
Profit before tax (EUR tho)	16	962
Profit before tax margin, pct	0.04	1.7
Net profit	294	1,113
Profit margin, pct	0.8	2
Earnings per share (EUR)	0.02	0.09
Number of shares (units, tho)	11,943	11,943

In 6 months of 2015, **sales** came to EUR 39m, down 30 percent from EUR 55.7m in 6 months of 2014.

In 6 months of 2015, **EBITDA** was EUR 1.7m, down 31 percent from EUR 2.5m the year before. EBITDA margin was 4.3 percent in in 6 months of 2015 (compared with 4.4 percent in 6 months of 2014).

Operating profit (EBIT) was EUR 0.3m in in 6 months of 2015, with 0.8 percent margin, down from EUR 1.3m in 6 months of 2014, when EBIT margin reached 2.3 percent.

In 6 months of 2015, **net profit** reached EUR 0.3m, a drop form EUR 1.1m the year before. The decrease in profit was caused by a slump in dairy product prices on export markets, falling demand and the Russian embargo on dairy imports.

Key financial ratios of AB Vilkyskiu pienine:

	6 months of 2015	2014
Return on equity (ROE), pct	1.3%	13.5%
Return on assets (ROA), pct	0.5%	5.7%
Debt ratio	0.62	0.58
Deb/equity ratio	1.64	1.36
Quick liquidity ratio	0.87	0.86
Asset turnover ratio	0.63	1.95
Capital-to-assets ratio	0.38	0.42

In 6 months of 2015, **assets totaled** EUR 61.8m, 9 percent more than in 2014.

In 6 months of 2015, **fixed assets** grew by 11 pct due to acquisition of real estate, equipment and installations and totaled EUR 43m.

In 6 months of 2015, **equity** was EUR 23.3m, down 2 percent from the 2014 (EUR 23.9m).

AB Vilkyškių pieninė Group production output, tonnes:

	6 months of 2015	6 months of 2014
Fermented cheese	6,947	7,491
Cream	5,581	6,565
Whey products	19,702	17,321
Cream	2,094	2,629
Yogurt products	2,472	2,966
Cottage cheese products	2,006	2,187

In 6 months of 2015, a total of 6,947 tonnes of cheese was produced, 8 percent less than in 6 months of 2014. Cream production went down by 15 percent against the previous year.

Raw milk purchases by AB Vilkyškių pieninė Group:

	6 months of 2015	6 months of 2014
Raw milk, tonnes	103,316	112,796
Cost of raw milk, EUR tho	20,114	32,986
Raw milk price, EUR/t	0,195	0,292

In 6 months of 2015, a total of 103 tho tonnes of milk was purchased, and decrease by 8 percent as compared with 6 months of 2014. Meanwhile, the price of raw milk went down 33 percent from the same period previous year.

11. Sales and Marketing

Sales revenue by market, EUR tho:

	6 months of 2015	Income, %	6 months of 2014	Income, %
European Union	15,320	39%	18,412	33%
Lithuania	16,577	42%	17,511	32%
Russia	0	0%	16,383	29%
Other countries	7,252	19%	3,369	6%
Total revenue	39,149	100%	55,675	100%

During the 1st quarter of 2015, export generated 58% of the entire turnover of Vilkyškių Pieninė Group. With the complete elimination of the Russian Federation, which amounted to 29% of all export sales during the 1st quarter of 2014, more sales came from the earlier discovered markets and completely new markets. The existing markets (Albania, Azerbaijan, Israel, Kosovo, Croatia, Lebanon, Poland, Malta, Moldova, Portugal, Saudi Arabia, Hungary and Germany) dominated and sales volumes were successfully increased; also, there was an active search for new markets (Italy, Spain, Romania, USA and Kazakhstan).

Core product sales:

	6 months of 2015	6 months of 2014
Fermented cheese, EUR tho	17,405	26,927
Cream, EUR tho	7,167	11,419
Whey products, EUR tho	2,121	3,011
Cream, EUR tho	1,816	2,231
Yogurt products, EUR tho	2,380	2,905
Cottage cheese products, EUR tho	5,023	5,634
Other sales, EUR tho	3,237	3,548
Total revenue	39,149	55,675

In 2010, a new marketing department was set up within the Group to develop new products and implement branding and marketing strategies. The first priority was to strengthen its domestic presence, so investments were made into brand identity and unique value propositions to Lithuanian consumers. The Group achieved quick sales growth and acceptance on the local market by consistently expanding its range of fresh dairy products, high quality, original product flavours and unique packaging.

Within a few years, *Vilkyškių pieninė* Group made it to the TOP 3 producers of chocolate-glazed cottage cheese bars. At the end of 2013, a decision was taken to add another line, *Murr*, of exclusively desert flavours to the range of glazed cottage cheese bars.

In 2013, *Vilkyškių pieninė* Group also took a leading position on the Lithuanian market for drinkable yogurts, claiming a market share of more than 32 percent in this market segment. This was achieved after launching a range of drinkable yogurts in innovative *TetraTop* packages and adding the smaller *on-the-go* package version for the busy consumer. The packaging innovations, along with the introduction of new original flavours, clearly created a strong added value perception among consumers and contributed to the strengthening of the *Vilkyškių* brand, which was named as the Lithuanian Brand of the Year 2013.

Vilkyškių pieninė Group's strategy to invest in innovative exclusive products has enabled the Company to deliver on its brand promise and continue surprising consumers with wider choices, new products, new taste sensations and new ways to enjoy dairy products, at the same time contributing to the brand's positions on the market.

The Company's branded and originally packaged products with great value propositions also have strong potential on export markets, which the Company is targeting with its *Vilvi* trademark.

12. Exhibitions and Awards

2014: *Vilkyškių pieninė* named as *Exporter of the Year 2014* in the Lithuanian Business Leaders 2014 contest.

2014: *Vilkyškių pieninė*'s hard cheese *Jubiliejinis 1934* was awarded the Gold Medal at the ProdExpo 2014 international exhibition in Moscow for innovative technology and packaging.

In 2015, *Vilkyškių Pieninė* introduced a unique new dairy additive, viz. crispy roasted buckwheat, and was recognised by World Dairy Innovation Awards, which took place in Amsterdam as part of the ninth Global Dairy Congress, as one the best in the category "Best dairy ingredient", i.e. it became one of the three finalists. The judging panel considered as many as 220 entries from 30 countries in 18 categories. In each category the winner and three finalists have been announced.

13. Risk Factors Associated with Issuer's Business

Key risks in the business of *AB Vilkyškių pieninė* Group:

The Group operates in the business of dairy processing (production of fermented cheese). The main factors that may pose business risks for the Company are possible changes on the raw material and product markets, competition, as well as changes in the legal, political, technological and social environment. These may affect – whether directly or indirectly – the Group's cash flows and results.

The Company specialises in cheese production, with most of its revenue coming from the sale of matured cheese and cheese products. Consequently, the Company's sales, profit and overall financial standing may be affected by negative changes in the cheese market demand or pricing (market risks). Meanwhile, price pressure may originate from competition on the international and local cheese markets.

The production of matured cheese is a lengthy process that may last between one and three months. As a result, the Company may be unable to respond quickly to market changes, which may tell upon its cash flows and bottom line.

The Group's credit risks are associated with accounts receivable. The risk of breach of contract by business partners is subject to certain control procedures. In 2014, the Company obtained credit insurance for its overseas customers with the insurer *Euler Hermes* in two years period. The risk of each client is assessed individually.

14. Competition

AB Vilkyškių pieninė estimates that it has a 17-percent share of the Lithuanian market for cheese, i.e. it is in fourth place behind competitors *AB Rokiškio sūris*, *AB Pieno žvaigždės* and *AB Žemaitijos pienas*.

On foreign markets, *AB Vilkyškių pieninė* has to compete against local manufacturers, who have the advantage of lower transportation costs. However, *AB Vilkyškių pieninė* is trying to compensate for this disadvantage by offering a range of higher value-added cheese products.

15. Key Events After Fiscal Year-End

AB Vilkyškių pieninė has signed a contract on connection to a gas distribution system with *AB Lietuvos dujos*. Gas supply to the dairy farm is expected since Q4 2016.

In late June, the National Commission for Energy Control and Prices has approved the project on investment into gas supply to Tauragė and authorised construction of a distribution pipeline to Tauragė. The distribution pipeline will run almost 6 km and connect the gas distribution station to *AB Vilkyškių pieninė*, situated in the town of Tauragė.

III. OTHER INFORMATION ABOUT ISSUER

16. Structure of Issuer's Share Capital

AB Vilkyškių pieninė Group's Share Capital:

Type of share	Number of share	Share face value	Total face value, EUR	Type of share, EUR
<i>AB Vilkyškių pieninė</i>	Common registered shares	11,943,000	0.29	3,463,470
<i>AB Kelmės pieninė</i>	Common registered shares	2,457,070	0.29	712,550
<i>AB Modest</i>	Common registered shares	5,617,118	0.29	1,628,964
<i>AB Pieno logistika</i>	Common registered	371,333	0.29	107,687

shares

17. Information on Treasury Stock

The Company does not hold its own shares.

18. Rights of Shareholders

Shareholders have these non-proprietary rights:

- to attend and vote in general meetings of shareholders;
- to receive information about the Company as set out in Article 18 (1) of the Law on Public Companies;
- to lodge a claim in a court of law for compensation of damages caused to the Company through inaction or inappropriate actions of the Company's director, also in other cases set out by the law;
- other non-proprietary rights stipulated by legal acts.

Shareholders have the following proprietary rights:

- to receive a share of the Company's profit (dividend);
- to receive a share of the assets of the Company in liquidation;
- to be granted shares free of charge where the Company's share capital is increased from its own capital, save exceptions set out by the Law on Public Companies;
- to have priority to buy new shares and share options in the Company, except for cases where a general meeting of shareholder has legitimately voted to revoke this right for all;
- to transfer all or part of their shares to other persons, using a procedure set out in the Law on Public Companies;
- other proprietary rights granted by the law.

None of the Company's shareholders has any special control rights. The rights of all shareholders are equal. One common registered share grants one vote in a general meeting of shareholders.

19. Restrictions on Transfer of Securities

There are no restrictions on the transfer of securities.

20. Information About Shareholders

The total number of shareholders of **AB Vilkyškių pieninė** on 30 June 2015 was 932. The following are the major shareholders, who own more than 5 percent of the Issuer's stock:

Shareholder	Number of shares held, units	Percent of share capital, pct	Share of votes at shareholder meetings, pct
Gintaras Bertašius	6,067,206	51%	51%
Multi Asset Selection Fund	2,035,729	17%	17%
Minority shareholders	3,840,065	32%	32%
Total stock	11,943,000	100%	100%

AB Kelmės pieninė shareholders

Shareholder	Number of shares held, units	Percent of share capital, pct	Share of votes at shareholder meetings, pct
AB Vilkyskių pieninė	2,457,070	100%	100%
Total stock	2,457,070	100%	100%

AB Modest shareholders

Shareholder	Number of shares held, units	Percent of share capital, pct	Share of votes at shareholder meetings, pct
AB Vilkyskių pieninė	5,601,277	99.7%	99.7%
Minority shareholders	15,841	0.3%	0.3%
Total stock	5,617,118	100%	100%

AB Pieno logistika shareholders

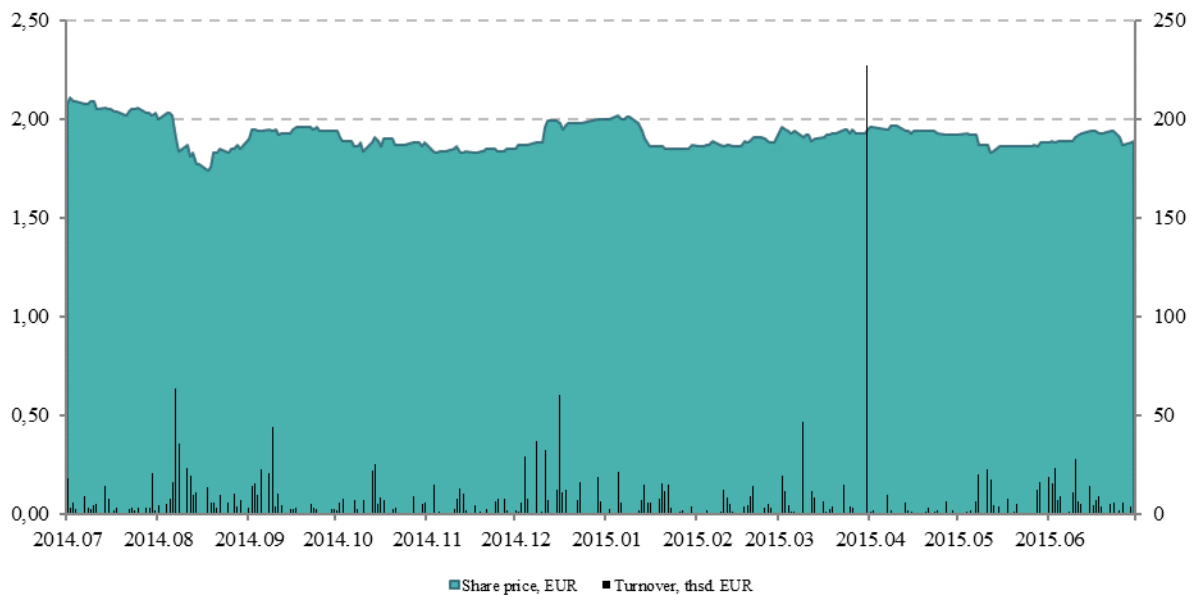
Shareholder	Number of shares held, units	Percent of share capital, pct	Share of votes at shareholder meetings, pct
AB Vilkyskių pieninė	208,458	56.1%	56.1%
Minority shareholders	15,841	43.9%	43.9%
Total stock	371,333	100%	100%

21. Agreements Between Shareholders, Known to Issuer, Which May Lead to Restrictions on Securities Transfers or Voting Rights

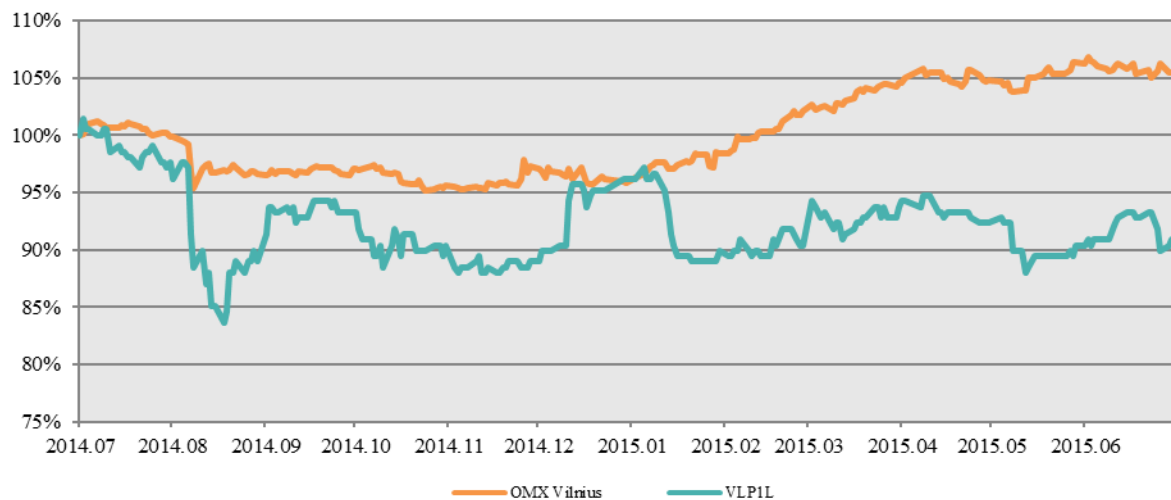
The Company is not aware of any direct agreements between shareholders that might result in restrictions on the transfer of securities and/or on voting rights.

22. Trading in Issuer's Securities on Regulated Markets

The change of price of AB *Vilkyskiu pienine* shares and trade volume in July 2014 – Aug 2015.



Comparison of AB *Vilkyskiu pienine* share price and OMX Vilnius Index July 2014 – Aug 2015.



23. Dividend

AB *Vilkyskiu pienine* approved a dividend policy in 2012. The following is an extract from that dividend policy:

Dividend and amount of dividend

1. The Law on Public Companies of the Republic of Lithuania stipulates that the dividend constitutes a share of profit payable to a shareholder in proportion to the face value of the stock held by the shareholder.
2. The Company's shareholders cannot vote to pay a dividend at a general meeting of shareholders, if 1) the Company is insolvent 2) the distributed result for the fiscal year ended is negative 3) the Company's equity is smaller than the sum of its authorised capital and reserves, or in cases where it would become smaller following a dividend payout.

3. The Company's board shall submit to the General Meeting of Shareholders an amount of dividend based on the audited net profit result for the fiscal year ended.
4. If the Company has been profitable, the Company's board shall allocate a certain part of revenue for dividend as set out in Clause 2.6, reinvesting the rest of the revenue so as to increase the Company's capitalisation.
5. The Company shall pay dividend in cash.
6. The Company's board should establish the amount of dividend after taking into account the consolidated net profit of the Company for the year ended. The dividend amount must be not less than 25 percent of the consolidated net profit of the Company for the year ended, but not larger than the Company's annual consolidated net profit
7. The Company reserves the right to diverge from the criteria for the amount of dividend, provided it gives reasons for such divergence.

AB Vilkyskiu pienine's dividend payments in the past 5 years:

Dividend	2011 (for 2010)	2012 (for 2011)	2013 (for 2012)	2014 (for 2013)	2015 (for 2014)
Dividend (EUR)	830,144	864,733	726,376	1,037,680	836,010
Dividend per share (EUR)	0.07	0.07	0.06	0.09	0.07
Number of shares	11,943,000	11,943,000	11,943,000	11,943,000	11,943,000

AB Kelmės pienine's dividend payments in the past 5 years:

Dividend	2011 (for 2010)	2012 (for 2011)	2013 (for 2012)	2014 (for 2013)	2015 (for 2014)
Dividend (EUR)	3,764,466	2,890,185	4,269,700	2,419,497	3,489,039
Dividend per share (EUR)	1.51	1.16	1.16	0.98	1.42
Number of shares	2,494,808	2,494,808	2,457,070	2,457,070	2,457,070

AB Modest and *AB Pieno logistika* did not pay any dividend in the last five years.

24. Employees

On 30th of June 2015 the number of employees working for the Group of Vilkyskiu pienine AB amounted to 988.

Employee category	Number of employees	Education				Average monthly salary (EUR)
		higher	vocational	secondary	secondary incomplete	
Managers	10	7	3			2,834
Specialists	226	112	71	43		830
Workers	752	35	264	404	49	511
	988	154	338	447	49	612

On 30th of June 2014 the number of employees working for the Group of Vilkyskiu pienine AB amounted to 990.

Employee category	Number of employees	Education				Average monthly salary (EUR)
		higher	vocational	secondary	secondary incomplete	
Managers	10	7	3	0	0	2,157
Specialists	209	97	81	31	0	836
Workers	771	41	286	395	49	503
	990	145	370	426	49	584

Employees work on the basis of labour contracts, while their rights and duties are set out in their job descriptions. Employees do not have any special rights or duties, and all work is organised in compliance with the Labour Code of the Republic of Lithuania.

25. Authorisations to Issuer's Governing Bodies to Issue or Repurchase the Issuer's Stock

The general meeting of shareholders has given rights the Company's Board to conduct acquisition of the Company's own shares. The Board was authorised to purchase up to 10 percent of own stock, organise the purchasing process, establish the procedure, timing, numbers and prices for the purchase and sale of own shares, and to conduct all the necessary actions in compliance with the Law on Public Companies.

26. AB Vilkyskių pieninė's Group Governing Bodies

According to the Articles of Association of *AB Vilkyskių pieninė*, the Company's governing bodies are the General Meeting of Shareholders, the Board and the Chief Executive Officer. No supervisory council is set up. The Board of the Company represents the shareholders and performs oversight and control functions. The decisions taken by the General Meeting of Shareholders, where they concern issues falling within the remit of the General Meeting of Shareholders as specified in the Articles of Association, are binding to all shareholders, the Board, the CEO and other employees of the Company.

Board members are elected for a term of four years. The Chairman of the Board is elected for a tenure of four years by the Board from among its own members. Members of the Board are elected by a General Meeting of Shareholders in accordance with the Law on Public Companies.

The Board sets up two committees – Audit Committee and Salaries Committee – each consisting of three members.

The Board elects and dismisses the Chief Executive Officer. The CEO is the head of the Company. The head of the Company is a single governing body in charge of organising the current business operations of the Company.

Under the Articles of association of *AB Kelmės pieninė* and *AB Modest*, both companies are governed by a general meeting of shareholders, the Board and CEO.

27. Procedure of Amendments to Company Articles

Amendments to the group's Articles of Association can be adopted at a General Meeting of Shareholders. Decisions on changes to the Articles are considered adopted, if approved by two-thirds of shareholder votes.

28. Activities of the Board

In the course of 6 months of 2015, a total of 6 Board meetings were held, with the required quorum present at each of them. The Board approved the 12-month financial accounts for 2014, the 2015 three-month interim financial statements, the 2014 annual financial statements and annual report; it also called an ordinary meeting of shareholders, offered the distribution of the 2014 profit for an ordinary meeting of shareholders, and proposed the procedure of treasury stock purchase.

AB Kelmės pieninė and *AB Modest* hold their board meetings regularly to discuss issues within the remit of the board of directors.

29. Board & Administration Members

AB Vilkyskių pieninė Board Members

AB Gintaras Bertašius (born 1964) – a Board Chairman since 30 January 2006, re-elected for a four-year term on 25 April 2014, CEO of *AB Vilkyskių pieninė*. Has a higher education diploma in mechanical engineering. Membership in other companies' governing bodies: a shareholder of ŪKB Šilgaliai, board

chairman of *AB Modest*, board chairman of *AB Kelmės pieninė*. On of 30 June 2015, he held 6,067,206 shares of *AB Vilkyskių pieninė*, 50.8 percent of the stock and voting rights.

Sigitas Trijonis (born 1964) – a Board Member since 30 January 2006, re-elected for a four-year term on 25 April 2014, Chief Technology Officer of *AB Vilkyskių pieninė*. Has a higher education degree in mechanical engineering. As of 30 June 2015, he held 425,607 shares of *AB Vilkyskių pieninė*, 3.6 percent of the stock and voting rights. Has no seats in other companies' governing bodies

Rimantas Jancevičius (born 1962) – a Board Member since 30 January 2006, re-elected for a four-year term on 25 April 2014, Chief Purchasing Officer at *AB Vilkyskių pieninė*. Has a college diploma as livestock engineer. As of 30 June 2015, he held 277,023 shares of *AB Vilkyskių pieninė*, 2,3 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Vilija Milaševičiūtė (born 1965) – a Board Member since 30 April 2009, re-elected for a four-year term on 25 April 2014. Has higher education in finance and credit. Chief Economics and Financial Officer of *AB Vilkyskių pieninė*. Membership in other companies' governing bodies: A board member of *AB Modest*. As of 30 June 2015, she held 7,813 shares of *AB Vilkyskių pieninė*, 0.07 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Linas Strėlis (born 1968) – a Board Member since 7 March 2008, re-elected for a four-year term on 25 April 2014. Has higher education. CEO of *UAB LS Capital*, Director of *UAB Biglis*, board member of football club *Ekranas*, council chairman of Association of Social Enterprises (*Socialinių imonių asociacija*), board member of *AB Agrowill*. As of 30 June 2015, did not have any shares in *AB Vilkyskių pieninė*.

Andrej Cyba (born 1983) – a Board Member since 7 March 2008, re-elected for a four-year term on 25 April 2014. Has a university degree in business administration and management. CEO and board chairman of *AB Bankas Finasta*, CEO of *UAB GPI*, CEO of *UAB GP2*, CEO of *UAB Piola*. As of 30 June 2015, did not have any shares in *AB Vilkyskių pieninė*.

AB Vilkyskių pieninės Members of Administration

Gintaras Bertašius (born 1964) – CEO and Chairman of the Board. Works at the Company since 1993. Has a higher education diploma as mechanical engineer. Membership in other companies' governing bodies: a shareholder of *ŪKB Šilgaliai*, board chairman of *AB Modest*, board chairman of *AB Kelmės pieninė*. On 30 June 2015, he held 6,067,206 shares of *AB Vilkyskių pieninė*, 50.8 percent of the stock and voting rights

Vilija Milaševičiūtė (born 1965) – Chief Financial Officer, a Board Member, working at the Company since 2000. Has higher education in finance and credit. A board member of *AB Modest*. As of 30 June 2015, she held 7,813 shares of *AB Vilkyskių pieninė*, 0.07 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Vaidotas Juškys (born 1969) – Executive Officer, working at the Company since 2010. Has a degree in IT. As of 30 June 2015, he held 250 shares of *AB Vilkyskių pieninė*, 0.002 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Sigitas Trijonis (born 1964) – Chief Technology Officer, a Board Member, working at the Company since 1993. Has higher education as mechanical engineer. As of 30 June 2015, held 425,607 shares of *AB Vilkyskių pieninė*, 3.6 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Rimantas Jancevičius (born 1962) – Chief Purchasing Officer and a Board Member, working at the Company since 1996. Has a college diploma as livestock engineer. As of 30 June 2015, held 167,223 shares of *AB Vilkyskių pieninė*, 1.4 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Arvydas Zaranka (born 1966) – Chief Production Officer, working at the Company since 1995. Has a college degree in dairy technology. Membership in other companies' governing bodies: a board member of

AB Modest, a board member of AB Kelmės pieninė. As of 30 June 2015, held 1,933 shares of *AB Vilkyskių pieninė*, 0.016 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Members of *AB Kelmės pieninė* board and administration

Gintaras Bertašius (born 1964) – Chairman of the Board, last re-elected for a four-year term on 26 April 2012. Participation in the governing bodies of other companies: board chairman and CEO of *AB Vilkyskių pieninė*, shareholder of *ŪKB Šilgaliai* (1 share), board chairman at *AB Modest*. Holds a higher education degree in mechanical engineering. As of 30 June 2015, had 6,067,206 shares in *AB Vilkyskių pieninė*, 50.8 percent of the stock and voting rights.

Arvydas Zaranka (born 1966) – a member of the board, re-elected for a four-year term on 26 April 2012. Participation in the governing bodies of other companies: Chief Production Officer of *AB Vilkyskių pieninė*, board member of *AB Modest*. Has a college degree in dairy technology. As of 30 June 2015, held 1,933 shares in *AB Vilkyskių pieninė*, i.e. 0.016 percent of share capital and voting rights. Has no seats in other companies' governing bodies.

Algirdas Žukauskas (born 1958) – a member of the board, re-elected for a four-year term on 26 April 2012, CEO of *Kelmės pieninė*. Working at the company since 2008. Has a degree in livestock engineering. Holds no positions in other companies.

Members of *AB Modest* board and administration

Gintaras Bertašius (born 1964) – Chairman of the Board, last re-elected for a four-year term on 10 December 2013. Participation in the governing bodies of other companies: board chairman and CEO of *AB Vilkyskių pieninė*, shareholder of *ŪKB Šilgaliai* (1 share), board chairman at *AB Modest*. Holds a higher education degree in mechanical engineering. As of 30 June 2015, had 6,067,206 shares in *AB Vilkyskių pieninė*, 50.8 percent of the stock and voting rights.

Arvydas Zaranka (born 1966) – a member of the board, re-elected for a four-year term on 10 December 2013. Participation in the governing bodies of other companies: Chief Production Officer of *AB Vilkyskių pieninė*, board member of *AB Kelmės pieninė*. Has a college degree in dairy technology. As of 30 June 2015, held 1,933 shares in *AB Vilkyskių pieninė*, i.e. 0.016 percent of share capital and voting rights.

Vilija Milaševičiūtė (born 1965) – a member of the board, re-elected for a four-year term on 10 December 2013. Participation in the governing bodies of other companies: Chief Financial Officer of and board member *AB Vilkyskių pieninė*, a member of *AB Kelmės pieninė* board. Holds a university degree in finance and credit. As of 30 June 2015, held 7,813 shares in *AB Vilkyskių pieninė*, i.e. 0.07 percent of the stock and voting rights.

Kęstutis Keršys (born 1957) – CEO of *AB Modest*, working at the company since 2010. Holds a higher education degree in economics, has no shares or seats in other companies.

30. Committees

Members of the Audit Committee: Vanda Krivonosovienė (an independent member, employee of Tauragė District Municipality), Ligita Pudžiuvelytė (*AB Vilkyskių pieninė* employee) and Milana Buivydienė (*AB Vilkyskių pieninė* employee). None of the Committee members hold senior positions in the Company's administration or have shares in the Company.

No committees are formed in subsidiary companies.

31. Agreements Enacted by Change of Control, Where Issuer is a Party

There are no agreements, to which the Issuer is a party, that would take effect if control of the Issuer changed.

32. Information about Agreements Between the Issuer and its Governing Members or Employees on Compensation Payouts in Case of Their Resignation, Unfair Dismissal or Discharge Upon Change in the Control of the Issuer

The Board Rules of Procedure do not provide for any compensation or payouts if a member of the Board resigns before the Board's term has expired. All employees are employed and dismissed in conformity with the provisions of the Lithuanian Labour Code.

33. Information About Detrimental Acts Concluded by the Issuer that Could Affect Issuer's Operations

The Issuer has not concluded any detrimental transactions that had or could in the future have any negative impact on the Issuer's operations or results. Nor has the Issuer concluded any transactions involving conflict of interest on behalf of the Issuer's top management, major shareholders or other related parties.

IV. INFORMATION ABOUT COMPLIANCE TO MANAGEMENT CODE

Vilkyskiu Pienine AB essentially follows Corporate Governance Code for the Companies Listed on Vilnius stock exchange. There is no Supervisory Council in company. The governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. The Board consists of six members who are elected for the term of four years. Nomination and Remuneration Committee is established by the Management Board. The members of Audit Committee and the regulations of activity of the committee is approved by General Meeting of Shareholders. Each committee of the company is composed of three members.

V. SUMMARY OF SIGNIFICANT EVENTS

On the 10th day of each month, sales figures for the preceding months are published.

The following decisions were taken at the Ordinary General Meeting of Shareholders of Vilkyskiu pienine AB which was held on the 24 April 2015:

Item 1 of the Agenda: Company's annual report for the year 2014.

Resolution: To approve the Company's annual report for the year 2014.

Item 2 of the Agenda: Auditor's Report regarding the Company's Financial Statements for the year 2014.

Heard.

Item 3 of the Agenda: Approval of Company's annual and consolidated financial statements of the year 2014.

Resolution: To approve of Company's annual and consolidated financial statements of the year 2014.

Item 4 of the Agenda: Profit (loss) appropriation for the year 2014.

Resolution: To approve the Audited Profit appropriation for the year 2014 as follows under IAS:

	thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2013	10,253
2) Approved by shareholders dividends of the year 2013	1,038
3) Transfers to reserves provided by law	0
4) Portion of the profit allocated to the reserve for the purchase of own shares	692
5) Non-appropriated profit (loss) at the beginning of the year 2013 after dividends payout and transfer to reserves	8,523
6) Net profit (loss) of the reporting period	1,886
7) Transfers from reserves	109
8) Total profit (loss) to be appropriated:	10,518

- portion of the profit allocated to the legal reserve	0
- portion of the profit allocated to the reserve for the purchase of own shares	87
- portion of the profit allocated for payment of the dividends (or 0.07 EUR per ordinary registered share with nominal value of 0.29 EUR)	836
- portion of the profit allocated to the other reserves	0
- portion of the profit allocated to be paid as annual payouts (tantiemes) to board members, bonuses to employees and for other purposes	43
9) Non-appropriated profit (loss) at the end of the year 2014 carried forward to next financial year	9,552

Item 5 of the Agenda: A decision on the purchase of own shares.

Resolution: A decision with regard to the purchase of own shares has been approved:

- a) To purchase up to 10 percent of the Company's shares.
- b) The purpose of acquisition of own shares – to maintain and increase the price of the Company's shares.
- c) Period during which the Company may acquire own shares – until 27 April 2016.
- d) To set the maximum price per share of own shares to be acquired – at 2.10 EUR, at the same time setting the minimum acquisition price per share equal to the nominal value of a share, i.e. 0.29 EUR.
- e) To commit the Board to organize the purchase of own shares, to determine the procedure for purchase and sale of shares, time, number of shares and price, as well as to perform other actions relating thereto in compliance with the terms set in this resolution as well as in accordance with the requirements established in the Republic of Lithuania Law of Companies.

Item 6 of the Agenda: Approval of the new wording of the Articles of Association and authorization.

Draft resolution: Taking into consideration the adopted decisions to change the expression of the par value of the Company's shares and authorized capital in litas into expression in euro, amendments of the Republic of Lithuania Law on Companies, that came into force after registration of the last wording of the Articles of Association and other amendments provided in the draft of the Articles of Association amendments, to approve the new wording of the Articles of Association. To authorize General Manager of the Company (with the right to reauthorize) to sign the new wording of the Articles of Association.