



Vilkyskiu Pienine AB

Interim consolidated financial statements for
the 6 months of 2014

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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 condensed consolidated financial statements for the six months of 2014, prepared in accordance with International Financial Reporting Standarts, 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

Economic and Finance Director



Vilija Milaseviciute



The financial statements were approved and signed by the Management on 29 August 2014.

Group details

Vilkyskiu Pienine AB

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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 Finland Plc

Consolidated statement of financial position

Thousand LTL	Note	30 06 2014	31 12 2013
Assets			
Property, plant and equipment		102,391	97,493
Intangible assets		23,992	23,922
Long-term receivables	5	1,502	1,678
Non-current assets		127,885	123,093
Inventories	6	29,203	30,179
Trade and other receivables	7	27,609	25,513
Prepayments	8	3,287	2,265
Cash and cash equivalents	9	599	241
Current assets		61,698	58,198
Total assets		188,583	181,291
Equity			
Share capital	10	11,943	11,943
Share premium		11,396	11,396
Reserves		13,818	11,816
Retained earnings		33,804	35,742
Total equity attributable to the shareholders of the Group		70,961	70,897
Non-controlling interest		170	183
Total equity		71,131	71,080
Liabilities			
Interest-bearing loans and lease liabilities		30,381	28,684
Derivative financial instruments		1,369	1,207
Government grants		11,052	11,204
Deferred tax liabilities		2,536	3,058
Non-current liabilities		45,338	44,153
Interest-bearing loans and lease liabilities		32,105	25,826
Current tax liabilities		-	-
Derivative financial instruments	12	392	358
Trade and other payables	12	39,617	39,874
Current liabilities		72,114	66,058
Total liabilities		117,452	110,211
Total equity and liabilities		188,583	181,291

Consolidated income statement

Thousand LTL	Note	<u>01 01 2014- 30 06 2014</u>	<u>01 01 2013- 30 06 2013</u>	<u>01 04 2014- 30 06 2014</u>	<u>01 04 2013- 30 06 2013</u>
Revenue	1	192,233	158,046	94,496	87,651
Cost of sales	1	-176,465	-144,464	-84,381	-78,405
Gross profit	1	15,768	13,582	10,115	9,246
Other operating income		1,329	645	736	319
Distribution expenses		-7,989	-7,942	-4,188	-4,223
Administrative expenses		-4,421	-3,698	-2,523	-2,021
Other operating costs		-297	-83	-239	66
Result from operating activities		4,390	2,504	3,901	3,387
Finance income		31	35	14	20
Finance costs		-1,099	-1,145	-647	-613
Net finance expense		-1,068	-1,110	-633	-593
Profit before income tax		3,322	-1,394	3,268	2,794
Income tax expense		522	358	335	157
Net Profit for period		3,844	1,752	3,603	2,951
Attributable to:					
Shareholders of the Group		3,843	1,715	3,603	2,924
Non-controlling interest		1	37	0	27
Net Profit for period		3,844	1,752	3,603	2,951
Basic earnings per share (LTL)	2	0.32	0.14	0.30	0.11

Consolidated statement of comprehensive income

Thousand LTL	Note	<u>01 01 2014- 30 06 2014</u>	<u>01 01 2013- 30 06 2013</u>	<u>01 04 2014- 30 06 2014</u>	<u>01 04 2013- 30 06 2013</u>
Net Profit for period		3,844	1,752	3,603	2,951
Other comprehensive income					
Change in fair value of hedging instruments		-196	426	-31	368
Effect of income tax		-	-	-	-
Other comprehensive income for period, net of income tax		<u>-196</u>	<u>426</u>	<u>-31</u>	<u>368</u>
Total comprehensive income		<u><u>3,648</u></u>	<u><u>2,178</u></u>	<u><u>3,572</u></u>	<u><u>3,319</u></u>
Attributable to:					
Shareholders of the Group		3,647	2,141	3,572	3,292
Non-controlling interest		1	37	0	27
Total comprehensive income		<u><u>3,648</u></u>	<u><u>2,178</u></u>	<u><u>3,572</u></u>	<u><u>3,319</u></u>

Consolidated statement of changes in equity

Thousand LTL	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 2013		11,943	11,396	6,570	-2,143	5,768	1,194	25,132	59,860	141	60,001
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	1,715	1,715	37	1,752
Other comprehensive income											
Allocated from reserves		-	-	-177	-	-	-	177	-	-	-
Increase of revaluation reserve due to income tax effect		-	-	-	-	-	-	-	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	426	-	-	-	426	-	426
Total other comprehensive income		-	-	-177	426	-	-	177	426	-	426
Total comprehensive income for the period		-	-	-177	426	-	-	1,892	2,141	37	2,178
Contributions by and distributions to owners:											
Transfers to the reserve for own shares		-	-	-	-	203	-	-203	-	-	-
Dividends		-	-	-	-	-	-	-2,508	-2,508	-	-2,508
Total contributions by and distributions to owners		-	-	-	-	203	-	-2,711	-2,508	-	-2,508
Changes in the Group without losing control											
Other changes in the Group		-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2013	10	11,943	11,396	6,393	-1,717	5,971	1,194	24,313	59,493	178	59,671

(continued)

Consolidated statement of changes in equity (continued)

Thousand LTL	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 July 2013		11,943	11,396	6,393	-1,717	5,971	1,194	24,313	59,493	178	59,671
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	11,234	11,234	23	11,257
Other comprehensive income											
Allocated from reserves		-	-	-177	-	-	-	177	-	-	-
Increase of revaluation reserve due to income tax effect		-	-	-	-	-	-	-	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	152	-	-	-	152	-	152
Total other comprehensive income		-	-	-177	152	-	-	177	152	-	11,409
Total comprehensive income for the period		-	-	-177	152	-	-	11,411	11,386	23	11,409
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		-	-	-	-	-	-	18	18	-18	-
Total contributions by and distributions to owners		-	-	-	-	-	-	18	18	-18	-
Balance at 31 December 2013	10	11,943	11,396	6,216	-1,565	5,971	1,194	35,742	70,897	183	71,080

(continued)

Consolidated statement of changes in equity (continued)

Thousand LTL	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 2014		11,943	11,396	6,216	-1,565	5,971	1,194	35,742	70,897	183	71,080
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	3,843	3,843	1	3,844
Other comprehensive income											
Allocated from reserves		-	-	-189	-	-	-	189	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	-196	-	-	-	-196	-	-196
Total other comprehensive income		-	-	-189	-196	-	-	189	-196	-	-196
Total comprehensive income for the period		-	-	-189	-196	-	-	4,032	3,647	1	3,648
Contributions by and distributions to owners:											
Allocation to legal reserve		-	-	-	-	-	-	-	-	-	-
Allocation to reserve for acquisition of own shares		-	-	-	-	2,387	-	-2,387	-	-	-
Dividends		-	-	-	-	-	-	-3,583	-3,583	-	-3,583
Total contributions by and distributions to owners		-	-	-	-	2,387	-	-5,970	-3,583	-	-3,583
Changes in the Group without losing control											
Changes in non-controlling interest due to the sale of shares		-	-	-	-	-	-	-	-	-14	-14
Other changes in the Group		-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-14	-14
Balance at 30 June 2014	10	11,943	11,396	6,027	-1,761	8,358	1,194	33,804	70,961	170	71,131

Consolidated statement of cash flows

Thousand LTL	Note	01 01 2014- 30 06 2014	01 01 2013- 30 06 2013
Cash flows from operating activities			
Profit for the year		3,844	1,752
Adjustments:			
Depreciation of property, plant and equipment	3	4,771	4,531
Amortization of intangible assets	4	13	3
Amortization and write down of grants		-659	-619
Profit (loss) from disposal of property, plant and equipment		-46	-24
Income tax expense		-522	-358
Interest expenses, net		1,068	1,110
		8,469	6,395
Change in inventories		976	708
Change in long-term receivables		176	-178
Change in trade and other receivables and prepayments		-3,120	-10,629
Change in trade and other payables		-1,630	5,327
		4,871	1,623
Paid interest		-966	-882
Paid profit tax		-	-
Net cash from operating activities		3,905	741
Cash flows from investing activities			
Acquisition of plant and equipment		-9,424	-5,177
Acquisition of intangible assets		-83	-
Proceeds from sale of plant and equipment		295	275
Acquisition of the subsidiary's shares		-16	-
Loans granted		-	-
Loans repaid		-	2
Interest received		-	-
Net cash flows used in investing activities		-9,228	-4,900

Consolidated statement of cash flows (continued)

Thousand LTL	Note	01 01 2014- 30 06 2014	01 01 2013- 30 06 2013
Cash flows from financing activities			
Loans received		13,831	10,860
Repayment of borrowings		-6,310	-4,796
Dividends paid		-2,347	-2,508
Government grants received		507	0
Net cash flows from financing activities		5,681	3,556
Increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January	9	241	880
Cash and cash equivalents at 30 June	9	599	277

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 2014 the Company's shares were owned by the following shareholders:

Shareholder	Shares	Nominal value in LTL	Total value in LTL
Gintaras Bertasius	6,067,206	1	6,067,206
Linas Strelis	1,918,215	1	1,918,215
Other	3,957,579	1	3,957,579
Total	11,943,000	1	11,943,000

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 371 thousand LTL and main activity rent for buildings. Vilkyskiu Pienine AB holds 50.8% voting rights of the subsidiary.

At 30 June 2014 the Group had 990 employees (31 December 2013: 936).

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 LTL (tLTL). LTL is the legal currency of Lithuania and considered to be the functional currency of the Parent Company and its subsidiaries.

Foreign currency transactions

Transactions in foreign currencies are translated into LTL 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 LTL at the exchange rate ruling at that date. All transactions made in Euro have been translated to LTL at the exchange rate of 1 Euro=3.4528 LTL as fixed by the Central Bank of Lithuania.

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 LTL 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 2013. 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 2013 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 2014 were as follows:

Thousand LTL	Cheese and cheese products	Fresh dairy products	Other products	Total
Sales	92,972	45,940	53,321	192,233
Cost of sales	-88,715	-40,136	-47,614	-176,465
Gross profit	4,257	5,804	5,707	15,768

Segments results on 30 June 2013 were as follows:

Thousand LTL	Cheese and cheese products	Fresh dairy products	Other products	Total
Sales	72,222	48,842	36,982	158,046
Cost of sales	-71,822	-44,970	-27,672	-144,464
Gross profit	400	3,872	9,310	13,582

Revenue per geographical segments:

Thousand LTL	30 06 2014	30 06 2013
Lithuania	60,461	53,144
European Union	63,572	45,476
Russia	56,566	52,144
Other countries	11,634	7,282
	<u>192,233</u>	<u>158,046</u>

2 Profit (loss) per share

	01 01 2014-30 06 2014	01 01 2013- 30 06 2013
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 LTL	<u>3,843</u>	<u>1,715</u>
Profit (loss) per share, in LTL	<u>0.32</u>	<u>0.14</u>

3 Property, plant and equipment

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

On 30 June 2014 depreciation amounted to 4,771 thousand LTL (on 30 June 2013 – 4,531 thousand LTL).

4 Intangible assets

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

On 30 June 2014 amortization amounted to 13 thousand LTL (on 30 June 2013 - 3 thousand LTL).

5 Non-current receivables

Thousand LTL	30 06 2014	31 12 2013
Prepayments to related parties	778	842
Loans granted to related parties	351	426
Non-current receivables from farmers	318	355
Other non-current receivables	55	55
	1,502	1,678
	1,502	1,678

A prepayment (778 thousand LTL) is made to a related company UKB Silgaliai. Prepayment shall be fully covered until 31 December 2015. The outstanding balance of the prepayment bears an administrative fee.

The loan (351 thousand LTL) 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 (55 thousand LTL) from Swedbank AB include obligations with warranty.

6 Inventories

Thousand LTL	30 06 2014	31 12 2013
Finished production	21,644	22,536
	21,644	22,536
Raw materials	332	182
Other auxiliary materials	6,574	6,709
Production in progress	646	749
Goods for re-sale	7	3
	29,203	30,179
	29,203	30,179

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

As at 30 June 2014 write down of inventories to net realisable value amounts to 21 thousand LTL (31 December 2013: 33 thousand LTL). Write down to net realisable value and reversal of the write down is accounted as administrative costs.

As at 30 June 2014 the inventories with the carrying amount of up to 19,1 million LTL (31 December 2013: up to 19,1 million LTL) have been pledged to financial institutions.

7 Trade and other receivables

Thousand Litas	Note	30 06 2014	31 12 2013
Trade receivables		23,621	21,603
Loans issued to related parties, including calculated interest		491	513
Other receivable		128	184
Financial assets		24,240	22,300
Taxes receivable (excluding income tax)		3,369	3,213
Total trade and other receivables		27,609	25,513

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 LTL	30 06 2014	31 12 2013
Prepayments	2,888	1,780
Prepayments to related parties	399	485
	3,287	2,265

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

9 Cash and cash equivalents

Thousand LTL	30 06 2014	31 12 2013
Cash at bank	425	92
Cash in hand	174	149
	599	241

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

10 Capital

Authorized capital of the Parent Company as at 30 June 2014 comprised 11,943,000 ordinary shares at par value of 1 LTL 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 2 May 2014 Vilkyskiu Pienine AB received a loan (1 million EUR) from AB SEB Bankas for financing 2014-2015 investments. The last loan repayment term is on 15 March 2018, the determined interest rate is 3 months EURIBOR + margin.

On 2 May 2014 Vilkyskiu Pienine AB received a loan (1 million EUR) from AB SEB Bankas for working capital supplement. The last loan repayment term is on 4 May 2015, the determined interest rate is 1 month EURIBOR + margin.

On 14 May 2014 „Modest” AB received a loan (1,4 million EUR) from AB Nordea Bankas for whey processing workshop acquisition of investments. The last loan repayment term is on 31 March 2019, the determined interest rate is 3 months EURIBOR + margin.

On 29 May 2014 Kelmes Pienine AB received a loan (0,3 million EUR) from AB Swedbankas for financing 2014 investments. The last loan repayment term is on 31 December 2015, the determined interest rate is 6 months EURIBOR + margin.

12 Trade and other payable amounts, including derivative financial instruments

Thousand LTL	30 06 2014	31 12 2013
Trade payables	32,313	34,759
Employment related liabilities	4,703	4,053
Payable dividends	1,309	268
Prepayments received	566	368
Fair value of interest rate swap transaction (short-term part)	392	358
Other payable amounts and accrued costs	726	426
	40,009	40,232

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 LTL	01 01 2014- 30 06 2014	01 01 2013- 30 06 2013
Staff costs are included in the following items:		
Cost of finished production	10,921	10,674
Distribution and administrative costs	3,087	2,769
Other operating costs	14,008	13,443
	14,008	13,443

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 6th August 2014, the President of the Russian Federation enacted an import embargo on most of agricultural produce imported to Russia from the European Union, the United States, Australia, Canada and Norway. In the past months the sales of AB Vilkyskių pieninė to the Russian market made up to 20-25% of total sales.

Vilkyskiu Pienine AB Consolidated interim report for the 6 months of the year 2014

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

The report has been prepared for 6 months of the year 2014.

Acquaintance with statement and other documents

Acquaintance with statement and other documents, which have been used for the preparation of the statement on the internet site of Vilkyskiu Pienine AB, the address of which is: <http://www.vilkyskiu.lt/en/for-investors>.

Mass communication: daily newspaper "Lietuvos Zinios" (*The News of Lithuania*).

Persons responsible for information presented in this financial statement:

General Director of Vilkyskiu Pienine AB – Gintaras Bertasius, tel. (8 441) 55330, fax (8 441) 55242.

Economic and Finance Director of Vilkyskiu Pienine AB – Vilija Milaseviciute, tel. (8 441) 55102, fax (8 441) 55242.

2. Key data about the Issuer

Vilkyskiu Pienine AB

Name of the Issue	Public Limited Company Vilkyskiu pienine (hereinafter referred as to the Company or Issuer)
Authorized capital	11,943,000 LTL
Registered office	Vilkyskiai, Pagegiu municipality
Telephone number	8-441 55330
Fax number	8-441 55242
E-mail address	info@vilkyskiu.lt
Legal – organizational form	public limited company
Date and place of registration	The 10 th of May 1993
Date and place of re-registration	The 30 th of December 2005, Taurage Subsidiary of State Enterprise Centre of Registers
Registration No.	060018
Code in the Register of Enterprises	277160980
Internet address	www.vilkyskiu.lt

Key data about the subsidiaries

Modest AB

Name of the subsidiary	Public limited company Modest (hereinafter – Modest AB)
Authorized capital	5,617,118 LTL
Registered office	Gaures str. 23, Taurage
Telephone number	8-446 72693
Fax number	8-446 72734
E-mail address	modest@vilkyskiu.lt
Legal – organizational form	Public limited company
Date and place of registration	25 March 1992
Date and place of re-registration	31 December 2009, Taurage Subsidiary of State Enterprise Centre of Registers
Registration No.	017745
Code in the Register of Enterprises	121313693
Internet address	www.vilkyskiu.lt

Kelmes Pienine AB

Name of the subsidiary	Public limited company Kelmes Pienine (hereinafter – Kelmes Pienine AB)
Authorized capital	2,457,070 LTL
Registered office	Raseiniu str. 2, LT-86160 Kelme
Telephone number	8-427 61246
Fax number	8-427 61235
E-mail address	kelmespienine@vilkyskiu.lt
Legal – organizational form	Public limited company
Date and place of registration	3 August 1993, Siauliai Subsidiary of State Enterprise Centre of Registers
Date and place of re-registration	04 July 2007 (issue of new registration certificate)
Registration No.	110109
Code in the Register of Enterprises	162403450
Internet address	www.vilkyskiu.lt

Pieno Logistika AB

Name of the subsidiary	Public limited company Pieno Logistika (hereinafter – Pieno Logistika AB)
Authorized capital	371,333 LTL
Registered office	Pagojo str. 1, Pagojo village, Kelme district
Telephone number	8-427 61246
Fax number	8-427 61235
E-mail address	stasys@cheese.lt
Legal – organizational form	Public limited company
Date and place of re-registration	10 December 2013 (issue of new registration certificate)
Code in the Register of Enterprises	303203457

3. The activity of the Issuer

Vilkyskiu Pienine AB specializes in production and sale of different fermented cheese. The Company also produces and sales scalded cream, processes whey and raw milk.

The 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 (31 December 2012 – 99,7%). Modest AB produces fermented cheese “Mozzarella”, mould cheese and other cheese products.

The Company has also another 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 (31 December 2012 – 99,25%). This subsidiary produces fresh dairy products.

Since December 2013 the group of companies of a subsidiary company Pieno Logistika AB. Its registered capital is 371 thousand LTL and main activity rent for buildings. Vilkyskiu Pienine AB holds 50.8% voting rights of the subsidiary.

4. Contracts with intermediaries of the public circulation of securities

Vilkyskiu pienine AB has entered into the contract of service with Financial Broker Company Orion Securities UAB (address: A. Tumeno street. 4, B corp., LT-01109, Vilnius) on the record of shareholders of Vilkyskiu pienine AB, Modest AB and Kelmes pienine AB. Record of the shareholders of AB Pieno logistika is carried out by AB FMĮ Finasta.

On the 15th of October 2007 Vilkyskiu pienine AB entered into the contract with Financial Broker Company Orion Securities UAB on the market making.

5. Basic characteristics of shares issued into public circulation of securities

Name of securities – ordinary registered shares of Vilkyskiu Pienine AB. The number of securities: 11,943,000 units. Nominal value of one share is 1.00 LTL.

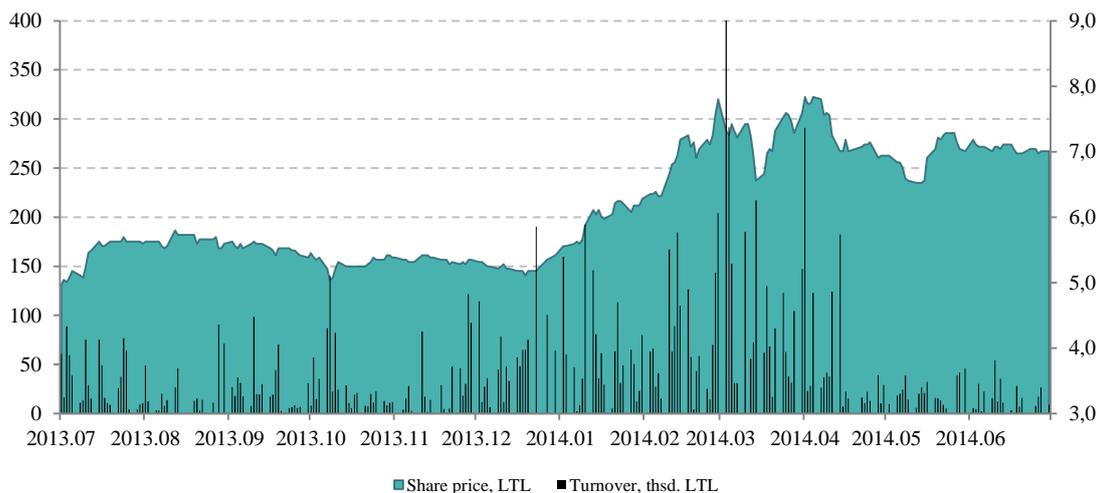
Securities issued by the Company are included into the Official Trade List of NASDAQ OMX Vilnius Stock Exchange. ISIN code of securities is LT0000127508.

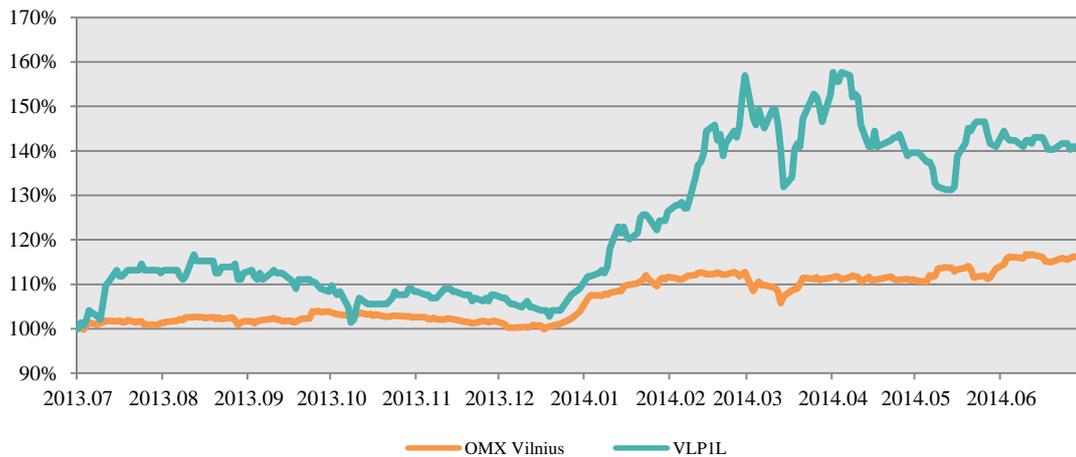
Company's shares are admitted to trading since 17 May 2006.

From the 1st of January 2008 shares of Vilkyskiu Pienine AB have been quoted in the Official List of Vilnius Stock Exchange.

Trading shares of Vilkyskiu pienine AB

Quarter		Price (LTL)			Turnover, thou. LTL			Total turnover		Capitalization, thou. LTL
Beginning	End	Max.	Min.	Last	Max	Min	Last	Units	Thou. LTL	
2006 05 17	2007 04 20	5.82	4.60	5.65	648	0	0	531	2,821	52,844
2007 01 01	2007 03 31	5.82	5.20	5.70	126	0	0	57	312	53,312
2007 04 01	2007 06 30	5.70	5.01	5.20	381	0	20	168	931	48,636
2007 07 01	2007 09 30	6.50	4.80	5.90	3621	0	26	1,648	9,164	55,183
2007 10 01	2007 12 31	6.70	5.75	6.20	638	0	2	455	2,762	57,989
2008.01.01	2008.03.31	6.40	5.00	5.30	1507	0	12	694	3,848	49,571
2008.04.01	2008.06.30	5.52	4.51	4.70	238	0	16	245	1,210	56,132
2008.07.01	2008.09.30	4.75	2.05	2.26	325	0	3	246	913	26,991
2008.10.01	2008.12.31	2.50	0.52	0.60	70	0	0	731	696	7,166
2009.01.01	2009.03.31	0.79	0.52	0.63	242	0	1	1,040	660	7,524
2009.04.01	2009.06.30	1.69	0.60	1.35	83	0	3	531	567	16,123
2009.07.01	2009.09.30	2.86	1.25	2.32	558	0	0	1,024	1,954	27,708
2009.10.01	2009.12.31	2.75	2.27	2.40	66	0	5	197	486	28,663
2010.01.01	2010.03.31	3.70	2.32	3.52	233	0	51	560	1,775	41,084
2010.04.01	2010.06.30	3.67	2.95	3.21	74	0	2	305	1,030	37,620
2010.07.01	2010.09.30	3.78	3.12	3.68	106	0	11	256	909	44,906
2010.10.01	2010.12.31	5.94	3.87	5.87	536	0	44	561	2,667	70,929
2011.01.01	2011.03.31	6.22	5.20	5.64	150	0	14	262	1,503	66,761
2011.04.01	2011.06.30	5.64	4.98	5.46	299	0	180	374	2,027	65,149
2011.07.01	2011.09.30	5.67	4.04	4.20	828	1	7	486	2,349	49,480
2011.10.01	2011.12.31	4.59	4.04	4.14	181	2	9	331	1,430	49,480
2012.01.01	2012.03.31	5.27	4.14	4.64	131	0	13	337	1,605	55,463
2012.04.01	2012.06.30	4.74	4.14	4.35	118	1	5	253	1,141	51,964
2012.07.01	2012.09.30	4.35	4.04	4.11	816	0	0	894	4,003	49,074
2012.10.01	2012.12.31	4.32	4.07	4.25	116	0	23	145	620	50,722
2012.10.01	2012.12.31	4.87	4.32	4.87	72	0	3	182	826	58,139
2013.04.01	2013.06.30	4.97	4.70	4.90	3279	0	8	913	4,297	58,557
2013.07.01	2013.09.30	5.80	4.97	5.39	99	0	31	316	1,725	64,325
2013.10.01	2013.12.31	5.46	5.04	5.42	191	0	64	438	2,307	64,743
2014.01.01	2014.03.31	7.80	5.42	7.60	571	0	147	806	5,466	90,719
2014.04.01	2014.06.30	7.84	6.53	7.01	291	0	9	253	1,826	83,708





6. Shareholders

Vilkyskiu Pienine AB

The total number of shareholders as at 30 June 2014 was 957. The following were the major shareholders who had an ownership or held more than 5 percent of the Company's share capital:

Shareholder	Shares	Nominal value (in LTL)	Part of shares, %
Gintaras Bertasius	6,067,206	1	50.8
Linas Strelis	1,918,215	1	16.1
Non-controlling interest	3,957,579	1	33.1
Total capital	11,943,000	1	100%

Modest AB

Shareholder	Shares	Nominal value (in LTL)	Part of shares, %
Vilkyskiu Pienine AB	5,601,277	1	99.7
Non-controlling interest	15,841	1	0.3
Total capital	5,617,118	1	100%

Kelmes Pienine AB

Shareholder	Shares	Nominal value (in LTL)	Part of shares, %
Vilkyskiu Pienine AB	2,457,070	1	100
Total capital	2,457,070	1	100%

Pieno Logistika AB

Shareholder	Shares	Nominal value (in LTL)	Part of shares, %
Vilkyskiu Pienine AB	202,236	1	54.5
Non-controlling interest	169,097	1	45,5
Total capital	371,333	1	100%

7. The activity of the Issuer

The main activity of the Issuer is the production of dairy products.

Vilkyskiu pienine AB specialises in production of fermented cheese, and also produces scalded cream and processes whey. Modest AB produces mould cheese, melted cheese, smoked cheese, cheese Mozzarella, Brinza. Kelmes pienine AB produces fresh dairy products – different types of curd products, sour cream, butter, kefir, yogurt, covered curd cheese.

The Group of companies may process 650 tons of milk within 24 hours. The utilization of the maximum capacity was limited by raw milk shortage in winter season (in winter, less milk is purchased than in summer), but recently the raw material is purchased outside Lithuania, in the European Union.

Tables bellow summarizes key consolidated indicators of the Issuer.

Main financial indicators:

	6 months of 2014	6 months of 2013
Revenue (thousand LTL)	192,233	158,046
EBITDA, (thousand LTL)	8,515	6,419
EBITDA margin	4.4%	4.1%
Amortization and depreciation (thousand LTL)	4,125	3,915
Net profit (thousand LTL)	3,844	1,752
Profit margin	2%	1.1%
Basic earnings per share (LTL)	0.32	0.14
Net financial liabilities	62,486	59,818

The quantities of purchased milk:

Purchased raw milk (recalculated into base fatness)	6 months of 2014	6 months of 2013
Purchased milk, (tons)	112,796	90,353
Amount of purchased milk, (thousand LTL)	113,895	84,883
Price of purchased milk, (LTL/t)	1,010	939.5

Production according to product type was as follows:

Revenue from main products, thousand LTL	6 months of 2014	6 months of 2013
Types of fermented cheese	92,973	70,310
Cream	39,428	27,945
Whey products	10,395	7,982
Sour cream	7,702	4,388
Curd products	19,453	20,793
Yogurt	10,031	9,614
Butter	3,144	4,388
Other income	9,107	12,625
Total	192,233	158,046

Structure of consolidated sales income of Vilkyskiu Pienine AB, according to the geographical segments, expressed in thousand LTL:

Market	6 months of 2014	Income, %	6 months of 2013	Income, %
Lithuania	60,461	32%	53,144	34%
European Union	63,572	33%	45,476	29%
Russia	56,566	29%	52,144	33%
Other countries	11,634	6%	7,282	4%
Total:	192,233		158,046	

During the first half of this year, the revenue of the Group amounted to 192 million LTL and it is 22 percent more comparing to the same period of the last year. Net profit for the first half of 2014 was 3,844 thousand LTL, while for the same period last year it was 1,752 thousand LTL.

During the first half of this year, the Group of Vilkyškių pieninė AB continued to increase its sales in Central European and Baltic countries, the Persian Gulf countries and other markets. Established commercial relations with potential customers in Singapore and the United States.

Main investments of Vilkyskiu Pienine AB for the last 6 months

Established a new modern cheese cutting equipment, which allows to cut cheese in slices.

Started reconstruction of cheese salting pool in Vilkyškių pieninė AB.

Started the reconstruction of warehouse logistics in Kelmes Pienine AB. Started the reconstruction of compressor.

8. Dividends paid

Vilkyskiu Pienine AB has no preferred shares, thus dividends are paid only for ordinary registered shares.

Payment of dividends of Vilkyskiu Pienine AB within the last 5 years is as follows:

Dividends	2010 (for 2009)	2011 (for 2010)	2012 (for 2011)	2013 (for 2012)	2014 (for 2013)
Dividends (LTL)	1,194,300	2,866,320	2,985,750	2,508,030	3,582,900
Dividends per share (LTL)	0.10	0.24	0.25	0.21	0.30
Number of shares	11,943,000	11,943,000	11,943,000	11,943,000	11,943,000

Payment of dividends of Kelmes Pienine AB within the last 5 years is as follows:

Dividends	2010 (for 2009)	2011 (for 2010)	2012 (for 2011)	2013 (for 2012)	2014* (for 2013)
Dividends (LTL)	0	12,907,020	9,979,232	14,742,420	0
Dividends per share (LTL)	0	5.21	4.00	6.00	0
Number of shares	2,476,122	2,476,122	2,476,122	2,457,070	2,457,070

*Profit of the year 2013 was not allocated.

Modest AB has not paid dividends for the previous 5 years.

Management Bodies of the Issuer

Board:

Name, surname	Education, speciality	Position held in the Issuer	Start of tenure	Finish of tenure
Gintaras Bertasius	Higher education, Engineer - mechanic	Chairman of the Board, Director General	2014 04 25	2018 04 25
Sigitas Trijonis	Higher education, Engineer - mechanic	Member of the Board, Technical Director	2014 04 25	2018 04 25

Rimantas Jancevicius	Further education, Zoo- technician	Member of the Board, Raw materials purchasing Director	2014 04 25	2018 04 25
Vilija Milaseviciute	Higher education, Finance and credit	Member of the Board, Finance Director	2014 04 25	2018 04 25
Andrej Cyba	Higher education	Member of the Board	2014 04 25	2018 04 25
Linas Strelis	Higher education	Member of the Board	2014 04 25	2018 04 25

Key administration staff of Vilkyskiu Pienine AB:

Name, surname	Education, speciality	Position held in the Issuer	Beginning of service*
Gintaras Bertasius	Higher education, Engineer - mechanic	Chairman of the Management Board, Director General	01/01/2006**
Vaidotas Juskys	Higher education, IT engineer	Chief operation officer (COO)	17/05/2010
Vilija Milaseviciute	Higher education, Finance and credit	Member of the Management Board, Finance Director	01/05/2000
Rimantas Jancevicius	Further education, Zoo-technician	Member of the Management Board, Raw materials purchasing Director	02/01/1996
Sigitas Trijonis	Higher education, Engineer - mechanic	Member of the Management Board, Technical Director	01/09/1993
Arvydas Zaranka	Further education, Technologist of dairy products	Production Director	30/07/1995
Alvydas Eicas	Higher education, Pedagogy	Sales manager for Baltic countries	14/09/2004
Sonata Jurgiliene	Higher education, Business Management	Export of Marketing Department	01/07/2013
Elena Silovaite	Higher education, Business Management and Administration	Head of Marketing Department	19/07/2010
Matas Kazlauskas	Higher education, Veterinary Medicine	Head of Quality	19/06/2013
Karolina Sematulskiene	Higher education, Ekonomist	Chief Accountant	04/09/2012
Ligita Pudziuvelyte	Higher education, Economist	Senior Economist	20/05/2004
Rita Juodikiene	Higher education, Business Management and Administration	Head of Purchase Department	23/09/2002
Nedas Budginas	Higher education, Public Administration	Head of Personnel	16/10/2012
Marius Beisys	Higher education, IT engineer	Head of IT Department	03/05/2011

* None of the labour contracts with the members of the Management Bodies is terminable.

** He has been appointed newly after the reorganization of the Issuer into public company, despite he has been working as a Director of the Issuer since 10/05/1993.

Key administration staff and Management Board of Modest AB

Name	Surname	Education, speciality	Position held in the Issuer	Start of service in the company	Start of cadence	Finish of cadence
Gintaras	Bertasius	Higher education, Engineer - mechanic	Chairman of the Board		2013 12 10	2017 12 10
Arvydas	Zaranka	Further education, Technologist of dairy products	Member of the Board		2013 12 10	2017 12 10
Vilija	Milaseviciute	Higher education, Finance and credit	Member of the Board		2013 12 10	2017 12 10
Kestutis	Kersys	Higher education, Economist	Director	12/07/2010	-	
Daiva	Baboniene	Higher education, Technologist-engineer of food products	Head of production	06/02/2012	-	

Key administration staff and Management Board of Kelmes Pienine AB

Name	Surname	Education, speciality	Position held in the Issuer	Start of service in the company	Start of cadence	Finish of cadence
Gintaras	Bertasius	Higher education, Engineer - mechanic	Chairman of the Board		26/04/2012	26/04/2016
Arvydas	Zaranka	Further education, Technologist of dairy products	Member of the Board		26/04/2012	26/04/2016
Algirdas	Zukauskas	Higher education, Zoo-engineer	General Director, member of the Board	04/06/2008	26/04/2012	26/04/2016
Vale	Leonaviciene	Higher education, Technologist of dairy products	Head of production	08/09/2010		

10. Employees

Average salary per staff groups:

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

Staff group	Number of employees	Education				Average monthly salary (LTL)
		Higher	Further	Secondary	Incomplete secondary	
Executives	10	7	3	0	0	10,157
Specialists	209	97	81	31	0	2,888
Workers	771	41	286	395	49	1,732
	990	145	370	426	49	2,018

On 30th of June 2013 the number of employees working for the Group of Vilkyskiu pienine AB amounted to 953.

Staff group	Number of employees	Education				Average monthly salary (LTL)
		Higher	Further	Secondary	Incomplete secondary	
Executives	10	7	3	0	0	9,774
Specialists	206	92	83	31	0	2,744
Workers	737	39	277	378	43	1,631
	953	138	363	409	43	1,877

11. Summary of significant events

The following decisions was taken at the Ordinary General Meeting of Shareholders of Vilkyskiu pienine AB which was held on the 25 April 2014:

Item 1 of the Agenda: Company's annual report for the year 2013.

Resolution: To approve the Company's annual report for the year 2013.

Item 2 of the Agenda: Auditor's Report regarding the Company's Financial Statements for the year 2013.

Heard.

Item 3 of the Agenda: Approval of Company's annual and consolidated financial statements of the year 2013.

Resolution: To approve of Company's annual and consolidated financial statements of the year 2013.

Item 4 of the Agenda: Profit (loss) appropriation for the year 2013.

Resolution: To approve the Audited Profit appropriation for the year 2013 as follows under IAS (in thousand Litass; in thousand EUR):

	thousand LTL	thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2012	16.681	4.831
2) Approved by shareholders dividends of the year 2012	2.508	726
3) Transfers to reserves provided by law	0	0

4) Portion of the profit allocated to the reserve for the purchase of own shares	203	59
5) Non-appropriated profit (loss) at the beginning of the year 2013 after dividends payout and transfer to reserves	13.970	4.046
6) Net profit (loss) of the reporting period	21.077	6.104
7) Transfers from reserves	354	103
8) Total profit (loss) to be appropriated:	35.401	10.253
- portion of the profit allocated to the legal reserve	0	0
- portion of the profit allocated to the reserve for the purchase of own shares	2.387	692
- portion of the profit allocated for payment of the dividends (or 0.30 LTL (0.087 EUR) per ordinary registered share with nominal value of 1 LTL)	3.583	1.038
- portion of the profit allocated to the other reserves	0	0
- portion of the profit allocated to be paid as annual payouts (tantiemes) to board members, bonuses to employees and for other purposes	150	43
9) Non-appropriated profit (loss) at the end of the year 2013 carried forward to next financial year	29.281	8.480

Item 5 of the Agenda: Election of the Company's Board members

Resolution: Gintaras Bertašius, Sigitas Trijonis, Rimantas Jancevičius, Vilija Milaševičiūtė, Andrej Cyba, Linas Strėlis elected as members of the Company's Board for the four year term.

Item 6 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 24 April 2015.
- d) To set the maximum price per share of own shares to be acquired – at 2.03 EUR (7.00 LTL), at the same time setting the minimum acquisition price per share equal to the nominal value of a share, i.e. 0.29 EUR (1.00 LTL).
- 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.

12. Information about following Corporate Governance 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.