



# Vilkyškių pieninė AB

Interim consolidated unaudited financial  
statements for the 6 months of 2018

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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 Vilkyškių pieninė AB and Vilija Milaseviciute, Economic and Finance Director of Vilkyškių pieninė AB hereby confirm that, unaudited interim consolidated financial statements for the six months of 2018, prepared in accordance with International Financial Reporting Standards of the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of Vilkyškių pieninė AB Group. We confirm that review of business development and results is correctly indicated in the consolidated financial statements.

General Director

Gintaras Bertašius

Economics and Finance Director

Vilija Milaševičiutė



The financial statements were approved and signed by the Management on 31 August 2018.

## **Group details**

### **Vilkyškių pieninė AB**

Telephone: +370 441 55330

Fax: +370 441 55242

Group code: 277160980

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

### **Board**

Gintaras Bertasius (Chairman)

Sigitas Trijonis

Rimantas Jancevicius

Vilija Milaseviciūtė

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 Milaseviciūtė, Economics and Finance Director

Rita Juodikienė, Management and Quality Director

### **Banks**

SEB bank, AB

Swedbank, AB

Luminor Bank AB

## Consolidated statement of financial position

Thousand EUR	Note	30 06 2018	31 12 2017
<b>Assets</b>			
Property, plant and equipment		53,154	54,447
Intangible assets		6,939	6,961
Long-term receivables	5	235	254
<b>Non-current assets</b>		60,328	61,662
Inventories	6	15,237	9,656
Trade and other receivables	7	9,857	8,491
Prepayments	8	687	1,005
Cash and cash equivalents	9	104	317
<b>Current assets</b>		25,885	19,459
<b>Total assets</b>		86,213	81,131
<b>Equity</b>			
Share capital	10	3,463	3,463
Share premium		3,301	3,301
Reserves		2,583	5,105
Retained earnings		23,512	22,367
<b>Total equity attributable to the shareholders of the Group</b>		32,859	34,236
<b>Non-controlling interest</b>		53	51
<b>Total equity</b>		32,912	34,287
<b>Liabilities</b>			
Interest-bearing loans and lease liabilities		20,126	20,123
Derivative financial instruments	14	-	-
Government grants	12	5,403	5,686
Deferred tax liabilities		1,232	1,528
<b>Non-current liabilities</b>		26,761	27,337
Interest-bearing loans and lease liabilities		12,861	7,974
Current tax liabilities		-	121
Derivative financial instruments	14	61	118
Trade and other payables	13	13,618	11,294
<b>Current liabilities</b>		26,540	19,507
<b>Total liabilities</b>		53,301	46,844
<b>Total equity and liabilities</b>		86,213	81,131

## Consolidated income statement

Thousand EUR	Note	01 01 2018- 30 06 2018	01 01 2017- 30 06 2017	01 04 2018- 30 06 2018	01 04 2017- 30 06 2017
Revenue	1	47,467	56,870	26,492	29,052
Cost of sales	1	-43,538	-48,864	-24,343	-23,935
<b>Gross profit</b>	1	<b>3,929</b>	<b>8,006</b>	<b>2,149</b>	<b>5,117</b>
Other operating income		145	133	69	69
Distribution expenses		-2,317	-1,938	-1,267	-1,021
Administrative expenses		-1,240	-1,544	-761	-860
Other operating costs		-80	-76	-43	-15
<b>Result from operating activities</b>		<b>437</b>	<b>4,581</b>	<b>147</b>	<b>3,290</b>
Finance income		2	22	1	13
Finance costs		-495	-295	-286	-184
<b>Net finance expense</b>		<b>-493</b>	<b>-273</b>	<b>-285</b>	<b>-171</b>
<b>Profit before income tax</b>		<b>-56</b>	<b>4,308</b>	<b>-138</b>	<b>3,119</b>
Income tax expense		296	-490	254	-343
<b>Net Profit for period</b>		<b>240</b>	<b>3,818</b>	<b>116</b>	<b>2,776</b>
Attributable to:					
Shareholders of the Group		238	3,817	114	2,775
Non-controlling interest		2	1	2	1
<b>Net Profit for period</b>		<b>240</b>	<b>3,818</b>	<b>116</b>	<b>2,776</b>
Basic earnings per share (EUR)	2	0.02	0.32	0.01	0.23

## Consolidated statement of comprehensive income

Thousand EUR	Note	<b>01 01 2018- 30 06 2018</b>	<b>01 01 2017- 30 06 2017</b>	<b>01 04 2018- 30 06 2018</b>	<b>01 04 2017- 30 06 2017</b>
<b>Net Profit for period</b>		<b>240</b>	<b>3,818</b>	<b>116</b>	<b>2,776</b>
<b>Other comprehensive income</b>					
Change in fair value of hedging instruments		57	63	59	57
Effect of income tax		-	-	-	-
<b>Other comprehensive income for period, net of income tax</b>		<b>57</b>	<b>63</b>	<b>59</b>	<b>57</b>
<b>Total comprehensive income</b>		<b>297</b>	<b>3,881</b>	<b>175</b>	<b>2,833</b>
Attributable to:					
Shareholders of the Group		295	3,880	173	2,832
Non-controlling interest		2	1	2	1
<b>Total comprehensive income</b>		<b>297</b>	<b>3,881</b>	<b>175</b>	<b>2,833</b>

## Consolidated statement of changes in equity

Thousand EUR	Note	Equity attributable to shareholders of the Group								Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Hedging reserve	For acquisition of own shares	Legal reserve	Retained earnings	Total		
Balance at 1 January 2017		3,463	3,301	2,512	-237	2,508	346	16,977	28,870	45	28,915
<b>Comprehensive income for the period</b>											
Profit for the period		-	-	-	-	-	-	3,817	3,817	1	3,818
<b>Other comprehensive income</b>											
Allocated from reserves		-	-	-73	-	-	-	73	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	63	-	-	-	63	-	63
<b>Total other comprehensive income</b>		-	-	-73	63	-	-	73	63	-	63
<b>Total comprehensive income for the period</b>		-	-	-73	63	-	-	3,890	3,880	1	3,881
<b>Contributions by and distributions to owners:</b>											
Transfers to the reserve for own shares		-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-1,433	-1,433	-	-1,433
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-1,433	-1,433	-	-1,433
<b>Changes in the Group without losing control</b>											
Other changes in the Group		-	-	-	-	-	-	-	-	-3	-3
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-	-	-3	-3
Balance at 30 June 2017	10	3,463	3,301	2,439	-174	2,508	346	19,434	31,317	46	31,363

(continued)



## Consolidated statement of changes in equity (continued)

Thousand EUR	Note	Equity attributable to shareholders of the Group							Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Hedging reserve	For acquisition of own shares	Legal reserve	Retained earnings		
Balance at 1 July 2017		3,463	3,301	2,439	-174	2,508	346	19,434	46	31,363
<b>Comprehensive income for the period</b>										
Profit for the period		-	-	-	-	-	-	2,863	5	2,868
<b>Other comprehensive income</b>										
Allocated from reserves		-	-	-70	-	-	-	70	-	-
Increase of revaluation		-	-	-	56	-	-	-	-	56
<b>Total other comprehensive income</b>		-	-	-70	56	-	-	70	-	56
<b>Total comprehensive income for the period</b>		-	-	-70	56	-	-	2,933	5	2,924
<b>Contributions by and distributions to owners:</b>										
Dividends		-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-
<b>Changes in the Group without losing control</b>										
Changes in non-controlling interest due to the sale of shares		-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	10	3,463	3,301	2,369	-118	2,508	346	22,367	51	34,287

(continued)

## Consolidated statement of changes in equity (continued)

Thousand EUR	Note	Equity attributable to shareholders of the Group							Non-controlling interest	Total equity
		Share capital	Share premium	Revalu-ation reserve	Hedging reserve	For acquisition of own shares	Legal reserve	Retained earnings		
Balance at 1 January 2018		3,463	3,301	2,369	-118	2,508	346	22,367	51	34,287
<b>Comprehensive income for the period</b>										
Profit for the period		-	-	-			-	238	2	240
Allocated from reserves		-	-	-71	-	-	-	71	-	-
Formation of reserve for derivative financial instruments		-	-	-	57	-	-	-	-	57
<b>Total other comprehensive income</b>		-	-	-71	57	-	-	71	-	57
<b>Total comprehensive income for the period</b>		-	-	-71	57	-	-	309	2	297
<b>Contributions by and distributions to owners:</b>										
Allocation to legal reserve		-	-	-	-	-	-	-	-	-
Allocation to reserve for acquisition of own shares		-	-	-	-	-2,508	-	2,508	-	-
Dividends		-	-	-	-	-	-	-1,672	-	-1,672
Total contributions by and distributions to owners		-	-	-	-	-2,508	-	836	-	-1,672
<b>Changes in the Group without losing control</b>										
Changes in non-controlling interest due to the sale of shares		-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-
Balance at 30 June 2018	10	3,463	3,301	2,298	-61	-	346	23,512	53	32,912

## Consolidated statement of cash flows

Thousand EUR	Note	01 01 2018- 30 06 2018	01 01 2017- 30 06 2017
<b>Cash flows from operating activities</b>			
Profit for the year		240	3,818
Adjustments:			
Depreciation of property, plant and equipment	3	2,274	1,510
Amortization of intangible assets	4	25	41
Amortization and write down of grants	12	-289	-219
Profit (loss) from disposal of property, plant and equipment		-1	-4
Income tax expense		-296	490
Interest expenses, net		493	273
		<b>2,446</b>	<b>5,909</b>
Change in inventories		-5,585	3,358
Change in long-term receivables		19	-33
Change in trade and other receivables and prepayments		-1,078	-4,849
Change in trade and other payables		1,355	1,190
		<b>-2,843</b>	<b>5,575</b>
Paid interest		-384	-400
Paid profit tax		-24	-69
Other financial charges		-	-31
<b>Net cash from operating activities</b>		<b>-3,251</b>	<b>5,075</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		-359	-3,675
Acquisition of intangible assets		-3	-10
Proceeds from sale of plant and equipment		25	49
Acquisition of the subsidiary's shares		-	-
Loans granted		-	-
Loans repaid		-	-
Interest received		-	-
<b>Net cash flows used in investing activities</b>		<b>-337</b>	<b>-3,636</b>

## Consolidated statement of cash flows (continued)

Thousand EUR	Note	<b>01 01 2018- 30 06 2018</b>	<b>01 01 2017- 30 06 2017</b>
<b>Cash flows from financing activities</b>			
Loans received		6,936	2,079
Repayment of borrowings		-2,645	-2,708
Dividends paid		-922	-989
Government grants received		6	45
<b>Net cash flows from financing activities</b>		<b>3,375</b>	<b>-1,573</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>-213</b>	<b>-134</b>
Cash and cash equivalents at 1 January	9	317	229
<b>Cash and cash equivalents at 30 June</b>	9	<b>104</b>	<b>95</b>

## Notes to the consolidated financial statements

### Background information

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

- Vilkyškių pieninė AB, the parent Company (hereinafter – the Parent Company or the Company)
- Modest AB, the subsidiary (hereinafter – the subsidiary Modest AB)
- Kelmės pieninė AB, the subsidiary (hereinafter – the subsidiary Kelmės pieninė AB)
- Pieno Logistika AB, the subsidiary (hereinafter – the subsidiary Pieno Logistika AB)

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

Vilkyškių pieninė AB is a Lithuanian Company listed on AB Nasdaq OMX Vilnius Stock Exchange. As at 30 June 2018 the Company's shares were owned by the following shareholders:

Shareholder	Shares	Nominal value in EUR	Total value in EUR
Swisspartners Versicherung AG Zweigniederlassung Österreich	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
<b>Total</b>	<b>11,943,000</b>	<b>0.29</b>	<b>3,463,470</b>

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 milk distribution center in Erzvilkas, Jurbarkas district.

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, processes of whey.

The Parent Company has also a subsidiary Kelmės pieninė AB, which is engaged in milk processing and production of dairy products. The Company holds 100% voting rights of Kelmės pieninė AB. Kelmės Pieninė AB specializes in production of fresh dairy products, from the end of 2017 the production of dry whey products was started.

The Parent Company also has a subsidiary Pieno Logistika AB. Its registered capital is 107,7 thousand EUR and main activity is lease for buildings. Vilkyškių pieninė AB holds 58.74% voting rights of the subsidiary.

At 30 June 2018 the Group had 971 employees (31 December 2017 - 930).

## **Basis for preparation of financial statements**

### **Statement of compliance**

These are interim consolidated financial statements (hereinafter - financial statements or consolidated financial statements) of Vilkyškių pieninė 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 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 2017. 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 2017 December 31.

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 part of property, plant and equipment are measured at fair value less any subsequent accumulated depreciation and impairment losses.

### **Functional and presentation currency**

The financial statements are presented in thousands EUR (tEUR). Euro (EUR) is the functional currency of the Group.

### **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. All transactions made in foreign currencies have been translated to EUR in accordance with the provisions of the Law on Bookkeeping, applying the exchange rate ruling at the date of the transaction.

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

### 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 2018 were as follows:

Thousand EUR	Cheese and cheese products	Fresh dairy products	Other products	Total
Sales	18,429	10,138	18,900	47,467
Cost of sales	-20,791	-9,677	-13,070	-43,538
Gross profit	-2,362	461	5,830	3,929

Segments results on 30 June 2017 were as follows:

Thousand EUR	Cheese and cheese products	Fresh dairy products	Other products	Total
Sales	27,451	9,257	20,162	56,870
Cost of sales	-26,744	-8,943	-13,177	-48,864
Gross profit	707	314	6,985	8,006



Revenue per geographical segments:

Thousand EUR	30 06 2018	30 06 2017
Lithuania	13,124	12,491
European Union, except Lithuania	25,171	34,878
Other countries	9,172	9,501
	<u>47,467</u>	<u>56,870</u>

## 2 Profit (loss) per share

	01 01 2018 -30 06 2018	01 01 2017 -30 06 2017
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>238</u>	<u>3,818</u>
Profit (loss) per share, in EUR	<u>0.02</u>	<u>0.32</u>

## 3 Property, plant and equipment

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

On 30 June 2018 depreciation amounted to 1,510 thousand EUR (on 30 June 2017 – 1,510 thousand EUR).

## 4 Intangible assets

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

On 30 June 2018 amortization amounted to 41 thousand EUR (on 30 June 2017 - 41 thousand EUR)

## 5 Non-current receivables

Thousand EUR	30 06 2017	30 06 2016
<b>Financial instruments</b>		
Loans granted to related parties (b)	102	102
Non-current receivables from farmers (c)	88	52
Other non-current receivables	-	3
	<u>190</u>	<u>157</u>
<b>Non-financial assets</b>		
Prepayments to related parties (a)	185	185
	<u>375</u>	<u>342</u>

(a) A prepayment (185 thousand EUR) is made to a related company ŪKB Šilgaliai. Prepayment shall be fully covered until 31 December 2019. The outstanding balance of the prepayment bears an administrative fee.

(b) The loan (102 thousand EUR) issued to a related party ŪKB Šilgaliai, matures on 31 December 2019. The outstanding balance of the loan bears a fixed interest rate.

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

## 6 Inventories

	30 06 2017	31 12 2016
Thousand EUR		
Finished production	4,960	8,193
	<hr/> 4,960	<hr/> 8,193
Raw materials	53	62
Other auxiliary materials	1,816	1,891
Production in progress	186	227
Goods for re-sale	-	-
	<hr/> 7,015	<hr/> 10,373

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

As at 30 June 2017, the inventories with the carrying amount was 4,048 million EUR (31 December 2016 - up to 4,048 million EUR) have been pledged to financial institutions.

## 7 Trade and other receivables

	30 06 2017	31 12 2016
Thousand EUR		
Trade receivables	7,607	5,039
Impairment losses	-97	-97
Loans issued to related parties, including calculated interest	101	101
Other receivable	53	73
	<hr/> 7,664	<hr/> 5,116
Financial assets	3,998	1,852
Taxes receivable (excluding income tax)		
Total trade and other receivables	<hr/> 11,662	<hr/> 6,968

Receivable taxes mainly comprise receivable VAT

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

Receivable amount (101 thousand EUR) is made to a related company ŪKB Šilgaliai. This amount consists of the amount of interest receivable on the loan and the administration fee for advance payments.

## 7 Trade and other receivables (continued)

Receivables from customers (at least 81 thousand. Eur) is pledged to AB Nordea. On the 30th of June 2017 pledged receivable amount was 172 thousand. Eur (31 December 2016 it was 156 thousand EUR).

## 8 Prepayments

Thousand EUR	30 06 2017	31 12 2016
Prepayments (a)	338	181
Prepayments to related parties	187	184
	<u>525</u>	<u>365</u>

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

## 9 Cash and cash equivalents

Thousand EUR	30 06 2017	31 12 2016
Cash at bank	73	209
Cash in bank	22	20
	<u>95</u>	<u>229</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 2017 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

During the first half of this year, credit line and overdraft periods were extended at SEB Bank.

## 12 Government grants

Thousand EUR	30 06 2017	31 12 2016
Carrying amount at the beginning of the period	2,942	3,134
Grants received	45	206
Amortization charge recognized in the income statement under cost of sales and other activity expenses *	-219	-398
Carrying amount at the end of the period	<u>2,768</u>	<u>2,942</u>

\*Depreciation and write-off of grants was 200 thousand Eur in 30 June 2016.

During the first half of 2017 the Group received 45 thousand EUR from Lithuanian Environmental Investment Fund (LAAIF).

### 13 Trade and other payable amounts

Thousand EUR

	30 06 2017	31 12 2016
<b>Financial instruments</b>		
Trade payables	8,563	7,846
Trade payables to related parties	10	4
Other payable amounts	585	116
	<u>9,158</u>	<u>7,966</u>
<b>Non-financial instruments</b>		
Employment related liabilities (a)	1,584	1,453
Prepayments received	1,548	1,556
Payable dividends	451	74
Accrued costs	4	20
	<u>3,587</u>	<u>3,103</u>
	<u><u>12,745</u></u>	<u><u>11,069</u></u>

(a) Obligations relating to an employment relationship consist of salaries, fees payable and holiday reserves

### 14 Derivative financial instruments

Thousand EUR

	30 06 2017	31 12 2016
Interest rate swap transaction to hedge against cash flow fluctuations (non-current part)	87	154
Interest rate swap transaction to hedge against cash flow fluctuations (current part)	87	83
	<u>174</u>	<u>237</u>

### 14 Derivative financial instruments (continued)

Derivatives in 2017 June 30 Are carried at fair value. The Company has entered into an interest rate swap with SEB Bank AB and has set a constant interest rate.

### 15 Subsequent events

No significant events have occurred.



# **Vilkyškių Pieninė AB Consolidated interim report for the 6 months of the year 2018**

## **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 2018.

### **2. Issuer Information and Contact Details**

Name of Issuer	AB Vilkyškių 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, Vilkyškiai, LT-99254, Pagegiai municipality
Registration No.	060018
Company Register Code	277160980
Telephone	+370 441 55330
Fax	+370 441 55242
E-mail	info@vilkyskiu.lt
Website	<a href="http://www.vilkyskiu.lt">http://www.vilkyskiu.lt</a>

### **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	<a href="http://www.vilkyskiu.lt">http://www.vilkyskiu.lt</a>

#### **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	<a href="http://www.vilkyskiu.lt">http://www.vilkyskiu.lt</a>

## **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 village., Kelmės district.
Company register code	303203457
Telephone	+370 427 61246
Fax	+370 427 61235
E-mail	<a href="mailto:stasys@cheese.lt">stasys@cheese.lt</a>
Website	<a href="http://www.vilkyskiu.lt">http://www.vilkyskiu.lt</a>

## **4. Main Types of Activity**

The main business activity of the Vilkyškių pieninė AB Group of companies is production and sale of dairy products.

Dairy operation and cheese production (EVRK 10.51)

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

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

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

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

## **5. Agreements with Brokerages for Public Issue**

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

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

The name of securities: Vilkyškių pieninė AB 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

Vilkyškių pieninė AB 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.

### **Our 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

On 8 May 2000, the Company received a license to export its products to the European Union member states. The Company operates a HACCP quality management system.

The Group is wholly committed to the quality of its products, customer satisfaction and compliance with food safety regulations. Vilkyškių pieninė AB has obtained certification of its Quality Management and Food Safety systems under the international standard ISO 22000:2005. This standard 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 organization'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 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.

Having operated in accordance with ISO 22000:2005/FSSC 22000 standards since 2013, Kelmės pieninė AB has also enlarged the scope of certification to include the handling and processing of all products. At the last ISO 22000:2005 standard follow-up audit, Vilkyškių pieninė AB received a very favourable evaluation, stressing its good preparedness for the installation of the higher-level certification scheme.

In 2015, Modest AB was awarded the certificates of International food safety standards ISO 22000:2005 and FSSC 22000 for all its products. The standards shall be valid for 3 years, and are subject to annual reviews.

In 2015 the laboratory operating at the company Modest AB owned by Vilkyškių pieninė AB has been supplied with modern equipment FOOS FoodScan LAB Dairy. The equipment includes a near infrared analyser that helps to perform analysis of the required parameters more accurately and quickly, which allows improving product quality and yield and optimising costs.



The modern laboratory equipment also offers new information management and analysis opportunities. On 2015 this has enabled the laboratory of Vilkyškių pieninė AB to launch a project on document digitisation and transfer to the electronic environment. This project is very important for the activities of both the laboratory as a corporate structural unit and the whole group of Vilkyškių pieninė AB. The project has improved the procedure of product traceability and ensured quality control of laboratory test results.

For the purpose of entering Islamic markets and having our products appreciated by buyers, the production process of Vilkyškių pieninė AB and Modest AB 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.

In March of 2017, Modest AB has successfully extended the Halal Certificate. Validations until February 28 of 2018.

In 26-28 April 2017, the successful second-level supervisory audit for maintaining standards of FSSC 22000 + ISO 22000:2005 + ISO/TS 22002-1 has been successfully completed.

## **8. Human Resources**

Vilkyškių pieninė AB Group's human resources policy is focused on an effective cooperation of all employees to reach the organisational goals. Aiming to retain the professional advancement and loyalty of employees, great attention is being paid to improvement of qualifications, training, safety and healthcare of the employees. In order to attract new qualified workforce, the Group intensively cooperates with institutions of higher education and constantly improves the selection process. Presentations of professional information and career planning, excursions to factories are organized for this purpose.

In order to promote the team spirit, the Group has adopted a number of traditions. Each working day starts with a general discussion of staff at the cup of coffee. Employees are congratulated on their birthdays. Each year the staff celebrates the company's birthday, Christmas, organizes education trips. Various achievements and smaller events are announced in the intranet.

In early 2010, using EU financial support, Vilkyškių pieninė AB set up a day care service, which was completely free of charge for the parents. After public funding ended in 2013, AB Vilkyškių pieninė took over the financial burden and retains the free day care service for its employees. While the employees are occupied at work, their children are engaged in pre-school training. It is planned to organize contests of Vilkyškių pieninė AB logo pictures and/or poems about the dairy and its products.

Many employees travel to work from neighbouring towns and districts (Pagėgiai, Jurbarkas, Tauragė), the Company offers them free transport to work and back home.

Occupational safety and health is another key priority for the Group. Every year, employees are offered free health checkups and flu vaccination. It is planned to introduce common health and invigorating exercises to be performed at the working place.

One of AB Vilkyškių pieninė Group companies - Kelmės pieninė AB has the status of a social enterprise. The aim of the company is social influence by involving employees of specific groups for supply of goods to a market in an ordinary an innovative manner. Approximately 40 percent of its staff are people with disabilities. The company creates all conditions to maximise their vocational potential. Lectures, excursions, festivals, etc. are organized for the employees.

On May 18 of 2017, Vilkyškių pieninė AB mentioned the 24th birthday. On this occasion, students of Vilkyškių J. Bobrovskis Gymnasium organized event, in which they presented recited poems about dairy, paintings and other handmade works. Now, the walls of Vilkyškių pieninė AB are decorated with them.

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, Vilkyškių pieninė AB 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 Kelmės pieninė AB 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. Modest AB 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.

Vilkyškių pieninė AB 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. Vilkyškių pieninė AB 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.

In 2015 the Company finished modernization 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.

Production wastewater is treated at the Company's own combined biomechanical treatment facility. 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 till 99 percent range. Kelmės pieninė AB and Modest AB do not have their own wastewater treatment facilities and deliver their waste to Kelmė and Tauragė municipal treatment plants.

## 10. Group Results of Operations

### Key financial consolidated indicators of Vilkyškių pieninė AB Group:

	6 months of 2018	6 months of 2017
Revenue (EUR tho)		56,870
EBITDA (EUR tho)		5,913
EBITDA margin, pct		10.4
Operating profit (EUR tho)		4,581
Operating profit margin, pct		8.1
Profit before tax (EUR tho)		4,308
Profit before tax margin, pct		7.6
Net profit		3,818
Profit margin, pct		6.7
Earnings per share (EUR)		0.32
Number of shares (units, tho)		11,943

At first half of 2017, **sales** came to EUR 56.9m, (51.4 percent more than in 6 months of 2016). At reporting period **EBITDA** was EUR 5.9m (7.5 times more than in previous year same period). EBITDA margin was 10.4 percent in 6 months of 2017, compared with 2.1 percent in 6 months of 2016). **Operating profit (EBIT)** was EUR 4.6m at reporting period (8 times more than in previous year same period). **Operating profit (EBIT) margin** was 8.1 percent (in 6 months of 2016 EBIT margin reached only -1.5 percent). At first half of 2017 **net profit** was 3.8m EUR (8 times more comparing with the same period of 2016).

### Key financial ratios of Vilkyškių pieninė AB:

	6 months of 2018	6 months of 2017
Return on equity (ROE), pct		12.2
Return on assets (ROA), pct		4.8
Debt ratio		0.60
Deb/equity ratio		1.51
Quick liquidity ratio		0.89
Asset turnover ratio		0.72
Capital-to-assets ratio		0.40

In 6 months of 2017, **assets totaled** EUR 78.8m, 6 percent more than in 2016.

In 6 months of 2017, **fixed assets** grew by 5 pct due to acquisition of real estate, equipment and installations and totaled EUR 59.5m.

In 6 months of 2017, **equity** was EUR 31.3m, 8.5 percent more than December 31 of 2016 (EUR 28.9m).

**Vilkyškių pieninė AB Group production output, tonnes:**

	6 months of 2018	6 months of 2017
Fermented cheese		8,914
Cream		7,893
Whey products		38,948
Cream		693
Yogurt products		2,082
Cottage cheese products		1,499

In 6 months of 2017, a total of 8,914 tonnes of cheese was produced, 11 percent more than in 6 months of 2016. Cream production grew up by 24 percent against the previous year. Whey production grew up by 66 percent.

**Raw milk purchases by Vilkyškių pieninė AB Group:**

	6 months of 2018	6 months of 2017
Raw milk, tonnes		119,982
Cost of raw milk, EUR tho		30,672
Raw milk price, EUR/t		0.256

In 6 months of 2017, a total of 120 tho tonnes of milk was purchased, and increase by 4,6 percent as compared with 6 months of 2016. Meanwhile, the price of raw milk risen 49 percent from the same period previous year.

## 11. Sales and marketing

**Sales revenue by market, EUR tho:**

	6 months of 2018	Income, %	6 months of 2017	Income, %
European Union			34,878	61%
Lithuania			12,491	22%
Other countries			9,501	17%
<b>Total revenue</b>		<b>100%</b>	<b>37,557</b>	<b>100%</b>

During the first half of 2017, sale income risen by 51,4% compared to the first half of 2016. Sale income in the Lithuanian market fell by 15% and exports grew up 2 times. In 6 months of 2017, export generated 78% of the entire turnover of Vilkyškių Pieninė AB Group.

Most products were sold in European Union states. The majority of exports consisted of cream, whey product and cheese sales. In the structure for exports to EU countries, grew volume in Poland and Germany. New market of Denmark was discovered. In the structure for exports to other countries the greatest sales growth was seen in the Israel, Kazakhstan, Albania. New market of China was discovered and the market of United Arab Emirates rediscovered.

**Core product sales:**

	<b>6 months of 2018</b>	<b>6 months of 2017</b>
Fermented cheese, EUR tho		27,452
Cream, EUR tho		16,423
Whey products, EUR tho		3,325
Cream, EUR tho		1,021
Yogurt products, EUR tho		2,087
Cottage cheese products, EUR tho		4,019
Other sales, EUR tho		2,543
<b>Total revenue</b>		<b>56,870</b>

Marketing department is responsible 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.

Vilkyškių pieninė AB 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**

In February, the company traditionally participated in the international exhibition in Dubai, Gulfood 2017, in the United Arab Emirates. At the exhibition hosted meetings with current and future customers, several new contracts were signed.

On April 21, Vilkyškių pieninė AB has been declared as the Lithuanian investor of the year 2016. The title has been gained for investing to the whey drying factory in Taurage, allocating 26 million eur to investments and creating new work places in region.

On April 6-9 "GymON" products were presented at the international sports exhibition in Germany, Frankfurt - FIBO.

On May 17 - 19 Vilkyškių pieninė AB participated in the largest Asian food exhibition in Shanghai "SIAL China 2017"

On June 25-27, New York Summer Fancy Food Show, the largest food industry exhibition in North America, was held in New York. During the exhibition, Vilkyškių pieninė AB introduced cheeses for the American market, had meetings with new possible customers.

### **13. Risk Factors Associated with Issuer's Business**

#### **Key risks in the business of Vilkyškių pieninė AB 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 2016, the Company obtained credit insurance for its overseas customers with the insurer *Euler Hermes* in one year period. The risk of each client is assessed individually.

Credit risk associated with cash in banks is limited, as the Company works only with Lithuania's largest banks (mainly AB SEB Bankas). On 30 June 2017, the Company's debt-to-assets ratio was 0.60. The balance of outstanding loans on 30 June 2017 was EUR 30.4m. All loans are denominated in euro and are being repaid under the established schedule, without any delays. The interest on all largest loans is linked to the EUR LIBOR rate. In 2013, interest rate swaps for the amount of EUR 3.9m were concluded for a period of five years.

### **14. Competition**

Vilkyškių pieninė AB estimates that it has a 15-percent share of the Lithuanian market for cheese, i.e. it is in fourth place behind competitors Rokiškio sūris AB, Pieno žvaigždės AB and Žemaitijos pienas AB.

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

### **15. Key Events After Fiscal Year-End**

In January, Vilkyškių pieninė AB started export to the Chinese market. Mozzarella cheese, which is produced in the company, is the first cheese made in Lithuania and exported to China.

### III. OTHER INFORMATION ABOUT ISSUER

#### 16. Structure of Issuer's Share Capital

Vilkyškių pieninė AB Group's Share Capital:

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

#### 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 **Vilkyškių pieninė AB** on 30 June 2017 was 839. 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
Swisspartners Versicherung AG Zweigniederlassung Österreich	6,067,206	51%	0%
Multi Asset Selection Fund	2,035,729	17%	17%
Minority shareholders	3,840,065	32%	32%
<b>Total stock</b>	<b>11,943,000</b>	<b>100%</b>	<b>100%</b>

### Kelmė pieninė AB shareholders

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

### Modest AB shareholders

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

### Pieno logistika AB shareholders

Shareholder	Number of shares held, units	Percent of share capital, pct	Share of votes at shareholder meetings, pct
Vilkyškių pieninė AB	209,112	56,3%	56,3%
Minority shareholders	162,221	43,7%	43,7%
<b>Total stock</b>	<b>371,333</b>	<b>100%</b>	<b>100%</b>

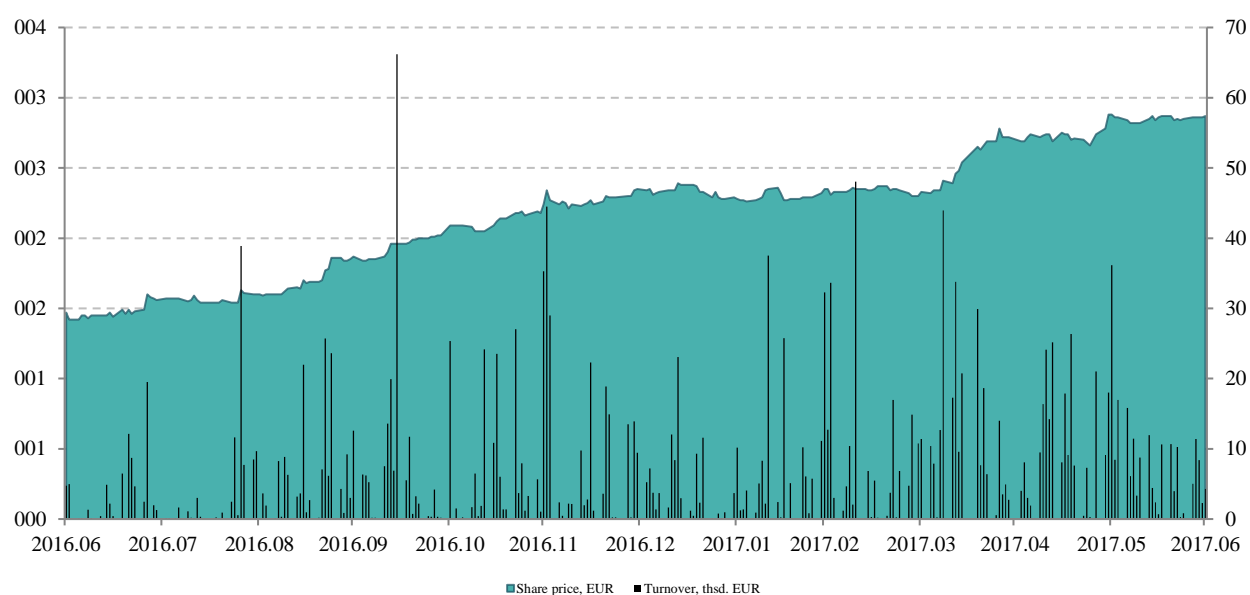


## 21. Agreements Between Shareholders, Known to Issuer, Which May Lead to Restrictions on Securities Transfers or Voting Rights

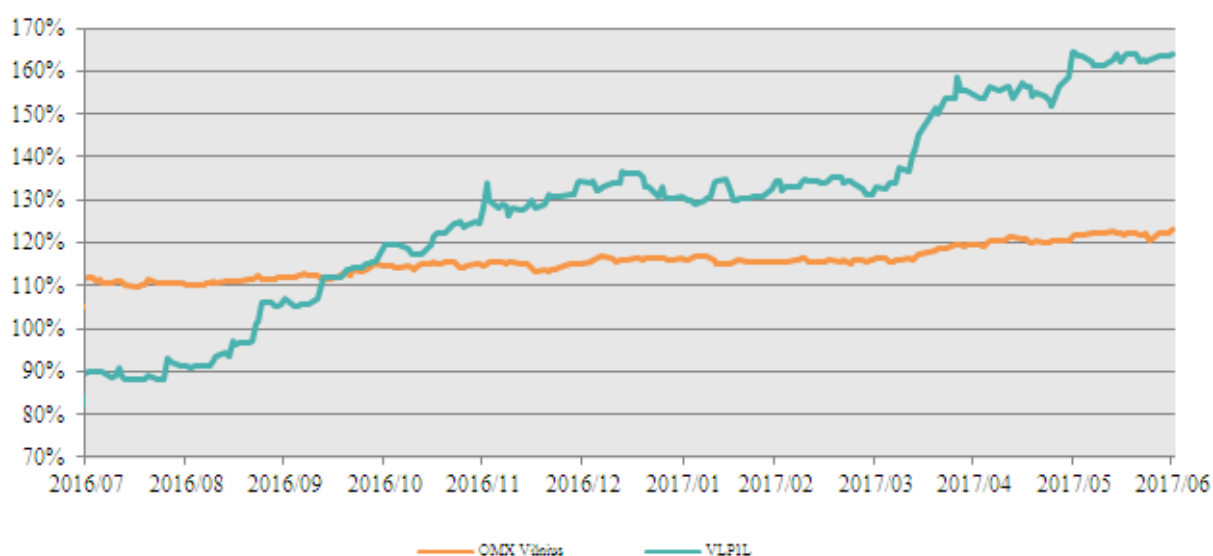
The Company is not aware of any direct agreements between shareholders that might result in restrictions on the transfer of securities and/or on voting rights.

## 22. Trading in Issuer's Securities on Regulated Markets

The change of price of Vilkyškių pieninė AB shares and trade volume in June 2017 – June 2018.



Comparison of Vilkyškių pieninė AB share price and OMX Vilnius Index June 2017 – June 2018.



## 23. Dividend

Vilkyškių pieninė AB 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.

Vilkyškių pieninė AB dividend payments in the past 5 years:

<b>Dividend</b>	<b>2014 (for 2013)</b>	<b>2015 (for 2014)</b>	<b>2016 (for 2015)</b>	<b>2017 (for 2016)</b>	<b>2018 (for 2017)</b>
Dividend (EUR)	1,037,680	836,010	0	1,433,160	1,672,020
Dividend per share (EUR)	0.09	0.07	0	0.12	0.14
Number of shares	11,943,000	11,943,000	11,943,000	11,943,000	11,943,000

Kelmės pieninė AB dividend payments in the past 5 years:

<b>Dividend</b>	<b>2014 (for 2013)</b>	<b>2015 (for 2014)</b>	<b>2016 (for 2015)</b>	<b>2017 (for 2016)</b>	<b>2018 (for 2017)</b>
Dividend (EUR)	2,419,497	3,489,039	3,931,312	2,285,075	786,262
Dividend per share (EUR)	0.98	1.42	1.60	0.93	0.32
Number of shares	2,457,070	2,457,070	2,457,070	2,457,070	2,457,070

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

## 24. Employees

On 30<sup>th</sup> of June 2018 the number of employees working for the Group of Vilkyškių pieninė AB amounted to 954.

Employee category	Number of employees	Education				Average monthly salary (EUR)
		higher	vocational	secondary	secondary incomplete	
Managers						
Specialists						
Workers						

On 30<sup>th</sup> of June 2017 the number of employees working for the Group of Vilkyškių pieninė AB amounted to 954.

Employee category	Number of employees	Education				Average monthly salary (EUR)
		higher	vocational	secondary	secondary incomplete	
Managers	11	8	3			3,255
Specialists	302	131	92	76	3	869
Workers	641	22	188	369	62	546
	<b>954</b>	<b>161</b>	<b>283</b>	<b>445</b>	<b>65</b>	<b>673</b>

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 organized in compliance with the Labour Code of the Republic of Lithuania.

## 25. Authorizations 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 authorized to purchase up to 10 percent of own stock, organize 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. Vilkyškių pieninė AB Group Governing Bodies

According to the Articles of Association of Vilkyškių pieninė AB, 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 organizing the current business operations of the Company.

Under the Articles of association of Kelmės pieninė AB and Modest AB, 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 2018, a total of 7. Board meetings were held, with the required quorum present at each of them. The Board approved the 12-month financial accounts for 2017, the 2017 annual financial statements and annual report; it also called an ordinary meeting of shareholders, offered the distribution of the 2017 profit for an ordinary meeting of shareholders, and proposed the procedure of treasury stock purchase.

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

## **29. Board & Administration Members**

### **Vilkyškių pieninė AB Board Members**

**Gintaras Bertašius** (born 1964) – a Board Chairman since 30 January 2006, re-elected for a four-year term on 25 April 2014, CEO of Vilkyškių pieninė AB. Has a higher education diploma in mechanical engineering. Membership in other companies' governing bodies: a shareholder of ŪKB Šilgaliai, board chairman of Modest AB, board chairman of Kelmės pieninė AB. On 30 June 2018, he did not have any shares in Vilkyškių pieninė AB. 50.8 percent 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 Vilkyškių pieninė AB. Has a higher education degree in mechanical engineering. As of 30 June 2018, he held 425,607 shares of Vilkyškių pieninė AB, 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 Vilkyškių pieninė AB. Has a college diploma as livestock engineer. As of 30 June 2018, he held 286,563 shares of Vilkyškių pieninė AB, 2.4 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

**Vilija Milaševičiutė** (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 Vilkyškių pieninė AB. Membership in other companies' governing bodies: A board member of Modest AB and Kelmės pieninė AB. As of 30 June 2018, she held 7,813 shares of Vilkyškių pieninė AB, 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. Director of LS Capital UAB and Biglis UAB, council chairman of Association of Social Enterprises (*Socialinių įmonių asociacija*), board member of Agrowill AB. As of 30 June 2018, did not have any shares in Vilkyškių pieninė AB.

**Andrej Cyba** (born 1983) – a Board Member since 7 March 2008, re-elected for a four-year term on 25 April 2014. Has a higher degree in business administration and management. CEO of GPI UAB, GP2 UAB and Piola UAB. CEO and board member of Finasta Asset Management. Director of the Financial Markets Authority and board member in bank Finasta AB. The deputy of CEO and board member in Finasta Holding AB. Member of the Supervisory Board at AS "Pirmais atklātais pensiju fonds" and IPAS Finasta Asset Management. Member of the Supervisory Board of AS F Capital. As of 30 June 2018, did not have any shares in Vilkyškių pieninė AB.

### **Vilkyškių pieninė AB 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 Modest AB, board chairman of Kelmės pieninė AB. On 30 June 2018, he held 6,067,206 shares of Vilkyškių pieninė AB, 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 Modest AB and Kelmės pieninė AB. As of 30 June 2017, she held 7,813 shares of Vilkyškių pieninė AB, 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 2017, he held 250 shares of Vilkyškių pieninė AB, 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 2018, held 425,607 shares of Vilkyškių pieninė AB, 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 2018, held 286,563 shares of Vilkyškių pieninė AB, 2.4 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 Modest AB. As of 30 June 2018, held 1,933 shares of Vilkyškių pieninė AB, 0.016 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

**Rita Juodikienė** (born 1975) – Management and quality director. Working at the company since 2002. Has a master degree in business management. Has no seats in other companies' governing bodies.

### **Members of Kelmės pieninė AB board and administration**

**Gintaras Bertašius** (born 1964) – Chairman of the Board, last re-elected for a four-year term on 28 April 2016. Participation in the governing bodies of other companies: board chairman and CEO of Vilkyškių pieninė AB, shareholder of ŪKB Šilgaliai (1 share), board chairman at Modest AB. Holds a higher education degree in mechanical engineering. As of 30 June 2017, had 6,067,206 shares in Vilkyškių pieninė AB, 50.8 percent of the stock and voting rights.

**Vilija Milaševičiūtė** (born 1965) – a member of the board, elected for a four-year term on 20 June 2017. Participation in the governing bodies of other companies: Chief Financial Officer of and board member Vilkyškių pieninė AB, a member of Modest AB board. Holds a university degree in finance and credit. As of 30 June 2018, held 7,813 shares in Vilkyškių pieninė AB, i.e. 0.07 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

**Rita Juodikienė** (born 1975) – a member of the board, elected for a four-year term on 20 June 2017. Participation in the governing bodies of other companies: Quality and management director of Vilkyškių pieninė AB. Holds a master degree in business management. Working at the Company since 2002. Has no seats in other companies' governing bodies.

**Jolita Valantinienė** (born 1968) – director of Kelmės pieninė AB. Working at the Company since 2017. Holds a master degree in business management and administration, veterinarian qualification. Has no seats in other companies' governing bodies.

### **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 Vilkyškių pieninė AB, shareholder of ŪKB Šilgaliai (1 share), board chairman at Kelmės Pieninė AB. Holds a higher education degree in mechanical engineering. As of 30 June 2017, had 6,067,206 shares in Vilkyškių pieninė AB, 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 Vilkyškių pieninė AB. Has a college degree in dairy technology. As of 30 June 2018, held 1,933 shares in Vilkyškių pieninė AB, i.e. 0.016 percent of share capital and voting rights. Has no seats in other companies' governing bodies.

**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 Vilkyškių pieninė AB, a member of Kelmės pieninė AB board. Holds a university degree in finance and credit. As of 30 June 2017, held 7,813 shares in Vilkyškių pieninė AB, i.e. 0.07 percent of the stock and voting rights.

**Kęstutis Keršys** (born 1957) – director of Modest AB, 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: Aušra Labinienė (The Head of Internal Audit of Tauragė Credit Union), Vilma Morkaitienė (senior accountant of Bonus Modus UAB) and Milana Buivydienė (Vilkyškių pieninė AB 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 AB NASDAQ OMX Vilnius. 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 Vilkyškių pieninė AB which was held on the 28 April 2018:

**Item 1 of the Agenda:** Company's consolidated annual report for the year 2017

The Company's consolidated annual report for the year 2017 was approved.

**Item 2 of the Agenda** – Auditor's Report regarding the Company's Financial Statements for the year 2017.  
Heard.

**Item 3 of the Agenda:** Approval of Company's annual and consolidated financial statements of the year 2017

Company's annual and consolidated financial statements of the year 2017 were approved.



**Item 4 of the Agenda:** Profit (loss) appropriation for the year 2017.

Resolution: To approve the non-appropriated profit (loss) for the year 2017 as follows under IAS:

	Thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2015	16,822
2) Approved by shareholders dividends of the year 2015	(1,433)
3) Transfers to reserves provided by law	136
4) Portion of the profit allocated to the reserve for the purchase of own shares	15,525
5) Non-appropriated profit (loss) at the beginning of the current financial year after dividends payout and transfer to reserves	6,202
6) Net profit (loss) of the reporting period	21,727
7) Transfers from reserves	2,508
8) Total profit (loss) to be appropriated:	24,235
- portion of the profit allocated to the legal reserve	-
- portion of the profit allocated to the reserve for the purchase of own shares	-
- portion of the profit allocated for payment of the dividends	(1,672)
- portion of the profit allocated to the other reserves	-
- portion of the profit allocated to be paid as annual payouts (tantiemes) to board members, bonuses to employees and for other purposes	22,563

\*for one ordinary registered share is 0.14 EUR. The total dividends are 1,672,020 euros

**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 2018.
- 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:** Election of the independent member of Audit Committee.

Resolution: To elect the independent member of Audit Committee Vilma Morkaitienė, senior accountant of Bonus modus, UAB

**Item 7 of the Agenda:** Election of the Company's Audit firm setting the conditions of payment.

- 1) To elect PricewaterhouseCoopers, UAB as the Company's Audit firm for the year 2017, 2018 and 2019.
- 2) To authorize Mr. Gintaras Bertasius, the Company's General Director, to contract with PricewaterhouseCoopers, UAB and to set the conditions of payment for the services.