



Vilkyškių pieninė AB

Interim consolidated unaudited financial
statements for the 6 months of 2020

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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 2020, 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 2020.

Company details

Vilkyškių pieninė AB

Telephone: +370 441 55330
Telefax number: +370 441 55242
Company code: 277160980
Registered office: LT-99254 P. Lukosaicio str. 14 Vilkyskiai, Pagegiai
municipality, Lithuania

Board

Gintaras Bertasius (Chairman)
Sigitas Trijonis
Rimantas Jancevicius
Vilija Milaseviciūtė
Andrej Cyba
Linas Strelis

Management

Gintaras Bertasius, General Director
Vaidotas Juskys, Executive Director
Sigitas Trijonis, Technical Director
Rimantas Jancevicius, Director for Purchasing Raw Materials
Arvydas Zaranka, Production Director
Vilija Milaseviciūtė, Director for Economic and Financial Affairs
Rita Juodikienė, Director for Corporate Governance and Quality

Banks

SEB bank, AB
Swedbank, AB
Luminor Bank AB
OP Corporate Bank plc Lithuanian branch

Consolidated statement of financial position

Thousand EUR	Note	30 06 2020	31 12 2019
Assets			
Property, plant and equipment		47,480	48,452
Right-of-use assets		1,178	1,303
Intangible assets		6,942	6,936
Non-current amounts receivable	5	350	358
Deferred income tax assets		612	159
Non-current assets		56,562	57,208
Inventories	6	11,392	11,161
Trade and other amount receivable	7	7,772	8,699
Prepayments	8	613	679
Cash and cash equivalents	9	146	298
Current assets		19,923	20,837
Total assets		76,485	78,045
Equity			
Share capital	10	3,463	3,463
Share premium		3,301	3,301
Reserves		2,400	2,455
Retained earnings		23,119	21,831
Equity attributable to owners of the Company		32,283	31,050
Non-controlling interest		50	51
Equity		32,333	31,101
Liabilities			
Borrowings	11	11,260	12,308
Lease liabilities	11	478	642
Government grants	12	4,955	5,243
Deferred income tax liability		-	-
Non-current liabilities		16,693	18,193
Borrowings	11	12,527	14,142
Lease liabilities	11	358	391
Income tax payable		-	-
Trade and other payables	13	14,574	14,218
Current liabilities		27,459	28,751
Liabilities		44,152	46,944
Total equity and liabilities		76,485	78,045

Consolidated income statement

Thousand EUR	Note	01 01 2020- 30 06 2020	01 01 2019- 30 06 2019	01 04 2020- 30 06 2020	01 04 2019- 30 06 2019
Revenue	1	55,784	53,581	26,681	26,167
Cost of sales	1	-50,885	-50,909	-24,039	-24,301
Gross profit	1	4,899	2,672	2,642	1,866
Other operating income		92	195	41	75
Distribution expenses		-2,078	-2,155	-1,037	-1,035
Administrative expenses		-1,498	-1,345	-855	-689
Other operating expenses		-51	-79	-28	-37
Result of operating activities		1,364	-712	763	180
Finance income		20	15	3	5
Finance costs		-605	-559	-309	-286
Net finance costs		-585	-544	-306	-281
Profit (loss) before income tax		779	-1,256	457	-101
Income tax expenses		453	495	273	160
Profit (loss) for the period		1,232	-761	730	59
Attributable to:					
Shareholders of the Company		1,233	-760	730	59
Non-controlling interest		-1	-1	0	0
Profit (loss) for the period		1,232	-761	730	59
Basic earnings per share (EUR)	2	0.10	-0.06	0.06	0.00

Consolidated statement of comprehensive income

Thousand EUR	Note	<u>01 01 2020- 30 06 2020</u>	<u>01 01 2019- 30 06 2019</u>	<u>01 04 2020- 30 06 2020</u>	<u>01 04 2019- 30 06 2019</u>
Profit (loss) for the period		1,232	-761	730	59
Other comprehensive income					
Change in fair value of hedging instruments		-	-	-	-
Effect of income tax		-	-	-	-
Other comprehensive income for the period, net of income tax		-	-	-	-
Total comprehensive income		1,232	-761	730	175
Attributable to:					
Shareholders of the Company		1,233	-760	730	59
Non-controlling interest		-1	-1	0	0
Total comprehensive income		-1,232	-761	730	59

Consolidated statement of changes in equity

Thousand EUR	Note	Equity attributable to owners of the Company							Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Hedging reserve	Reserve for acquisition of own shares	Legal reserve	Retained earnings		
AT 1 January 2019		3,463	3,301	2,233	-	-	346	22,153	51	31,547
Comprehensive income for the period										
Profit (loss) for the period		-	-	-	-	-	-	-760	-1	-761
Other comprehensive income										
Depreciation, write-off of revalued assets		-	-	-62	-	-	-	62	-	-
Total other comprehensive income		-	-	-62	-	-	-	62	-	-
Total comprehensive income for the period		-	-	-62	-	-	-	-698	-1	-761
Contributions by and distributions to owners:										
Transfers to reserve for acquisition of own shares		-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-
Changes in the Group not resulting in a loss of control										
Change (decrease) in minority interest		-	-	-	-	-	-	-	-	-
Total transactions with shareholders		-	-	-	-	-	-	-	-	-
At 30 June 2019	10	3,463	3,301	2,171	-	-	346	21,455	50	30,786

(continued)

Consolidated statement of changes in equity (continued)

Thousand EUR	Note	Equity attributable to owners of the Company							Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Hedging reserve	Reserve for acquisition of own shares	Legal reserve	Retained earnings		
At 1 July 2019		3,463	3,301	2,171	-	-	346	21,455	50	30,786
Comprehensive income for the period										
Profit (loss) for the period		-	-	-	-	-	-	314	1	315
Other comprehensive income										
Depreciation, write-off of revalued assets		-	-	-62	-	-	-	62	-	-
Total other comprehensive income		-	-	-62	-	-	-	62	-	-
Total comprehensive income for the period		-	-	-62	-	-	-	376	1	315
Contributions by and distributions to owners:										
Dividends		-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-
Changes in the Group not resulting in a loss of control										
Change (decrease) in minority interest		-	-	-	-	-	-	-	-	-
Total transactions with shareholders		-	-	-	-	-	-	-	-	-
At 31 December 2019	10	3,463	3,301	2,109	-	-	346	21,831	51	31,101

(continued)

Consolidated statement of changes in equity (continued)

Thousand EUR	Note	Equity attributable to owners of the Company							Non-controlling interest	Total equity	
		Share capital	Share premium	Revaluation reserve	Hedging reserve	Reserve for acquisition of own shares	Legal reserve	Retained earnings			Total
At 1 January 2020		3,463	3,301	2,109	-	-	346	21,831	31,050	51	31,101
Comprehensive income for the period											
Profit (loss) for the period		-	-	-	-	-	-	1,233	1,233	-1	1,232
Depreciation, write-off of revalued assets		-	-	-55	-	-	-	55	-	-	-
Total other comprehensive income		-	-	-55	-	-	-	55	-	-	-
Total comprehensive income for the period		-	-	-55	-	-	-	1,288	1,233	-1	1,232
Contributions by and distributions to owners:											
Transfers to legal reserve		-	-	-	-	-	-	-	-	-	-
Transfers to reserve for acquisition of own shares		-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	-	-
Changes in the Group not resulting in a loss of control											
Change (decrease) in minority interest		-	-	-	-	-	-	-	-	-	-
Total transactions with shareholders		-	-	-	-	-	-	-	-	-	-
At 30 June 2020	10	3,463	3,301	2,054	-	-	346	23,119	32,283	50	32,333

Consolidated statement of cash flows

Thousand EUR	Note	01 01 2020- 30 06 2020	01 01 2019- 30 06 2019
Cash flows from operating activities			
Profit (loss) for the period		1,232	-761
Adjustments for:			
Depreciation of property, plant and equipment	3	2,242	2,206
Amortization of intangible assets	4	6	6
Amortization and write-off of grants	12	-288	-292
Gain (loss) from disposal of property, plant and equipment		1	-54
Income tax expenses		-453	-495
Net finance costs		585	544
		3,325	1,154
Change in inventories		-232	582
Change in non-current amounts receivable		8	9
Change in trade and other receivables and prepayments		1,103	-2,056
Change in trade and other payables		581	334
		4,785	23
Interest paid		-501	-340
Income tax paid		-	-8
Net cash flows generated from operating activities		-4,284	-325
Cash flows from investing activities			
Payments for acquisition of plant and equipment		-1,421	-1,416
Payments for acquisition of intangible assets		-12	-
Proceeds from sale of plant and equipment		2	113
Acquisition of shares of the subsidiary		-	-
Loans granted		-150	-
Government grants received		-	376
Repayments of loans		-	103
Interest received		-	-
Net cash flows used in investing activities		-1,581	-824

Consolidated statement of cash flows (continued)

Thousand EUR	Note	01 01 2020- 30 06 2020	01 01 2019- 30 06 2019
Cash flows from financing activities			
Loans received		2,251	4,654
Repayments of borrowings		-4,913	-3,338
Dividends paid		-193	-209
Net cash flows generated from financing activities		-2,855	1,107
Net increase (decrease) in cash and cash equivalents			
		-152	-42
Cash and cash equivalents at 1 January	9	298	407
Cash and cash equivalents at 30 June	9	146	365

Notes to the consolidated financial statements

General information

The Group consists of the following companies (hereinafter “the Group”):

- 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 Parent Company has no branches or representative offices.

Vilkyškių pieninė AB is a Lithuanian company listed on AB Nasdaq OMX Vilnius Stock Exchange.

As at 30 June 2020, the Company’s shareholder structure was as follows:

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 minority shareholders	3,840,065	0.29	1,113,619
Total capital	11,943,000	0.29	3,463,470

In 2018, Gintaras Bertašius, the main shareholder of Vilkyškių Pieninė AB concluded a joint life insurance policy at Swisspartners Versicherung AG Zweigniederlassung Österreich, contributing 6,067,206 (50.8%) of held ordinary registered shares of Vilkyškių Pieninė AB. The insurance company had irrevocably granted all non-property rights, including the right to vote at the meeting of shareholders of the issuer, to Gintaras Bertašius and the related parties for the entire validity period of the insurance policy.

The Company’s ultimate controlling party is Mr Gintaras Bertašius and persons related to him (R. Bertašienė, M. Bertašius, G. Jozūnienė).

The Parent Company’s core line of business is production and sale of different types of cheese.

Business activities are carried out in the main production buildings located in Vilkyškiai, Pagėgiai region municipality.

The following companies	Company’s address	Part of shares owned by the Company (%)		Main business activities
		2020 06 30	2019 12 31	
AB Modest	Gaurės st. 23, Tauragė	99,7	99,7	Milk processing and production of milk products
AB Kelmės pieninė	Raseinių st.2, Kelmė	100	100	Milk processing and production of milk products
AB Pieno logistika	Uosių st. 80, Pagojų village, Kelmės district.	58,9	58,9	Lease of buildings

At 30 June 2020 the Group had 820 employees (31 December 2019 - 828).

Basis for preparation

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 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 2019. 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 2019 December 31.

The interim consolidated financial statements for the 6 months 2020 are unaudited.

Measurement basis

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

All amounts in these financial statements are presented in the euros (EUR) and they have been rounded to the nearest thousand.

Foreign currency transactions

Foreign currency transactions are translated into the euros using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated in the euros using the exchange rate prevailing at the date of the preparation of the statement of financial position. All foreign currency transactions have been translated in accordance with the provisions of the Law on Accounting using the exchange rate of the euro against the foreign currency prevailing at the date of the transaction.

Foreign exchange differences arising from the settlement of such transactions are recognised in the statement of profit or loss. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the euros using the official exchange rate prevailing at the date of the transaction.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date on which the Group obtains control, and continue to be included until the date that such 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 operating segments which are as described below.

The segments represent different product groups, which are managed separately because they require different technology and marketing strategies. The Board and the General Manager review internal management reports prepared for each product group on a monthly basis.

The following summary describes the products in each operating segment of the Group:

- *Cheese, cheese products and other.* The segment comprises cheese, cheese products, cream and other.
- *Dry milk products.* The segment comprises WPC, skimmed-milk, permeate and whey powder produced by the subsidiaries.
- *Fresh milk products.* The segment comprises fresh milk products produced by the subsidiaries (milk, kephir, yoghurt, sour milk, butter, curd products);

Results of operations of the segments were as follows as at 30 June 2020:

Thousand EUR	Cheese, cheese products and other	Dry milk products	Fresh milk products	Total
Sales	36,908	9,919	8,957	55,784
Cost of sales	-37,013	-7,104	-6,768	-50,885
Gross profit	-105	2,815	2,189	4,899

Results of operations of the segments were as follows as at 30 June 2019:

Thousand EUR	Cheese, cheese products and other	Dry milk products	Fresh milk products	Total
Sales	37,265	6,492	9,824	53,581
Cost of sales	-37,272	-5,660	-7,977	-50,909
Gross profit	-7	832	1,847	2,672

Information on segments by geographical territory:

Thousand EUR	01 01 2020- 30 06 2020	01 01 2019- 30 06 2019
Lithuania	9,931	11,776
European Union, except for Lithuania	30,581	27,227
Other countries	15,272	14,578
	55,784	53,581

2 Earnings per share

	01 01 2020- 30 06 2020	01 01 2019- 30 06 2019
Number of issued shares calculated based on weighted average method, in thousand units	11,943	11,943
Net profit attributable to holders of ordinary shares of the Parent Company in thousand EUR	1,232	-760
Basic earnings per share (in EUR)	0.10	-0.06

3 Property, plant and equipment

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

On 30 June 2020 depreciation amounted to 2,242 thousand EUR (on 30 June 2019 – 2,206 thousand EUR).

4 Intangible assets

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

On 30 June 2020 amortization amounted to 6 thousand EUR (on 30 June 2019 - 6 thousand EUR).

5 Non-current receivables

Thousand EUR	30 06 2020	31 12 2019
Financial instruments		
Loans (b)	43	63
Non-current amounts receivable from farmers (b)	307	81
	350	144
Non-financial assets		
Prepayments (a)	-	214
	350	358

(a) A loan amounting to EUR 43 thousand was granted to company “Šilgaliai“ ŪKB, to be repaid by 31 December 2021. The outstanding balance of the loan bears a fixed interest rate.

(b) Non-current amounts receivable from farmers and companys comprise advance amounts paid to milk suppliers for milk. These advance amounts are subject to an administration fee.

6 Inventories

Thousand EUR	30 06 2020	31 12 2019
Finished products	8,672	8,662
	8,672	8,662
Raw materials	106	102
Consumables	2,341	2,090
Work in progress	273	307
	11,392	11,161

Raw materials include milk and other materials used in the production.

As at 30 June 2020, the inventories with the net book value of up to EUR 5,548 thousand (31 December 2019: up to EUR 5,548 thousand) have been pledged to financial institutions.

7 Trade and other receivables

Thousand EUR	30 06 2020	31 12 2019
Pastaba		
Trade receivables	6,251	7,612
Impairment losses	-98	-98
Trade receivables from related parties	-	7
Loans granted to related parties, including interest charged and administration fee	300	251
Financial assets	6,453	7,772
Other amounts receivable	222	78
Taxes receivable (other than income tax)	1,097	849
Total trade and other receivables	7,772	8,699

Taxes receivable mostly consist of VAT receivable.

Trade and other receivables are non-interest bearing and are settled with the term of 30 days.

Trade receivables with the carrying amount of not less than EUR 81 thousand have been pledged to Luminor Bank AB. As at 30 June 2020, the amount receivable pledged was equal to EUR 129 (30 June 2019: EUR 145 thousand).

8 Prepayments

Thousand EUR	30 06 2020	31 12 2019
Prepayments (a)	613	491
Prepayments to related parties	-	188
	613	679

(a) Prepayments consist of prepayments made to the companies for goods and services and to farmers for milk.

9 Cash and cash equivalents

Thousand EUR	30 06 2020	31 12 2019
Cash at bank	132	196
Cash on hand	14	102
	146	298

Cash inflows into bank accounts were pledged to secure repayment of bank borrowings.

10 Capital

As at 30 June 2020, the Parent Company's authorised share capital was divided into 11,943,000 ordinary shares with the nominal value of EUR 0.29 each. All the shares are fully paid.

Pursuant to the Law on Companies, the holders of ordinary shares have one vote per share at the Company's shareholders' meeting, the right to receive dividends, and the right to receive payments in the event of liquidation of the company.

11 Borrowings and lease liabilities

Thousand EUR	30 06 2020	31 12 2019
Non-current borrowings	11,738	12,950
Current borrowings and lease liabilities	12,885	14,533
Total borrowings	24,623	27,483

During the first half of this year overdraft term has been extended with OP Corporate Bank, Luminor Bank and SEB bank long-term credit repayment terms.

12 Government grants

Thousand EUR	30 06 2020	31 12 2019
Opening net book amount	5,243	5,824
Grants received	-	376
Grant receivable	-	-376
Amortisation recognised in profit or loss and write-off of grants	-288	-581
Write-off of grants upon disposal of assets	-	-
Closing net book amount	4,955	5,243

13 Trade and other payable amounts

Thousand EUR	2020.06.30	2019.12.31
Financial instruments		
Trade payables	9,992	11,443
Trade payables to related parties	-	24
Other amounts payable to related parties	-	71
	9,992	11,538
Non-financial instruments		
Employment-related liabilities (a)	2,565	1,858
Advance amounts received	182	499
Dividends payable	74	74
Accrued expenses and provisions	-	46
Other amounts payable (b)	1,761	203
	4,582	2,680
	14,574	14,218

(a,b) Obligations relating to an employment relationship consist of salaries, fees payable, holiday reserves and payable VAT taxes. Payable taxes accumulated during Covid – 19 pandemic.

14 Subsequent events

No significant events have occurred.

Vilkyškių Pieninė AB Consolidated interim report for the 6 months of the year 2020

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 2020.

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
Telefax number:	+370 441 55242
E-mail	info@vilvi.eu
Website	http://www.vilkyskiu.lt

3. Subsidiary Company Data and Contact Details:

AB Modest

Name of subsidiary	AB Modest (hereinafter – Modest AB)
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
Telefax number:	+370 446 72734
E-mail	modest@vilvi.eu
Website	http://www.vilkyskiu.lt

AB Kelmės pieninė

Name of subsidiary	AB Kelmės pieninė (hereinafter – Kelmės pieninė AB)
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
Telefax number:	+370 427 61235
E-mail	kelmespienine@vilvi.eu
Website	http://www.vilkyskiu.lt

AB Pieno logistika

Name of subsidiary	AB Pieno logistika (hereinafter – Pieno logistika AB)
Legal form	Public limited company
Data and place of registration	10 December 2013, Šiauliai Division of VĮ Registrų centras
Head office	Uosių st. 80, Pagojo village., Kelmės district.
Company register code	303203457
Telephone	+370 427 61246
Telefax number:	+370 427 61235
E-mail	stasys.stanevicius@vilkyskiu.lt
Website	http://www.vilkyskiu.lt

4. Main Types of Activity

The main business activity of the Vilkyškių pieninė AB Group is production and sale of dairy products (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 mozzarella cheese, mould cheese, smoked, melt cheese and other cheese products.

Subsidiary company Kelmės pieninė AB produces fresh dairy products: milk, kefir, sour cream, yogurts, cottage cheese, glazed curd bars, butter and dry milk products – WPC, SMP, permeate and whey powder.

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 Group produces a wide range of delicious dairy products based on original recipes, many of them acknowledged for their taste and quality at international trade fairs. We are proudly continuing the long-standing traditions of cheese production that originated in the picturesque region of Lithuania surrounded by wonderful nature. The lush flood-meadows of the Nemunas River inspires us to create and share what nature has so generously bestowed on us.

Our mission is to provide people across the whole world more opportunities to enjoy dairy products.

Our Values:

Quality – we produce high-quality dairy products and abide by the highest standards.

Innovation – we continually delight our consumers by introducing new products and providing opportunities to experience new taste sensations. We constantly invest in new technologies and expand our product range. We are interested in creating and sharing the results of our work. After all, it is how new traditions are being born, is not it?

Competence – in the hands of our dairy masters dairy foods turn into exclusive and original high-quality products.

Honesty – we are open and reliable. Our customers' trust and respect are extremely important to us. The basis of our activity includes the time-proved relations with our business partners and professionalism of our employees.

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 quality management system (HACCP system).

The Group is 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/FSSC 22000.. This certification scheme is part of the Global Food Safety Initiative (GFSI) and is equivalent to such internationally recognised standards as BRC and IFS.

Until 2013, Kelmės pieninė AB worked in accordance with ISO 22000:2005 / FSSC 22000 standards, but in 2015 it extended the scope of certification and now covers the processing of all products.

In 2015, the production of Modest AB was also certified according to ISO 22000:2005 / FSSC 22000 for production and distribution of dairy products (pasteurized cream, semi-hard (mozzarella and moulded) cheese, soft cheeses, melting, melting-smoked cheeses and smoked cheeses.

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. Every year Vilkyškių pieninė AB Group audits according to ISO 22000: 2005 / FSSC 22000 certification scheme.

In order to attract buyers in Islamic countries, Vilkyškių pieninė AB, Modest AB and Kelmės pieninė AB Tauragė Division (drying department of dry milk products) have been certified according to Halal rules. From year 2015 certification for Halal products continues every year. Halal products are associated with product safety, health, quality, ecology. These products are used by people of other religions as well.

In 2017, drying department of dry milk products of Kelmės pieninė AB Tauragė division was registered and started to operating. It received the veterinary approval number LT 77-07 P EC, which granted the right to export production to all EU and other third countries. The factory has established a physico-chemical research laboratory equipped with state-of-the-art ultra-reliable equipment for ensuring the quality control of products. The laboratory carries out research using analyzers operating on the basis of infra-red analyzers and using reference (classical) methods of investigation.

In 2018 Kelmės pieninė AB Tauragė Division production (drying department of dry milk products) certified according to ISO 22000:2005/FSSC 22000 Certification Scheme.

In 2019 the laboratory of Vilkyškių pieninė AB received Food business operator laboratory approval permit.

In 2020, Kosher certificate issued to Kelmės pieninė AB Tauragė Division (drying department of dry milk products).

8. Human Resources

Vilkyškių pieninė AB Group human resources policy is focused on forming corporate culture that creates value, complete welfare of the team while cooperating, and developing professional and personal skills. Autonomy and sharing are promoted within the Group, knowledge sharing and improvement of skills is supported by internal and external learning activities. Open and supportive corporate environment promotes employee involvement in generation of ideas and participation in attracting new personnel.

Career Management System project was launched that involves more than 200 administration employees. The goal is to evaluate the potential of current employees to exploit career opportunities internally.

The Group cooperates closely with educational and employment institutions to attract employees with the required qualification. Presentations about professional and career planning, and excursions to factories are organized.

The Group takes care of employee health and wellness. Every year employees are provided opportunity for free-of-charge medical check including vision, odontology and rehabilitation services, flu vaccination and sports club. Work safety and medical staff continuously monitors work places comply with safety and health requirements according to regulatory norms.

Vilkyškių pieninė Group AB approved Salary System that ensures equal and transparent pay for work.

General Data Protection Regulation (GDPR) is implemented to ensure confidential information related to business and personal data is properly handled. Therefore, the Group has adopted IT Security Policy, Personal Data Protection Rules, etc.

Vilkyškių pieninė AB Group seeks to be an active member in the community, it supports and participates in cultural and educational events. The Company contributes to active social life, strengthens relationships and cooperation in the region.

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.

Kelmės pieninė AB IPPC permit was revoked according to the criteria of the Order of the Minister of the Environment of the Republic of Lithuania D1-330 "On the Rules for Updating and Eliminating the Issues of Integrated Pollution Prevention and Control Authorization". The activities performed by the company do not meet the criteria specified in the annexes to the order, therefore the IPPC permit is revoked, instead of it was issued boiler pollution permit No. (30.3) - A4-33. in accordance with the provisions of Paragraphs 40 and 41 of the Rules

Modest AB IPPC permit was revoked according to the criteria of the Order of the Minister of the Environment of the Republic of Lithuania D1-330 "On the Rules for Updating and Eliminating the Issues of Integrated Pollution Prevention and Control Authorization". The activities performed by the company do not meet the criteria specified in the annexes to the order, therefore the IPPC permit is not required.

Vilkyškių pieninė AB Group has an environmental protection policy aimed at reducing the environmental impact of its operations, ensuring integrated pollution prevention measures, minimizing 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 at Vilkyškių pieninė AB to monitor the impact of water source and fuel storage on underground waters and to monitor air pollutant emissions and sources of wastewater.

In 2015 Vilkyškių pieninė AB finished modernisation of its wastewater treatment plant in order to boost treatment efficacy. This is being done in line with the main national strategies and legal acts on wastewater treatment: the Baltic Marine Environment Protection Strategy, the Lithuanian Law on Waters, 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 management bodies and is used as fertiliser in agriculture. Wastewater treatment efficacy has been estimated to be up to 99 percent.

Production wastewater generated by Kelmės pieninė AB Kelmė Division is discharged into Kelmės vanduo UAB water treatment facilities. Kelmės pieninė AB Tauragė Division releases its wastewater to Tauragės vandenys UAB sewage system.

Kelmės pieninė AB Tauragė Division produces powdery, dusty products therefore it is very important to minimize hard particle and waste emissions to air and environment. Air polluted with hard particles is directed towards filters and cleaned there is emitted to environment. According to drying factory equipment manufacturers' data whey, permeate, skimmed milk are odorless materials therefore no odors are released into environment.

Modest AB has implemented the best available techniques (BAT), and its running costs and emissions are in line with the prescribed EU levels. Wastewater of Modest AB is discharged into the urban wastewater system operated by Tauragės vandenys UAB. Before discharging into the city's drainage system, the wastewater is flowing through a grease and heavy particle filter. Monitoring is carried out by Tauragės vandenys UAB. Wastewater meter was installed in order to account wastewater more accurately. Rain water is collected and cleaned with oil product filter and afterwards released to Beržė river.

In all Companies of the Group waste is disposed according to Republic of Lithuania regulatory norms therefore there is no negative impact on environment.

10. Group Results of Operations

Taking into account the goals and strategy of Vilkyškių Pieninė AB Group, we use the selected long-term values that are the most important indicators for assessing the Company's and our Group's activities. We divide the indicators into financial and relative.

Key financial consolidated indicators of Vilkyškių pieninė AB Group:

	6 months of 2018	6 months of 2019	6 months of 2020
Revenue (EUR tho)	47,467	53,581	55,784
EBITDA (EUR tho)	2,447	1,208	3,324
EBITDA margin, pct	5.2	2.3	6.0
Operating profit (EUR tho)	437	-712	1,364
Operating profit margin, pct	0.9	-1.3	2.4
Profit before tax (EUR tho)	-56	-1,256	779
Profit before tax margin, pct	-0.1	-2.3	1.4
Net profit	240	-761	1,232

Profit margin, pct	0.5	-1.4	2.2
Earnings per share (EUR)	0.02	-0.06	0.10
Number of shares (units, tho)	11,943	11,943	11,943

At first half of 2020, **sales revenue** came to 55.8MEUR (4.1 percent more than in 6 months of 2019). At reporting period **EBITDA** was 3.3 MEUR (2.8 times more than in previous year same period). EBITDA margin was 6.0 percent in 6 months of 2020, then in previous year same period was 2.3 percent. **Operating profit (EBIT)** was 1.4 MEUR at reporting period or 2.1 million EUR more than in previous year same period. EBIT margin was 2.4 percent (in 6 months of 2019 EBIT margin reached -1.3). At first half of 2020 **net profit** was 1.2 MEUR (2.0 million EUR more comparing with the same period of 2019).

Key financial ratios of Vilkyškių pieninė AB:

	6 months of 2018	6 months of 2019	6 months of 2020
Return on equity (ROE), pct	0.7	-2.5	3.8
Return on assets (ROA), pct	0.3	-0.9	1.6
Debt ratio	0.62	0.63	0.58
Deb/equity ratio	1.62	1.69	1.37
Quick liquidity ratio	0.98	0.78	0.73
Asset turnover ratio	0.55	0.65	0.73
Capital-to-assets ratio	0.38	0.37	0.42

Calculating Relative Indicators:

1. Return on equity (ROE) is the ratio of net profit to equity.
2. Return on assets (ROA) - the ratio of net profit to assets.
3. Debt ratio is the ratio of all company liabilities and assets.
4. Debt and equity ratio is the ratio of all liabilities and equity of the company.
5. Liquidity ratio is the ratio of current assets and current liabilities.
6. Asset turnover - the ratio of sales and assets.
7. Equity ratio – the ratio of equity and assets.

In 6 months of 2020, **assets totaled** 76.5 MEUR or 2.0 percent less than December 31 of 2019.

In 6 months of 2020, **long-term assets** decreased by 1.1 percent and totaled 56.6 MEUR.

In 6 months of 2020, equity was 32.3 MEUR, up by 4.0 percent from the previous year (in 2019, equity was 31.1 MEUR)

Vilkyškių pieninė AB Group production output, tonnes:

	6 months of 2018	6 months of 2019	6 months of 2020
Cheese, cheese products and other	40,098	50,823	56,029
Fresh milk products	9,294	7,745	7,009
Dry milk products	2,795	6,844	9,105

In 6 months of 2020 cheese and cheese product and other production 56.0 tho tonnes, up by 10.2 percent comparing to the same period last year. Production of fresh milk products 7.0 tho tonnes, down by 9.5 percent comparing to 6 months of 2019. Production of dry milk products 9.1 tho tonnes in 6 months of 2020 up by 32.8 percent comparing to the same period last year.

Basic indicators milk purchases by Vilkyškių pieninė AB Group:

	6 months of 2018	6 months of 2019	6 months of 2020
Basic indicators milk, tonnes	128,393	125,330	132,177
Cost of raw milk, EUR tho	31,540	32,255	32,398
Raw milk price, EUR/t	246	257	245

In 6 months of 2020, a total of 132 tho tonnes of milk was purchased, and increase by 5.5 percent as compared with 6 months of 2019. Meanwhile, the price of raw milk decreased by 4.7 percent from the same period previous year.

11. Sales and marketing

Sales by product segment, EUR thousand:

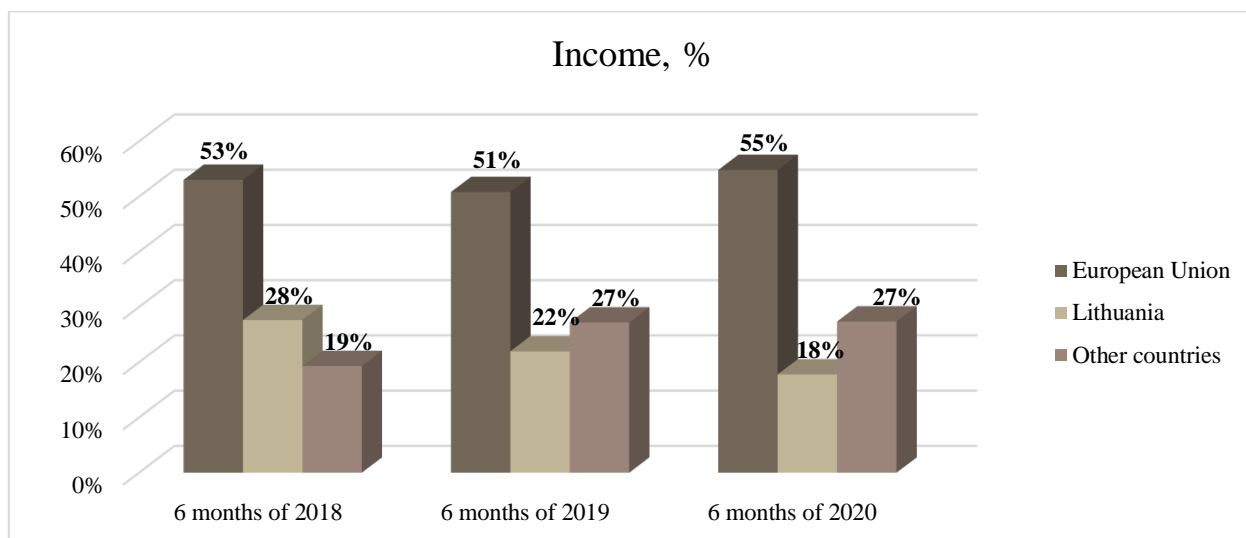
	6 months of 2018	6 months of 2019	6 months of 2020
Cheese, cheese products and other	35,021	37,265	36,908
Fresh milk products	10,909	9,824	8,957
Dry milk products	1,537	6,492	9,919
Total revenue	47,467	53,581	55,784

Sales revenue in H1 2020 increased by 4.1% compared to the same period last year. Although revenue from cheese and fresh milk products declined (affected by the fall in product prices during the COVID-19 pandemic), sales of dry dairy products increased by 53 % compared to H1 2019 due to increased production volume, consistent work with existing customers and active search for new buyers.

Sales income from export markets grew by 9.7 %, but sales in Lithuania contracted by 15.7 %. Exports share in Vilkyškių pieninė AB Group sales in H1 2020 was 82 % that is 4 percent punkt more than in the same period last year.

Sales revenue by geographical segments, EUR thousand:

	6 months of 2018	6 months of 2019	6 months of 2020
European Union	25,171	27,227	30,581
Lithuania	13,124	11,776	9,931
Other countries	9,172	14,578	15,272
Total revenue	47,467	53,581	55,784



Largest exports market is European Union. The largest part of exports consists of cream, whey products and cheese

Vilkyškių pieninė AB strategy to invest in innovative exclusive products has enabled the Company to deliver on its brand promise and continue satisfy 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 .

In foreign markets the Company sells its production with *Vilvi* brand. Products with value added and original packaging have high potential in export markets.

12. Exhibitions and Awards

In February, Vilkyškių pieninė AB traditionally took part in the international exhibition of food industry "Gulfood 2020" in Dubai, The United Arab Emirates. The main focus was on mozzarella cheese and milk/whey powder.

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. The main factors that may pose business risks for the Company are possible changes in the raw material and product markets, competition, as well as changes in the legal, political, technological and social environment that are directly or indirectly related to Vilkyškių pieninė AB business. These may negatively affect 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 position may be affected by negative changes in the cheese market demand and (or) pricing (market risks). Price pressure may originate from competition on the international and local cheese markets.

Matured cheese production is lengthy process that can take from one up to three months. Therefore, the Company cannot quickly react to changes in cheese market and that can negatively affect its cashflow and operating results.

AB Kelmės pieninė Kelmė Division specializes in production of fresh dairy products, and largely income originates from sale of curd, yoghurt and other fresh products. Therefore income, profit and overall financial position may be affected by negative changes in demand for fresh dairy products and (or) price (market risks).

Fresh dairy products market is very dynamic and sensitive to time aspect. Production must be carefully planned to deliver the products to supermarkets in time. The sale of goods risk arises due to too high or too low inventory level. If inventory levels are too high validity term of goods may shorten and they possibly have to be sold with discount. If inventory levels are too low fines may be imposed for late deliveries.

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 the end of 2019, for 2 years term, the Company obtained credit insurance for its overseas customers with the insurer *Euler Hermes*. 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 and OP Corporate banks). On 30 June 2020, the Company's debt-to-assets ratio was 0.58. The balance of outstanding loans on 30 June 2020 was 23,787 tEUR. Repayment is performed under the established schedule, without any delays.

14. Competition

Vilkyškių pieninė AB estimates that it has a 14 percent share of the Lithuanian market as measured by quantity of processed milk, 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 compensates it by offering a range of higher value-added cheese products.

Vilkyškių pieninė AB offers industrial products in dry dairy product segment, which are oriented to exports. In local market the Company has developed its own brand GymOn of whey protein powder concentrate for athletes that is offered to end-consumer. This product is distributed to supermarkets, sports shops, pharmacies and sold via own internet shop www.gymon.lt. It is also sold via Amazon online platform to reach Western European consumers, it is offered in German, Spanish, Italian and French Amazon platforms.

15. Key Events After Fiscal Year-End

No significant events have occurred.

III. OTHER INFORMATION ABOUT ISSUER

16. Structure of Issuer's Share Capital

Vilkyškių pieninė AB Group's Share Capital:

Issuer	Type of share	Number of share	Share face value, EUR	Total face value, 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 2020 was 1049. The following are the major shareholders, who own more than 5 percent of the Issuer's stock:

Natural/legal person	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	50.8%	0
Gintaras Bertašius*	0	0	50,8%
Multi Asset Selection Fund	2,035,729	17.05%	17.05%
Minority shareholders	3,840,065	32.15%	32.15%
Total stock	11,943,000	100%	100%

* Gintaras Bertašius did not have any shares in Vilkyškių pieninė AB, however he continues to exercise the 50.8 percent voting rights in shareholder's meetings (since 2018, ownership rights of 6 067 206 shares of Vilkyškių pieninė AB have been taken by Swisspartners Versicherung AG Zweigniederlassung Österreich).

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%
Total stock	2,457,070	100%	100%

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%
Total stock	5,617,118	100%	100%

Pieno logistika AB shareholders

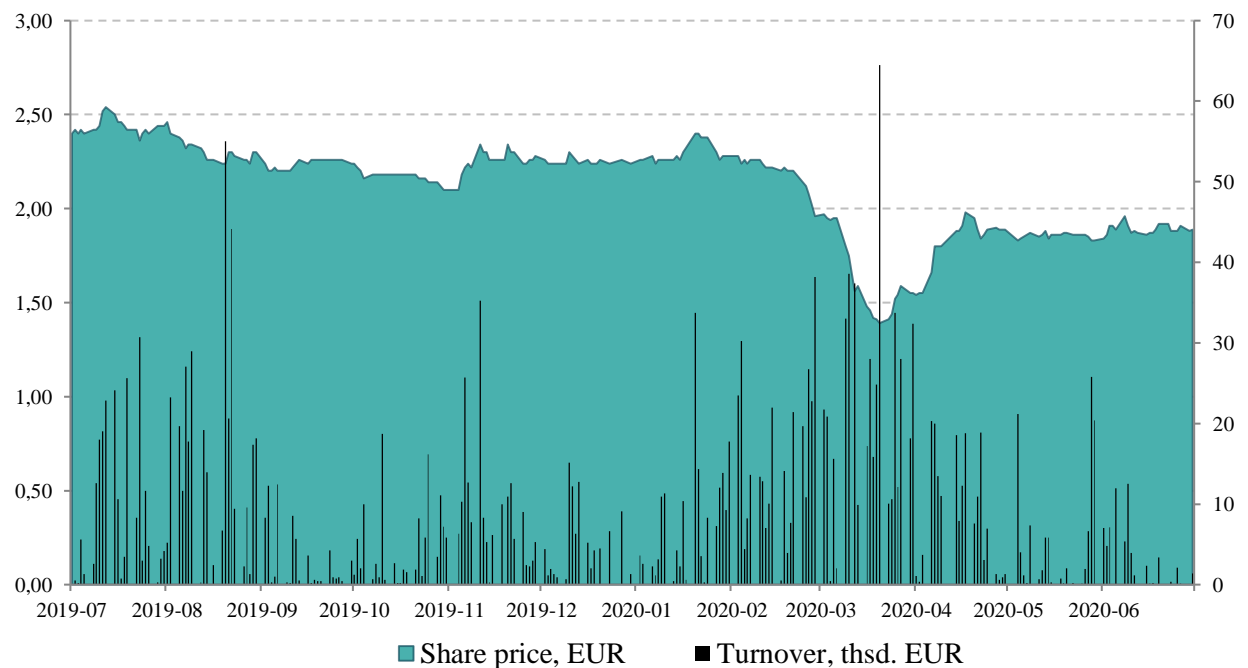
Shareholder	Number of shares held, units	Percent of share capital, pct	Share of votes at shareholder meetings, pct
Vilkyškių pieninė AB	218,781	58.9%	58.9%
Minority shareholders	152,552	41.1%	41.1%
Total stock	371,333	100%	100%

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

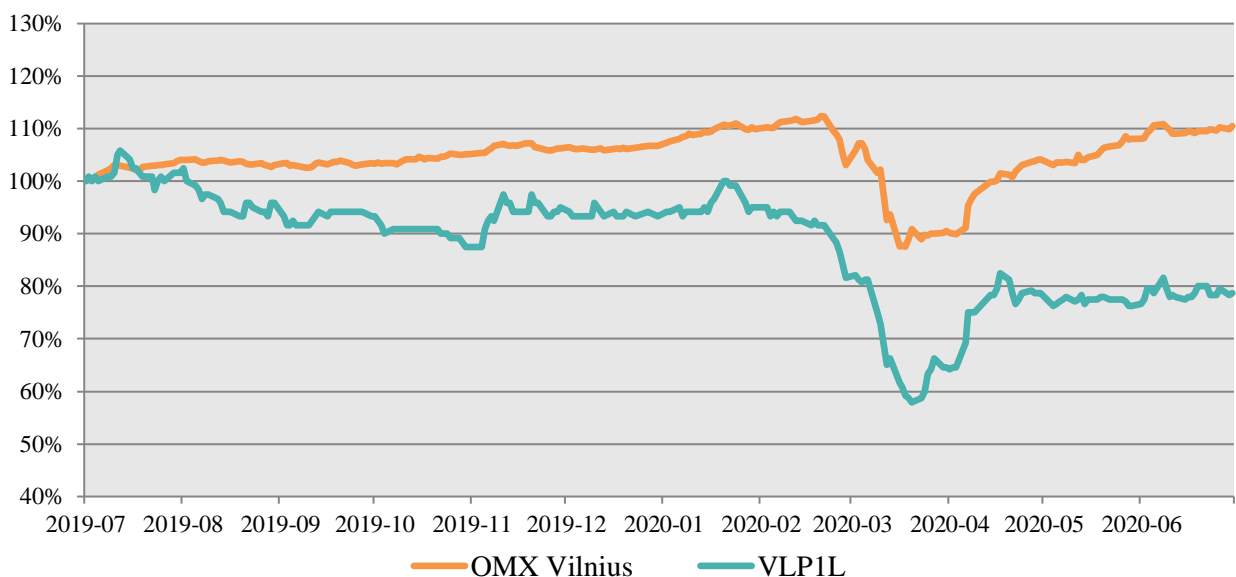
The Company is not aware of any direct agreements between shareholders that might result in restrictions on the transfer of securities and/or on voting rights.

22. Trading in Issuer's Securities on Regulated Markets

The change of price of Vilkyškių pieninė AB shares and trade volume in July 2019 – June 2020.



Comparison of Vilkyškių pieninė AB share price and OMX Vilnius Index July 2019 – June 2020.



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:

Dividend	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)	2020 (for 2019)
Dividend (EUR)	-	1,433,160	1,672,020	-	-
Dividend per share (EUR)	-	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:

Dividend	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)	2020 (for 2019)
Dividend (EUR)	3,931,312	2,285,075	786,262	1,719,949	5,651,261
Dividend per share (EUR)	1.60	0.93	0.32	0.70	2.30
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 30th of June 2020 the number of employees working for the Group of Vilkyškių pieninė AB amounted to 820.

Employee category	Number of employees	Education				Average monthly salary (EUR)
		higher	vocational	secondary	secondary incomplete	
Managers	28	23	5	-	-	3,964
Specialists	300	107	85	100	8	1,261
Workers	492	13	152	284	43	874
	820	143	242	384	51	1,120

On 30th of June 2019 the number of employees working for the Group of Vilkyškių pieninė AB amounted to 873.

Employee category	Number of employees	Education				Average monthly salary (EUR)
		higher	vocational	secondary	secondary incomplete	
Managers	28	23	5	-	-	3,863
Specialists	315	121	84	105	5	1,227
Workers	530	15	163	310	42	828
	873	159	252	415	47	1,065

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. 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 organising 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.

26. 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.

27. Activities of the Board

In the course of 6 months of 2020, a total of 8. Board meetings were held, with the required quorum present at each of them. The Board approved the 2019 annual financial statements and annual report; it called an ordinary meeting of shareholders and offered the distribution of the 2019 profit for an ordinary meeting of shareholders.

In regular meetings the Board discussed business development opportunities, granting/extension of loans and other current issues.

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

28. Board & Administration Members

Vilkyškių pieninė AB Board Members

Gintaras Bertašius – a Board Chairman since 30 January 2006, re-elected for a four-year term on 27 April 2018, CEO of Vilkyškių pieninė AB. Has higher education diploma in mechanical engineering. Membership in other companies' governing bodies: board chairman of *Modest AB* and *Kelmės pieninė AB*. On 30 June 2020 did not have any shares in Vilkyškių pieninė AB, however he continues to exercise the 50.8 percent voting rights in shareholder's meetings (since April 2018, ownership rights of 6 067 206 shares of Vilkyškių pieninė AB have been taken by Swisspartners Versicherung AG Zweigniederlassung Österreich).

Sigitas Trijonis – a Board Member since 30 January 2006, re-elected for a four-year term on 27 April 2018, Chief Technology Officer of Vilkyškių pieninė AB. Has higher education degree in mechanical engineering. As of 30 June 2020, 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 – a Board Member since 30 January 2006, re-elected for a four-year term on 27 April 2018. Has a college diploma as livestock engineer. Chief Purchasing Officer at Vilkyškių pieninė AB. As of 30 June 2020, he held 302,763 shares of Vilkyškių pieninė AB, 2.5 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Vilija Milaševičiūtė – a Board Member since 30 April 2009, re-elected for a four-year term on 27 April 2018. 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*, *Kelmės pieninė AB* and *Šilumos tinklai UAB* (CRN 179478621, address: Paberžių g. 16, 72324 Tauragė). As of 30 June 2020, she held 7,813 shares of Vilkyškių pieninė AB, 0.07 percent of the stock and voting rights.

Linas Strėlis – a Board Member since 7 March 2008, re-elected for a four-year term on 27 April 2018. Has higher education. Membership in other companies' governing bodies: Director of *LS Capital UAB* (CRN 133118295, address: V. Kudirkos g. 9, Kaunas) and *Biglis UAB* (CRN 133688345, address: V. Kudirkos g. 9, LT-50283 Kaunas), council chairman of *Association of Social Enterprises (Socialinių imonių asociacija)* (CRN 300542018, address: Raudondvario pl. 107, Kaunas), board member of *Umega AB* (CRN 126334727, address: Metalų g. 5, LT-28216 Utena) and *East West Agro AB* (CRN 300588407, address: Tikslų g. 10, Kumpiai, LT-54311 Kauno r.), a member of the supervisory board in *SIA Preses namas*. A member of EISME fund committee of *Lords LB Asset Management UAB* (CRN 301849625, address: Jogailos g. 4, LT-01116 Vilnius.). As of 30 June 2020, did not have any shares in Vilkyškių pieninė AB.

Andrej Cyba – a Board Member since 7 March 2008, re-elected for a four-year term on 27 April 2018. Has higher degree in business administration and management. Membership in other companies' governing bodies: CEO of *PEF GPI UAB* (CRN 302582709, address: Maironio g. 11, Vilnius), *PEF GP2 UAB* (CRN 302582716, address: Maironio g. 11, Vilnius) and *Piola UAB* (CRN 120974916, address: Mindaugo g. 16-52, LT-03225 Vilnius). Business Development Manager of *INVL Asset Management UAB*

(CRN 126263073, address: Gynėjų g. 14, LT-01109 Vilnius); board member of *Auga Group AB* (CRN 126264360, address: Konstitucijos pr. 21C, Quadrum North, LT-08130 Vilnius); chairman of the Board in *FMĮ INVL Finasta UAB* (CRN 304049332, address: Gynėjų g. 14, LT-01109 Vilnius) and *Mundus Asset Management UAB* (CRN 303305451, address: Vilniaus 31, LT-01402 Vilnius); chairman of the supervisory Board at *IPAS INVL Asset Management* (CRN 40003605043, address: Smilšu iela 7-1, LV-1050, Rīga) and *AS Pirmais atklātais pensiju fonds* (CRN 40003377918, address: Rīga, Smilšu iela 7-1, LV-1050). As of 30 June 2020, did not have any shares in Vilkyškių pieninė AB.

Vilkyškių pieninė AB Members of Administration

Gintaras Bertašius – CEO and Chairman of the Board. Works at the Company since 1993. Has higher education diploma as mechanical engineer. Membership in other companies' governing bodies: board chairman of *Modest AB* and *Kelmės pieninė AB*. On 30 June 2020 did not have any shares in Vilkyškių pieninė AB, however he continues to exercise the 50.8 percent voting rights in shareholder's meetings (since April 2018, ownership rights of 6 067 206 shares of Vilkyškių pieninė AB have been taken by *Swisspartners Versicherung AG Zweigniederlassung Österreich*).

Vilija Milaševičiūtė – Chief Economics and Financial Officer, a Board Member, working at the Company since 2000. Has higher education in finance and credit. Membership in other companies' governing bodies: a board member of *Modest AB*, *Kelmės pieninė AB* and *Šilumos tinklai UAB* (CRN 179478621, address: Paberžių g. 16, 72324 Tauragė). As of 30 June 2020, she held 7,813 shares of Vilkyškių pieninė AB, 0.07 percent of the stock and voting rights.

Vaidotas Juškys – Executive Officer, working at the Company since 2010. Has a higher education in IT. As of 30 June 2020, he held 9,511 shares of Vilkyškių pieninė AB, 0.08 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Sigitas Trijonis – Chief Technology Officer, a Board Member, working at the Company since 1993. Has higher education in mechanical engineer. As of 30 June 2020, 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 – Chief Purchasing Officer, a Board Member, working at the Company since 1996. Has college diploma as livestock engineer. As of 30 June 2020, held 302,763 shares of Vilkyškių pieninė AB, 2.5 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Arvydas Zaranka – Chief Production Officer, working at the Company since 1995. Has college degree in dairy technology. Membership in other companies' governing bodies: a board member of *Modest AB*. As of 30 June 2020, held 1,933 shares of Vilkyškių pieninė AB, 0.016 percent of the stock and voting rights.

Rita Juodikienė – Management and quality director. Working at the company since 2002. Has a master degree in business management. Membership in other companies' governing bodies: a board member of *Kelmės pieninė AB*. As of 30 June 2020, did not have any shares in Vilkyškių pieninė AB.

Members of Kelmės pieninė AB board and administration

Gintaras Bertašius – Chairman of the Board, re-elected for a four-year term on 29 April 2020. Participation in the governing bodies of other companies: board chairman and CEO of Vilkyškių pieninė AB, and *Modest AB*. Holds higher education degree in mechanical engineering. On 30 June 2020 did not have any shares in Vilkyškių pieninė AB, however he continues to exercise the 50.8 percent voting rights in shareholder's meetings (since April 2018, ownership rights of 6 067 206 shares of Vilkyškių pieninė AB have been taken by *Swisspartners Versicherung AG Zweigniederlassung Österreich*).

Vilija Milaševičiūtė – a member of the board, re-elected for a four-year term on 29 April 2020. Holds higher degree in finance and credit. Participation in the governing bodies of other companies: Chief Economics and Financial Officer and a board member of Vilkyškių pieninė AB, a board member of *Modest AB* and *Šilumos tinklai UAB* (CRN 179478621, address: Paberžių g. 16, 72324 Tauragė). As of 30 June 2020, held 7,813 shares in Vilkyškių pieninė AB, i.e. 0.07 percent of the stock and voting rights.

Rita Juodikienė – a member of the Board, re-elected for a four-year term on 29 April 2020. Has master degree in business management. Participation in the governing bodies of other companies: Quality and management director of Vilkyškių pieninė AB. Has no seats in other companies' governing bodies. As of 30 June 2020, did not have any shares in Vilkyškių pieninė AB.

Jolita Valantinienė - CEO of Kelmės pieninė AB, working at the company since 2017. Has master degree in management and business administration. As of 30 June 2020, did not have any shares in Vilkyškių pieninė AB. Has no seats in other companies' governing bodies.

Members of AB Modest board and administration

Gintaras Bertašius – Chairman of the Board. Holds higher education degree in mechanical engineering. Participation in the governing bodies of other companies: board chairman and CEO of AB Vilkyškių pieninė AB, a board chairman at Kelmės pieninė AB. On 30 June 2020 did not have any shares in Vilkyškių pieninė AB, however he continues to exercise the 50.8 percent voting rights in shareholder's meetings (since April 2018, ownership rights of 6 067 206 shares of Vilkyškių pieninė AB have been taken by Swisspartners Versicherung AG Zweigniederlassung Österreich).

Arvydas Zaranka – a member of the board, re-elected for a four-year term on 5 April 2017. Participation in the governing bodies of other companies: Chief Production Officer of AB Vilkyškių pieninė. Has college degree in dairy technology. As of 30 June 2020, held 1,933 shares in Vilkyškių pieninė AB, i.e. 0.016 percent of share capital and voting rights.

Vilija Milaševičiutė – a member of the board, re-elected for a four-year term on 5 April 2017. Participation in the governing bodies of other companies: Chief Economics and Financial Officer and board member in Vilkyškių pieninė AB, Kelmės pieninė AB and *Šilumos tinklai* UAB (CRN 179478621, address: Paberžių g. 16, 72324 Tauragė). Has higher education in finance and credit. As of 30 June 2020, held 7,813 shares in AB Vilkyškių pieninė, i.e. 0.07 percent of the stock and voting rights.

Matas Pozingis – CEO of Modest AB, working at the company since 2020. Has higher education degree in management and business administration. As of 30 June 2020, did not have any shares in Vilkyškių pieninė AB. Has no seats in other companies' governing bodies.

29. 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.

30. 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

31. 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.

32. 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 30 April 2020:

Item 1 of the Agenda: Approval of Company's annual report for the year 2019.

Resolution: The annual report of the Company for the year 2019 has been approved.

Item 2 of the Agenda: Auditor's Report regarding the Company's consolidated and separated financial Statements for 2019.

Heard.

Item 3 of the Agenda: Approval of Company's separated and consolidated financial statement for the year 2019.

Resolution: Company's separated and consolidated financial statements for the year 2019 has been approved.

Item 4 of the Agenda: Profit (loss) appropriation for the year 2019.

Resolution: The audited net profit (loss) allocation under IAS has been approved for the year 2019 as follows:

	thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2018	20,644
2) Approved by shareholders dividends of the year 2018	-
3) Transfers from the reserve to purchase own shares	-
4) Non-appropriated profit (loss) at the beginning of the current financial year after dividends payout and transfer from reserves	20,644
5) Net profit (loss) of the reporting period	(4,059)
6) Transfers from reserves	117
7) Net profit to be appropriated at the end of the current financial year	16,722
8) Total profit (loss) to be appropriated:	
- portion of the profit allocated to the legal reserve	-
- portion of the profit allocated for payment of the dividends	-
- portion of the profit allocated to the other reserves	-
9) Non-appropriated profit (loss) at the end of the current financial year carried forward to next financial year	16,722