



ENDORSEMENT BY THE RESPONSIBLE PERSONS

27/02/2015

Pursuing Article 22 of the Law on Securities of the Republic of Lithuania and in accordance with the rules of preparation and submission of periodical and supplementary information approved by the Central Bank of the Republic of Lithuania, we, the undersigned – the Chief Executive Officer Antanas Trumpa and the Chief Financial Officer Antanas Kavaliauskas – approve that the twelve month non-audited interim consolidated financial statements of „Rokiškio sūris“ for the year 2014, are formed in accordance with the applicable accounting standards, they are true and show fair assets, obligations, financial state, profit (loss) and cash flows of the Company and total consolidated group.

Attached: A set of non-audited interim consolidated financial statements of „Rokiškio sūris“ for the period of twelve months 2014.

Chief Executive Officer

A handwritten signature in black ink, appearing to be "Antanas Trumpa".

Antanas Trumpa

Chief Financial Officer

A handwritten signature in blue ink, appearing to be "Antanas Kavaliauskas".

Antanas Kavaliauskas





**A SET OF CONSOLIDATED NON-AUDITED
INTERIM FINANCIAL STATEMENTS
OF ROKISKIO SURIS AB
FOR TWELVE MONTHS PERIOD
OF THE YEAR 2014**

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1. General information

1. Reporting term of the Consolidated Interim Financial Statements

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

2. Key information of the issuer

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

Legal base: Joint Stock Company.

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

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

E-mail address: rokiskio.suris@rokiskio.com

Website: www.rokiskio.com

Registered in on 28th February 1992 by the Authorities of Rokiskis region.

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

Company code 173057512.

Manager of registry of legal entities – State company "Registru centras".

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

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

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

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

Subsidiaries of AB "Rokiškio sūris":

UAB „Rokiskio pienas“ legal address: Pramonės str. 8, LT - 28216 Utena. Company code: 300561844.

AB „Rokiškio sūris“ is its founder and the only shareholder having 100 per cent of shares.

UAB „Rokiškio pieno gamyba“ legal address: Pramonės str. 8, LT - 28216 Utena. Company code:

303055649. AB „Rokiškio sūris“ is its founder and the only shareholder having 100 per cent of shares.

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

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

Latvian company SIA Kaunata (company code 240300369, legal address Rogs, Kaunata pag.,

Rezeknes nov., Latvia).

Branches of AB "Rokiškio sūris":

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

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

4. Characterization of the issuer's basic business

Basic business of the group of "Rokiškio sūris":

Dairying and cheese production (EVRK 10.51);

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

Subsidiaries:

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

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

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

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

Basic business of SIA Kaunata – purchase of raw milk.

Branches of AB "Rokiškio sūris":

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

5. Authorized capital of the issuer

As at December 31st, 2014, the Authorized capital of AB "Rokiškio sūris" comprised of the following:

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

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

6. Shareholders.

Total number of shareholders (as at 31.12.2014) – 5,502 shareholders.

The shareholders having or owning over 5 per cent of the issuer's authorized capital (as at 31.12.2014):

| Name, surname Name of company | Address | Proprietary rights | | | With associated persons | |
|---|---|--------------------|-----------------|---------|-------------------------|------------------|
| | | Number of shares | Capital share % | Votes % | Capital share % | Number of shares |
| UAB "Pieno pramonės investicijų valdymas" Company code 173748857 | Pramonės str. 3, Rokiškis Lithuania | 10 032 173 | 27.97 | 28.61 | 70.47 | 72.08 |
| SIA "RSU Holding", reg.No.40103739795 | Sliezu iela 9A-25, Riga | 8 909 347 | 24.84 | 25.41 | 70.47 | 72.08 |

| | | | | | | |
|---|---|-----------|-------|-------|-------|-------|
| Antanas Trumpa | Sodų 41a, Rokiškis Lithuania | 6 199 875 | 17.29 | 17.68 | 70.47 | 72.08 |
| Swedbank clients Company code 10060701 EE 40003074764 LV | Liivalaia 8, Tallinn Estonia/ Balasta Dambis 1A Latvia | 2 490 741 | 6.94 | 7.10 | - | - |
| SEB SA OMNIBUS (funds/inst clients) LUESSE22 | Liukseburgas | 1 778 605 | 4.96 | 5.07 | - | - |
| AB „Rokiškio sūris“ Company code 173057512 | Pramonės g.3, Rokiškis Lithuania | 802 094 | 2.24 | - | - | - |

7. Shareholders' rights

Shareholders have the following non-economic rights:

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

Shareholders have the following property rights:

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

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

8. Trade on issuer's securities by stock exchange and other organised markets

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

Trade on central market:

| Reported period | | Price (Eur) | | | | Turnover (Eur) | | | |
|-----------------|------------|-------------|-------|-------|--------------|------------------------------|------------|-----|--------------|
| from | to | max | min. | aver. | Last session | Date of last trading session | max | min | Last session |
| 2011.01.01 | 2011.03.31 | 1.789 | 1.505 | 1.696 | 1.750 | 2011.03.31 | 92,633.76 | 0 | 0 |
| 2011.04.01 | 2011.06.30 | 1.807 | 1.410 | 1.574 | 1.440 | 2011.06.30 | 118,496.02 | 0 | 118,496.02 |
| 2011.07.01 | 2011.09.30 | 1.485 | 1.370 | 1.404 | 1.400 | 2011.09.30 | 223,147.30 | 0 | 14,035.60 |
| 2011.10.01 | 2011.12.30 | 1.478 | 1.205 | 1.256 | 1.298 | 2011.12.30 | 644,770.74 | 0 | 3,595.46 |
| 2012.01.01 | 2012.03.30 | 1.388 | 1.29 | 1.360 | 1.359 | 2012.03.30 | 118,945.00 | 0 | 0 |
| 2012.04.01 | 2012.06.30 | 1.40 | 1.25 | 1.36 | 1.360 | 2012.06.29 | 108,953.50 | 0 | 4,128.00 |
| 2012.07.01 | 2012.09.30 | 1.40 | 1.30 | 1.37 | 1.40 | 2012.09.28 | 641,665.74 | 0 | 1,158.70 |
| 2012.10.01 | 2012.12.31 | 1.47 | 1.33 | 1.37 | 1.40 | 2012.12.28 | 390,622.20 | 0 | 1,950.00 |
| 2013.01.01 | 2013.03.28 | 1.59 | 1.39 | 1.46 | 1.57 | 2013.03.30 | 77,386.93 | 0 | 4,671.62 |
| 2013.04.01 | 2013.06.28 | 1.63 | 1.44 | 1.49 | 1.50 | 2013.06.28 | 335,690.00 | 0 | 5,992.78 |
| 2013.07.01 | 2013.09.30 | 1.64 | 1.48 | 1.57 | 1.64 | 2013.09.30 | 93,753.10 | 0 | 93,753.10 |
| 2013.10.01 | 2013.12.31 | 1.62 | 1.50 | 1.55 | 1.59 | 2013.12.30 | 265,880.80 | 0 | 1,162.22 |
| 2014.01.01 | 2014.03.31 | 1.74 | 1.59 | 1.68 | 1.70 | 2014.03.31 | 106,298.00 | 0 | 0 |
| 2014.04.01 | 2014.06.30 | 1.70 | 1.55 | 1.59 | 1.65 | 2014.06.30 | 813,077.60 | 0 | 907.50 |
| 2014.10.01 | 2014.12.31 | 1,57 | 1,38 | 1,50 | 1,38 | 2014.12.30 | 69 146,00 | 0 | 814,20 |

Trade by the shares of AB "Rokiškio sūris" within January-December 2014

rice EUR



Data source – website of AB NASDAQ OMX Vilnius:

<http://www.nasdaqomxbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=en¤cy=0&downloadcsv=0&date=&start=01.01.2014&end=31.12.2014>

9. Management bodies of the issuer

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

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

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

Members of the Board of Directors:

Dalius Trumpa – Board Chairman (elected on 17th July 2012). Owns 83,500 ordinary registered shares, i.e. 0.23% of the Authorized capital and 0.24% of votes of AB „Rokiškio sūris“.

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

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

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

The Board of Directors remain in office for a tenure of 4 years. The cadence ends on 17th July 2016.

Manager of the Company:

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

Information on the company's manager (director):

The CEO of the Company:

Antanas Trumpa owning 6,199,875 ordinary registered shares of AB „Rokiškio sūris“, i.e. 17.28% of the authorized capital of AB “Rokiškio sūris“ and 17.68% of votes.

**AB „ROKIŠKIO SŪRIS“
CONSOLIDATED AND PARENT COMPANY’S
FINANCIAL STATEMENTS as at 31th December 2014**
Company code 173057512, address: Pramonės g. 3, LT-42150 Rokiškis, Lithuania
(All tabular amounts are in LTL '000 unless otherwise stated)

2. Consolidated Balance sheet

| | December 31, 2014 | December 31, 2013 |
|--|-------------------|-------------------|
| PROPERTY | | |
| Long-term tangible assets | 136,458 | 148,158 |
| Intangible assets (with prestige) | 524 | 1,023 |
| Other receivables in a year | 18,323 | 47,978 |
| | 155,305 | 197,159 |
| Current assets | | |
| Inventories | 152,097 | 128,536 |
| Receivables and advance payments | 104,951 | 129,732 |
| Short-term investments | 43,923 | 34,636 |
| Cash and cash equivalents | 11,483 | 21,527 |
| | 312,454 | 314,431 |
| Total assets | 467,759 | 511,590 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | | |
| Ordinary shares | 35,868 | 35,868 |
| Share premium | 41,473 | 41,473 |
| Reserve for acquisition of treasury shares | 40,287 | 40,287 |
| Treasury shares | (3,868) | (3,868) |
| Other reserves | 41,493 | 55,627 |
| Retained earnings | 184,319 | 175,017 |
| | 339,572 | 344,404 |
| Non-current liabilities | | |
| Borrowings | 4,443 | 4,056 |
| Deferred income tax liability | 6,171 | 8,809 |
| Deferred income | 2,691 | 3,805 |
| | 13,305 | 16,670 |
| Current liabilities | | |
| Trade and other payables | 61,676 | 69,655 |
| Tax liabilities | 1,695 | 1,423 |
| Deferred income | 1,123 | 1,307 |
| Borrowings | 50,388 | 78,131 |
| | 114,882 | 150,516 |
| Total equity and liabilities | 467,759 | 511,590 |

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

3. Consolidated Statement of comprehensive income

| | January - December | | September - December | |
|--|--------------------|-----------|----------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Sales | 860,613 | 861,355 | 200,957 | 205,790 |
| Cost of sales | (794,310) | (756,095) | (181,920) | (168,255) |
| Gross profit | 66,303 | 105,260 | 19,307 | 37,535 |
| Selling and marketing expenses | (66,991) | (69,033) | (20,741) | (25,222) |
| Operating profit (loss) | (688) | 36,227 | (1,704) | 12,313 |
| Finance costs | (1,397) | (1,157) | (130) | (213) |
| Profit before tax | (2,085) | 35,070 | (1,834) | 12,100 |
| Income tax (accumulation) | 760 | (2,285) | 1,802 | 1,163 |
| Operating activity income (loss) | (1,325) | 32,785 | (32) | 13,263 |
| Net profit (loss) | (1,325) | 32,785 | (32) | 13,263 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | (1,325) | 32,785 | (32) | 13,263 |

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

4. Consolidated cash flow statement

| | January - December | |
|--|--------------------|-----------|
| | 2014 | 2013 |
| Operating activities | | |
| Profit before tax and minority interest | (2,085) | 35,070 |
| <i>Corrections:</i> | | |
| – depreciation | 31,588 | 35,532 |
| – amortisation (negative prestige not included) | 51 | 207 |
| – write-off of property, plant and equipment and intangible assets | 18 | 112 |
| – loss on disposal of property, plant and equipment | 1,682 | 361 |
| – interest expense | 1,397 | 1,157 |
| – interest income | (3,447) | (2,891) |
| – accrual for vacation reserve and bonus | (2,826) | (4,827) |
| – amortization of government grants received | (1,298) | (2,009) |
| <i>Circulating capital changes:</i> | | |
| - inventories | (23,561) | (34,164) |
| - amounts payable | 6,611 | 41,749 |
| - amounts receivable and prepayments | 24,781 | (32,846) |
| Cash flows from operating activities | 32,911 | 37,451 |
| Interest paid | (1,397) | (1,157) |
| Net cash generated from operating activities | 31,514 | 36,294 |
| Investing activities | | |
| Purchase of property, plant and equipment | (22,008) | (39,246) |
| Purchase of intangible assets | (4) | (108) |
| Loans granted to farmers and employees | (11,106) | (7,404) |
| Proceeds from sale of property, plant and equipment | 434 | 437 |
| Other loans granted | (16,635) | (25,181) |
| Repayments of loans granted to farmers and employees | 12,134 | 5,909 |
| Interest received | 3,447 | 2,891 |
| Other loan repayments received | 25,563 | 21,475 |
| Government grants received | - | 889 |
| Net cash generated from investing activities | (8,175) | (40,338) |
| Financing activities | | |
| Lease payment | | |
| Loans received | 578,301 | 553,217 |
| Repayments of borrowings | (608,177) | (530,157) |
| Dividends paid | (3,507) | (3,518) |
| Net cash generated from financing activities | (33,383) | 19,542 |
| Net increase in cash and cash equivalents | (10,044) | 15,498 |
| Cash and cash equivalents at the beginning of the period | 21,527 | 6,029 |
| Cash and cash equivalents at the end of the period | 11,483 | 21,527 |

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

5. Consolidated Own Capital Change Statement

| | Share capital | Share premium | Reserve for acquisition of treasury shares | Treasury shares | Other reserves | Retained earnings | Total |
|--|---------------|---------------|--|-----------------|----------------|-------------------|----------------|
| Balance at December 31st 2012 | 35,868 | 41,473 | 40,287 | (3,868) | 71,201 | 130,176 | 315,137 |
| Comprehensive income | | | | | | | |
| Profit (loss) of the year | | | | | | 32,785 | 32,785 |
| Transfer to retained earnings (transfer of depreciation, net of deferred income tax) | | | | | (15,574) | 15,574 | |
| Dividends related to 2012 | | | | | | (3,518) | (3,518) |
| Transfer to reserves | | | | | | | |
| Balance at December 31st 2013 | 35,868 | 41,473 | 40,287 | (3,868) | 55,627 | 175,017 | 344,404 |
| Comprehensive income | | | | | | | |
| Profit (loss) of the year | | | | | | (1,325) | (1,325) |
| Transfer to retained earnings (transfer of depreciation, net of deferred income tax) | | | | | (14,134) | 14,134 | |
| Dividends related to 2013 | | | | | | (3,507) | (3,507) |
| Balance at December 31st 2014 | 35,868 | 41,473 | 40,287 | (3,868) | 41,493 | 184,319 | 339,572 |

**AB „ROKIŠKIO SŪRIS“
CONSOLIDATED AND PARENT COMPANY’S
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(All tabular amounts are in LTL ‘000 unless otherwise stated)

6. Commentary on the Report

1. General information

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

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

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

| | Operating as at 31 December | | | Group’s share (%) as at 31 December | |
|---------------------|--------------------------------|------|------------------------------------|---|--------|
| | 2014 | 2013 | | 2014 | 2013 |
| Branches | | | Subsidiaries | | |
| Utenos Pienas | Yes | Yes | UAB „Rokiškio pienas“ | 100.00 | 100.00 |
| Ukmergės Pieninė | Yes | Yes | UAB „Rokiškio pieno gamyba“ | 100.00 | 100.00 |
| | | | KB „Žalmargė“ | 100.00 | 100.00 |
| | | | SIA „Jekabpils Piena Kombinats“ | 100.00 | 100.00 |
| | | | SIA „Kaunata“* | 60.00 | 60.00 |
| | | | Joint venture | | |
| | | | UAB „Pieno upės“ | - | 50.00 |

* These subsidiaries were not consolidated due to their insignificance.

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

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

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

As of 31 December 2014, the average number of the Group’s employees was equal to 1,665 (compared to 1,720 employees as at 31st December 2013).

2. Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Information on segments

Business segments and the segments presented by the financial statements

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

The Group's main business segments:

- Fresh dairy products
- Cheese and other dairy products.

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

Geographic segments

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

| | 2014 12 31 | 2013 12 31 |
|--|-------------------|-------------------|
| Lithuania | 284,307 | 247,947 |
| Countries of EU | 418,839 | 445,011 |
| Other (including USA and Japan) | 157,467 | 168,397 |
| Total | 860,613 | 861,355 |

Income analysis according to groups:

| | 2014 12 31 | 2013 12 31 |
|--------------------------|-------------------|-------------------|
| Product Sales | 857,895 | 858,986 |
| Provided services | 2,718 | 2,369 |
| Total | 860,613 | 861,355 |

4. Long-term tangible assets

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

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

5. Other receivables

As at 31th December 2014, the Group’s receivables were made of:

| | 2014 12 31 | 2013 12 31 |
|--------------------------------------|---------------|---------------|
| Long-term loans granted to farmers | 584 | 2,361 |
| Long-term loans granted to employees | 896 | 958 |
| Investments | 560 | 551 |
| Loans to other companies | 10,889 | 39,462 |
| Other | 5,394 | 4,646 |
| Total | 18,323 | 47,978 |

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

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

6. Inventories

As at 31th December 2014, the Group’s inventories were made of:

| | 2014 12 31 | 2013 12 31 |
|------------------------|----------------|----------------|
| Raw material | 7,955 | 8,362 |
| Production in progress | 18,207 | 22,079 |
| Ready production | 122,450 | 94,916 |
| Other inventories | 3,485 | 3,179 |
| Total | 152,097 | 128,536 |

7. Selling and Other Receivables

As at 31th December 2014, the Group’s selling and other receivables were made of:

| | 2014 12 31 | 2013 12 31 |
|--|----------------|----------------|
| Selling receivables | 96,696 | 120,466 |
| VAT receivable | 4,333 | 7,936 |
| Other receivables | 542 | 424 |
| Advance payments and future period expenses | 3,380 | 906 |
| Total | 104,951 | 129,732 |

8. Cash and cash equivalents

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

| | 2014 12 31 | 2013 12 31 |
|---|---------------|---------------|
| Money in bank and cash-in-hand (Group) | 11,341 | 21,476 |
| Current deposits | 142 | 51 |
| Total | 11,483 | 21,527 |

9. Financial ratios

The Group's financial ratios:

| | 2014 12 31 | 2013 12 31 | 2012 12 31 |
|---|------------|------------|------------|
| Revenue (LTL thousand) | 860,613 | 861,355 | 796,407 |
| EBITDA (LTL thousand) | 30,951 | 71,952 | 70,883 |
| EBITDA margin (%) | 3.60 | 8.35 | 8.90 |
| Operations profit (LTL thousand) | (686) | 36,227 | 35,971 |
| Margin of operations profit (%) | (0.08) | 4.20 | 4.52 |
| Profit per share (LTL) | (0.04) | 0.93 | 0.84 |
| Number of shares (units) | 35,867,970 | 35,867,970 | 35,867,970 |

10. Information on the audit

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

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

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

On 11th February 2015, the company signed an amendment to the credit agreement with the bank in regards with increase of overdraft limit up to EUR 1,000,000 as well as an extension of term of repayment until 31st January 2016, also increase of limit of the credit up to EUR 24,000,000 and an extension of term of the credit agreement until 15th February 2016. The overall credit limit is equal to EUR 25,000,000 and interest rate unchanged.