



Vilkyškių pieninė AB

Interim consolidated unaudited financial
statements for the 6 months of 2019

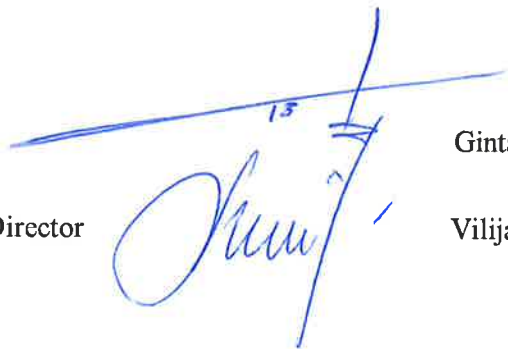
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Confirmation of Responsible Persons

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 2019, 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 Bertasius

Economics and Finance Director

Vilija Milaševičiutė



The financial statements were approved and signed by the Management on 30 August 2019.

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 Vilkyškiai, Pagegiai
municipality, Lithuania

Board

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

Management

Gintaras Bertasius, General Director
Vaidotas Juskys, 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

Consolidated statement of financial position

Thousand EUR	Note	<u>30 06 2019</u>	<u>31 12 2018</u>
Assets			
Property, plant and equipment		50,805	51,310
Intangible assets		6,927	6,933
Non-current amounts receivable	5	305	314
Non-current assets		<u>58,037</u>	<u>58,557</u>
Inventories	6	14,642	15,228
Trade and other amount receivable	7	9,234	7,347
Prepayments	8	406	746
Cash and cash equivalents	9	365	407
Current assets		<u>24,647</u>	<u>23,728</u>
Total assets		<u>82,684</u>	<u>82,285</u>
Equity			
Share capital	10	3,463	3,463
Share premium		3,301	3,301
Reserves		2,517	2,579
Retained earnings		21,455	22,153
Equity attributable to owners of the Company		<u>30,736</u>	<u>31,496</u>
Non-controlling interest		<u>50</u>	<u>51</u>
Equity		<u>30,786</u>	<u>31,547</u>
Liabilities			
Borrowings and financial lease liabilities	11	14,435	14,900
Government grants	12	5,532	5,824
Deferred income tax liability		348	844
Non-current liabilities		<u>20,315</u>	<u>21,568</u>
Borrowings and financial lease liabilities	11	14,763	12,924
Income tax payable		-	-
Trade and other payables	13	16,820	16,246
Current liabilities		<u>31,583</u>	<u>29,170</u>
Liabilities		<u>51,898</u>	<u>50,738</u>
Total equity and liabilities		<u>82,684</u>	<u>82,285</u>

Consolidated income statement

Thousand EUR	Note	01 01 2019- 30 06 2019	01 01 2018- 30 06 2018	01 04 2019- 30 06 2019	01 04 2018- 30 06 2018
Revenue	1	53,581	47,467	26,167	26,492
Cost of sales	1	-50,909	-43,538	-24,301	-24,343
Gross profit	1	2,672	3,929	1,866	2,149
Other operating income		195	145	75	69
Distribution expenses		-2,155	-2,317	-1,035	-1,267
Administrative expenses		-1,345	-1,240	-689	-761
Other operating expenses		-79	-80	-37	-43
Result of operating activities		-712	437	180	147
Finance income		15	2	5	1
Finance costs		-559	-495	-286	-286
Net finance costs		-544	-493	-281	-285
Profit (loss) before income tax		-1,256	-56	-101	-138
Income tax expenses		495	296	160	254
Profit (loss) for the period		-761	240	59	116
Attributable to:					
Shareholders of the Company		-760	238	59	114
Non-controlling interest		-1	2	0	2
Profit (loss) for the period		-761	240	59	116
Basic earnings per share (EUR)	2	-0.06	0.02	0.00	0.01

Consolidated statement of comprehensive income

Thousand EUR	Note	<u>01 01 2019- 30 06 2019</u>	<u>01 01 2018- 30 06 2018</u>	<u>01 04 2019- 30 06 2019</u>	<u>01 04 2018- 30 06 2018</u>
Profit (loss) for the period		-761	240	59	116
Other comprehensive income					
Change in fair value of hedging instruments		-	57	-	59
Effect of income tax		-	-	-	-
Other comprehensive income for the period, net of income tax		-	57	-	59
Total comprehensive income		-761	297	59	175
Attributable to:					
Shareholders of the Company		-760	295	59	173
Non-controlling interest		-1	2	0	2
Total comprehensive income		-761	297	59	175

Consolidated statement of changes in equity

Thousand EUR	Note	Equity attributable to owners of the Company							Total	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 2018		3,463	3,301	2,369	-118	2,508	346	22,367	34,236	51	34,287
Comprehensive income for the period											
Profit (loss) for the period		-	-	-	-	-	-	238	238	2	240
Other comprehensive income											
Allocated from reserves		-	-	-71	-	-	-	71	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	57	-	-	-	57	-	57
Total other comprehensive income		-	-	-71	57	-	-	71	57	-	57
Total comprehensive income for the period		-	-	-71	57	-	-	309	295	2	297
Contributions by and distributions to owners:											
Transfers to reserve for acquisition of own shares		-	-	-	-	-2,508	-	2,508	-	-	-
Dividends		-	-	-	-	-	-	-1,672	-1,672	-	-1,672
Total contributions by and distributions to owners		-	-	-	-	-2,508	-	836	-1,672	-	-1,672
Changes in the Group not resulting in a loss of control											
Change (decrease) in minority interest		-	-	-	-	-	-	-	-	-	-
Total transactions with shareholders		-	-	-	-	-	-	-	-	-	-
At 30 June 2018	10	3,463	3,301	2,298	-61	-	346	23,512	32,859	53	32,912

(continued)

Consolidated statement of changes in equity (continued)

Thousand EUR	Note	Equity attributable to owners of the Company							Total	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 2018		3,463	3,301	2,298	-61	-	346	23,512	32,859	53	32,912
Comprehensive income for the period											
Profit (loss) for the period		-	-	-	-	-	-	-1,424	-1,424	-2	-1,426
Other comprehensive income											
Allocated from reserves		-	-	-65	-	-	-	65	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	61	-	-	-	61	-	61
Total other comprehensive income		-	-	-65	61	-	-	65	61	-	61
Total comprehensive income for the period		-	-	-65	61	-	-	-1,359	-1,363	-2	-1,365
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 2018	10	3,463	3,301	2,233	-	-	346	22,153	31,496	51	31,547

(continued)

Consolidated statement of changes in equity (continued)

Thousand EUR	Equity attributable to owners of the Company								Non-controlling interest	Total equity	
	Note	Share capital	Share premium	Revaluation reserve	Hedging reserve	Reserve for acquisition of own shares	Legal reserve	Retained earnings			Total
At 1 January 2019		3,463	3,301	2,233	-	-	346	22,153	31,496	51	31,547
Comprehensive income for the period											
Profit (loss) for the period		-	-	-	-	-	-	-760	-760	-1	-761
Allocated from reserves		-	-	-62	-	-	-	62	-	-	-
Formation of reserve for derivative financial instruments		-	-	-	-	-	-	-	-	-	-
Total other comprehensive income		-	-	-62	-	-	-	62	-	-	-
Total comprehensive income for the period		-	-	-62	-	-	-	-698	-760	-1	-761
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 2019	10	3,463	3,301	2,171	-	-	346	21,455	30,736	50	30,786

Consolidated statement of cash flows

Thousand EUR	Note	01 01 2019- 30 06 2019	01 01 2018- 30 06 2018
Cash flows from operating activities			
Profit (loss) for the period		-761	240
Adjustments for:			
Depreciation of property, plant and equipment	3	2,206	2,274
Amortization of intangible assets	4	6	25
Amortization and write-off of grants	12	-292	-289
Gain (loss) from disposal of property, plant and equipment		-54	-1
Income tax expenses		-495	-296
Net finance costs		544	493
		1,154	2,446
Change in inventories		582	-5,585
Change in non-current amounts receivable		9	19
Change in trade and other receivables and prepayments		-2,056	-1,078
Change in trade and other payables		334	1,355
		23	-2,843
Interest paid		-340	-384
Income tax paid		-8	-24
Net cash flows generated from operating activities		-325	-3,251
Cash flows from investing activities			
Payments for acquisition of plant and equipment		-1,416	-359
Payments for acquisition of intangible assets		-	-3
Proceeds from sale of plant and equipment		113	25
Acquisition of shares of the subsidiary		-	-
Loans granted		-	-
Government grants received		376	6
Repayments of loans		103	-
Interest received		-	-
Net cash flows used in investing activities		-824	-331

Consolidated statement of cash flows (continued)

Thousand EUR	Note	01 01 2019- 30 06 2019	01 01 2018- 30 06 2018
Cash flows from financing activities			
Loans received		4,654	6,936
Repayments of borrowings		-3,547	-2,645
Dividends paid		-	-922
Net cash flows generated from financing activities		1,107	3,369
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January	9	-42 407	-213 317
Cash and cash equivalents at 30 June	9	365	104

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 2019, 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
UAB Orion Asset Management, 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, together with related parties, 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

The Parent Company’s core line of business is production and sale of different types of cheese. The Company also produces and sells whey products, raw milk and cream.

Business activities are carried out in the main production buildings located in Vilkyškiai, Pagėgiai region municipality. The Parent Company also has a milk distribution centre located in Eržvilkas, Jurbarkas region municipality.

The Parent Company controls subsidiary Modest AB, which is engaged in milk processing and production of milk products. The Company owns 99.7% of voting rights of subsidiary Modest AB. Modest AB produces fermented ‘Mozzarella’ cheese, blue-veined cheese, and other cheese products and processes whey.

The Parent Company also controls subsidiary Kelmės Pieninė AB, which is engaged in milk processing and production of milk products. The Company owns 100% of voting rights of subsidiary Kelmės Pieninė AB. Kelmės Pieninė AB produces fresh and dry milk products.

The subsidiary Pieno Logistika AB became part of the Group in 2013. The authorised share capital of the mentioned company amounts to EUR 107.7 thousand and its main activity is lease of buildings. The Company owns 58.9% of voting rights of subsidiary Pieno Logistika AB.

At 30 June 2019 the Group had 873 employees (31 December 2018 - 934).

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 2018. 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 2018 December 31.

The new leases standard IFRS 16 comes into effect on 1 January 2019.

All intra-group transactions are eliminated in the consolidated financial statements. IFRS 16 Leases does not have an impact on the consolidated financial statements.

The interim consolidated financial statements for the 6 months 2019 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 liquid whey that stays during the process of cheese production;
- *Dry milk products.* The segment comprises WPC, skimmed-milk, permeate and whey powder produced by the subsidiaries. The segment is observed starting from 2018. The data of 2017 is respectively presented.
- *Fresh milk products.* The segment comprises fresh milk products produced by the subsidiaries (milk, kephir, yoghurt, sour milk, butter, curd products);

Segments results on first half of 2019 were as follows:

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

Segments results on first half of 2018 were as follows:

Thousand EUR	Cheese, cheese products and other	Dry milk products	Fresh milk products	Total
Sales	35,021	1,537	10,909	47,467
Cost of sales	-32,293	-2,176	-9,069	-43,538
Gross profit	2,728	-639	1,840	3,929

Revenue per geographical segments:

Thousand EUR	01 01 2019- 30 06 2019	01 01 2018- 30 06 2018
Lithuania	11,776	13,124
European Union, except for Lithuania	27,227	25,171
Other countries	14,578	9,172
	<u>53,581</u>	<u>47,467</u>

2 Profit (loss) per share

	01 01 2019- 30 06 2019	01 01 2018- 30 06 2018
Number of issued shares calculated based on weighted average method, in thousand units	11,943	11,943
Net profit, attributable to ordinary shareholders of the Parent Company, in thousand EUR	<u>-760</u>	<u>238</u>
Profit (loss) per share, in EUR	<u><u>-0.06</u></u>	<u><u>0.02</u></u>

3 Property, plant and equipment

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

On 30 June 2019 depreciation amounted to 2,206 thousand EUR (on 30 June 2018 – 2,274 thousand EUR).

4 Intangible assets

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

On 30 June 2019 amortization amounted to 6 thousand EUR (on 30 June 2018 - 25 thousand EUR).

5 Non-current receivables

Thousand EUR	30 06 2019	31 12 2018
Financial instruments		
Loans granted to related parties (b)	63	63
Non-current receivables from farmers (c)	28	37
	<u>91</u>	<u>100</u>
Non-financial assets		
Prepayments to related parties (a)	214	214
	<u><u>305</u></u>	<u><u>314</u></u>

(a) A prepayment amounting to EUR 214 thousand was made to a related company “Šilgaliai“ ŪKB. The prepayment must be fully settled until 31 December 2023. The outstanding balance of the prepayment is subject to an administrative fee.

(b) A loan amounting to EUR 63 thousand was granted to a related company “Šilgaliai“ ŪKB, to be repaid by 31 December 2021. The outstanding balance of the loan bears a fixed interest rate.

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

6 Inventories

Thousand EUR	30 06 2019	31 12 2018
Finished products	12,270	12,823
	<hr/> 12,270	<hr/> 12,823
Raw materials	96	100
Consumables	2,006	2,050
Work in progress	270	255
	<hr/> 14,642	<hr/> 15,228

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

As at 30 June 2019, the inventories with the net book value of up to EUR 5,548 thousand (31 December 2018: up to EUR 5,548 thousand) have been pledged to financial institutions.

7 Trade and other receivables

Thousand EUR	30 06 2019	31 12 2018
Trade receivables	8,538	4,206
Impairment losses	-97	-97
Loans granted to related parties, including interest charged and administration fee	102	215
	<hr/> 8,543	<hr/> 4,324
Financial assets	78	430
Other amounts receivable	613	2,593
Taxes receivable (other than income tax)	<hr/> 9,234	<hr/> 7,347
Total trade and other receivables	<hr/> <hr/> 9,234	<hr/> <hr/> 7,347

Taxes receivable mainly comprise 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 2019, the amount receivable pledged was equal to EUR 145 thousand (30 June 2018: EUR 152 thousand).

8 Prepayments

Thousand EUR	30 06 2019	31 12 2018
Prepayments (a)	222	552
Prepayments to related parties	184	194
	<u>406</u>	<u>746</u>

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

9 Cash and cash equivalents

Thousand EUR	30 06 2019	31 12 2018
Cash balances in bank accounts	241	275
Cash on hand	124	132
	<u>365</u>	<u>407</u>

Cash inflows into bank accounts have been pledged to secure the repayment of the bank loans.

10 Capital

As at 30 June 2019, 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 financial lease liabilities

Thousand EUR	30 06 2019	31 12 2018
Non-current borrowings	14,435	14,900
Current borrowings	14,763	12,924
Total borrowings	<u>29,198</u>	<u>27,824</u>

During the first half of this year overdraft term has been extended with OP Corporate Bank, Luminor Bank, SEB bank.

12 Government grants

Thousand EUR	30 06 2019	31 12 2018
Opening net book amount	5,824	5,686
Grants received	376	791
Grant receivable	-376	376
Amortisation recognised in profit or loss and write-off of grants	-292	-661

Write-off of grants upon disposal of assets	-	-368
Closing net book amount	<u>5,532</u>	<u>5,824</u>

13 Trade and other payable amounts

Thousand EUR	30 06 2019	31 12 2018
Financial instruments		
Trade payables	14,117	12,918
Trade payables to related parties	<u>16</u>	<u>2</u>
	<u>14,133</u>	<u>12,920</u>
Non-financial instruments		
Employment-related liabilities (a)	1,957	1,937
Prepayments received	161	472
Dividends payable	74	74
Accrued expenses and provisions	-	465
Other amounts payable	<u>495</u>	<u>378</u>
	<u>2,687</u>	<u>3,326</u>
	<u>16,820</u>	<u>16,246</u>

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

14 Subsequent events

Kelmės Pieninė AB and OP Corporate Bank signed an amendment to the credit agreement granting 600 thousand EUR credit for the construction of a warehouse for dry milk products, also signed a new repayment schedule.

Vilkyškių Pieninė AB Consolidated interim report for the 6 months of the year 2019

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 2019.

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	kelmepienine@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	Pagojo str. 1, 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, 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 an 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 give people the gourmet satisfaction with our 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.

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. These standards set a number of rules that ensure stable and safe production processes. The system covers every process from raw material supplies to customer satisfaction surveys, all performed in line with the organisation's policies.

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.

In order to attract buyers in Islamic countries, Vilkyškių pieninė AB and Modest AB have been certified according to Halal rules. From 2015 Modest 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

The quality management and food safety systems are subject to continuous monitoring, review and improvements with a view to maintaining the high quality of the Company's products. The continual search for improvements and adherence to the top food safety standards has enabled Vilkyškių pieninė AB to start preparation in 2016 for certification under ISO 22000:2005/FSSC 22000, a stricter version of the same standard. This certification scheme is part of the Global Food Safety Initiative (GFSI) and is equivalent to such internationally recognised standards as BRC and IFS.

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 2017, Vilkyškių pieninė AB has successfully completed a second supervisory audit on the support of ISO 22000: 2005 + FSSC 22000. A very favorable assessment was received.

In 2018, Kelmės Pieninė AB Tauragė Division was certified according to the ISO 22000: 2005 / FSSC 22000 Certification Scheme. Modest AB and Kelmės pieninė AB carried out recertifying audit according to ISO 22000:2005/FSSC 22000 standards, Kelmės pieninė AB Tauragė Division production certified according to Halal requirements.

In 2019, Modest AB, Kelmės pieninė AB Tauragės Devision, Vilkyškių pieninė AB have extended Halal certificate; Modest AB Surveillance audit according to the ISO 22000:2005/FSSC 22000 Certification Scheme; Kelmės pieninė AB re-certification audit according to the ISO 22000:2005/FSSC 22000 Certification Scheme.

In 2019, the laboratory of Vilkyškių pieninė AB was granted approval by the "Laboratory conformity permit of food processing subject".

8. Human Resources

Vilkyškių pieninė AB Group human resources policy is focused on effective cooperation of all employees to achieve organization goals. Great attention is being paid to improvement of qualifications, training, safety and healthcare of the employees. Various internal functional, leadership, change management, etc. training is provided. The company operates a book exchange library. In order to increase employee loyalty and motivation, identify and retain promising employees, the "Career Management System" was launched. In order to attract new qualified workforce, the Group intensively cooperates with institutions of higher education, presentations of professional information and career planning, excursions to factories are organized for this purpose.

In order to promote the team spirit, the Group has adopted a number of traditions. Each working day starts with a general discussion of staff at the cup of coffee. All of employees are congratulated on their birthdays, Christmas and other occasions. The Group organizes celebrations, team meetings and education trips. Various achievements and smaller events are announced in the intranet.

In early 2010, using EU financial support, Vilkyškių pieninė AB set up a child day care service. After public funding ended in 2013, Vilkyškių pieninė AB took over the financial burden and retains the free day care service for its employees. While the employees are occupied at work, their children are engaged in pre-school training.

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

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

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

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

9. Environmental Protection

Based on the European Parliament and Council IPPC Directive 2008/1/EC, Vilkyškių pieninė AB is attributable to the Annex I installations and is required to have an IPPC permit. The Company obtained its first IPPC permit from the Klaipėda Regional Environmental Protection Department on 10 August 2004, which was renewed on 28 December 2012.

The first IPPC permit was issued to Kelmės pieninė AB on 28 December 2005 by the Šiauliai Regional Environmental Protection Department. The permit has been extended four times, with the last extension on 5 August 2008. The Company has implemented the best available techniques (BAT), and its running costs and emissions are in line with the prescribed EU levels

Modest AB IPPC permit was revoked in 2012 according to the criteria 1 and 2 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" and the Klaipėda Regional Environmental Protection Department letter No. (4) -LV-1610. 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, minimising the use of resources and waste generation, so that its operations do not affect air, water and soil. Vilkyškių pieninė AB performs regular environmental impact assessments.

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

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 Water Bodies, the National Long-Term Development Strategy and the National Sustainable Development Strategy.

Production wastewater is treated at the Company's own combined biomechanical treatment facility. Production wastewater generated by Kelmės pieninė AB is discharged into "Kelmės vandenuo" AB water treatment plants, 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 plant 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 settler. Monitoring is carried out by Tauragės vandenys UAB. In 2017, wastewater meter was installed in order to account wastewater more accurately. Rain water is collected and filtered through oil products filter and 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 2019	6 months of 2018	6 months of 2017
Revenue (EUR tho)	53,581	47,467	56,870
EBITDA (EUR tho)	1,208	2,447	5,913
EBITDA margin, pct	2.3	5.2	10.4
Operating profit (EUR tho)	-712	437	4,581
Operating profit margin, pct	-1.3	0.9	8.1
Profit before tax (EUR tho)	-1,256	-56	4,308
Profit before tax margin, pct	-2.3	-0.1	7.6
Net profit	-761	240	3,818
Profit margin, pct	-1.4	0.5	6.7
Earnings per share (EUR)	-0.06	0.02	0.32
Number of shares (units, tho)	11,943	11,943	11,943

At first half of 2019, **sales** came to EUR 53.6m (12.9 percent more than in 6 months of 2018). At reporting period **EBITDA** was EUR.1.2m (2 times less than in previous year same period). EBITDA margin was 2.3 percent in 6 months of 2019, compared with 5.2 percent in 6 months of 2018). **Operating profit (EBIT)** was EUR -0.7m at reportomg period (1.1 million EUR less than in previous year same period). **Operating profit (EBIT) margin** was -1.3 percent (in 6 months of 2018 EBIT margin reached 0.9). At first half of 2019 **net profit** was -0.76m EUR (1 million EUR less comparing with the same period of 2018).

Key financial ratios of Vilkyškių pieninė AB:

	6 months of 2019	6 months of 2018	6 months of 2017
Return on equity (ROE), pct	-2.5	0.7	12.2
Return on assets (ROA), pct	-0.9	0.3	4.8
Debt ratio	0.63	0.62	0.60
Deb/equity ratio	1.69	1.62	1.51
Quick liquidity ratio	0.78	0.98	0.89
Asset turnover ratio	0.65	0.55	0.72
Capital-to-assets ratio	0.37	0.38	0.40

In 6 months of 2019, **assets totaled** EUR 82.7m, 0.5 percent more than December 31 of 2018.

In 6 months of 2019, **fixed assets** decreased by 0.9 pct and totaled EUR 58.0m.

In 6 months of 2019, **equity** was EUR 30.8m, 2.4 percent less than December 31 of 2018 (EUR 31.5m.).

Vilkyškių pieninė AB Group production output, tonnes:

	6 months of 2019	6 months of 2018	6 months of 2017
Cheese, cheese products and other	50,823	40,098	43,576
Fresh milk products	7,745	9,294	8,463
Dry milk products	6,844	2,795	0

In 6 months of 2019 cheese and cheese product and other production 50.8 tho tonnes, up by 26.7 percent comparing to the same period last year. Production of fresh milk products 7.7 tho tonnes, down by 16.7 percent comparing to 6 months of 2018. Production of dry milk products 6,844 tonnes in 6 months of 2019 up by 2.5 times comparing to the same period last year.

Raw milk purchases by Vilkyškių pieninė AB Group:

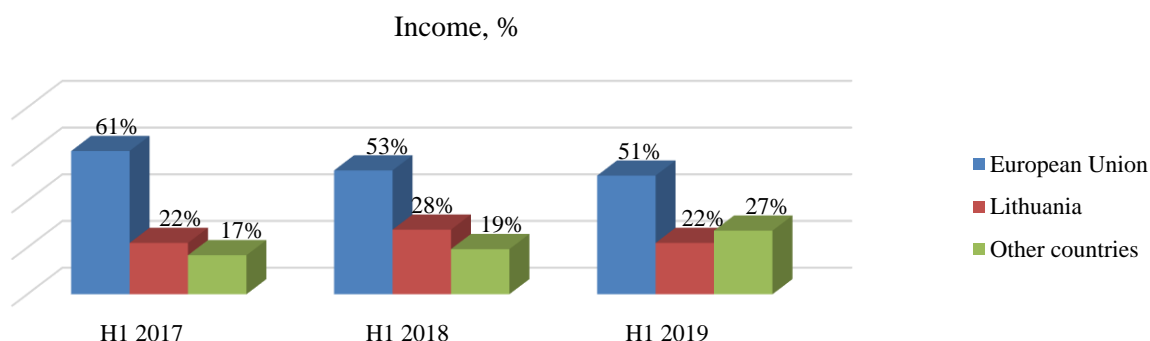
	6 months of 2019	6 months of 2018	6 months of 2017
Raw milk, tonnes	125,330	128,393	119,982
Cost of raw milk, EUR tho	32,255	31,540	30,672
Raw milk price, EUR/t	0.257	0.246	0.256

In 6 months of 2019, a total of 125 tho tonnes of milk was purchased, and decrease by 2.4 percent as compared with 6 months of 2018. Meanwhile, the price of raw milk increased by 4.5 percent from the same period previous year.

11. Sales and marketing

	6 months of 2019	6 months of 2018	6 months of 2017
European Union	27,227	25,171	34,878
Lithuania	11,776	13,124	12,491
Other countries	14,578	9,172	9,501
Total revenue	53,581	47,467	56,870

During the first half of 2019, sale income increased by 12.9% compared to the first half of 2018.



Sale income in the Lithuanian market decreased by 10% and exports increase by 22%. In 6 months of 2019, export generated 78% of the entire turnover of Vilkyškių Pieninė AB Group.

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

Core product sales, EUR thousand:

	6 months of 2019	6 months of 2018	6 months of 2017
Cheese, cheese products and other	37,265	35,021	46,729
Fresh milk products	9,824	10,909	9,710
Dry milk products	6,492	1,537	431
Total revenue	53,581	47,467	56,870

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

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

12. Exhibitions and Awards

In February, for the sixth consecutive years in a row Vilkyškių pieninė AB participated in the international exhibition of food industry "Gulfood 2019" in Dubai, The United Arab Emirates. The main focus was on cheese, cheese products and dry milk/whey products.

13. Risk Factors Associated with Issuer's Business

Key risks in the business of Vilkyškių pieninė AB Group:

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

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

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

The Group's credit risks are associated with accounts receivable. The risk of breach of contract by business partners is subject to certain control procedures. In the end of 2017, 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 Bankas). On 30 June 2019, the Company's debt-to-assets ratio was 0.63. The balance of outstanding loans on 30 June 2019 was EUR 29,198. Repayment is performed under the established schedule, without any delays.

14. Competition

Vilkyškių pieninė AB estimates that it has a 16-percent share of the Lithuanian market for cheese, i.e. it is in fourth place behind competitors Rokiškio sūris AB, Pieno žvaigždės AB and Žemaitijos pienas AB.

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

Vilkyškių pieninė AB offers industrial products in dry milk product segment, which are oriented into export though part is sold also locally.

15. Key Events After Fiscal Year-End

Kelmės Pieninė AB and OP Corporate Bank signed an amendment to the credit agreement granting 600 thousand EUR credit for the construction of a warehouse for dry milk products, also signed a new repayment schedule.

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 2019 was 878. The following are the major shareholders, who own more than 5 percent of the Issuer's stock:

Shareholder	Number of shares held, units	Percent of share capital, pct	Share of votes at shareholder meetings, pct
Swisspartners Versicherung AG Zweigniederlassung Osterreich	6,067,206	50.8%	50.8%
UAB Orion Asset Management, 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%

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%
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Pieno logistika AB shareholders

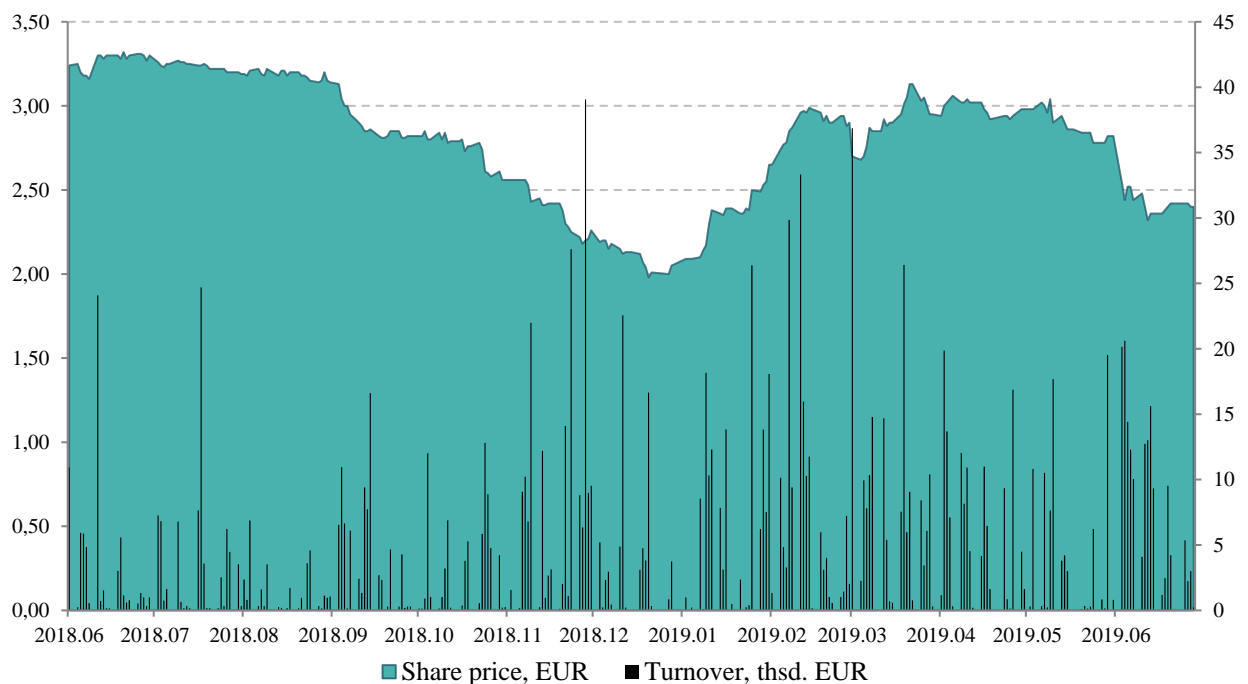
Shareholder	Number of shares held, units	Percent of share capital, pct	Share of votes at shareholder meetings, pct
Vilkyškių pieninė AB	218,781	58.9%	58.9%
Minority shareholders	152,552	41.1%	41.1%
Total stock	371,333	100%	100%

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

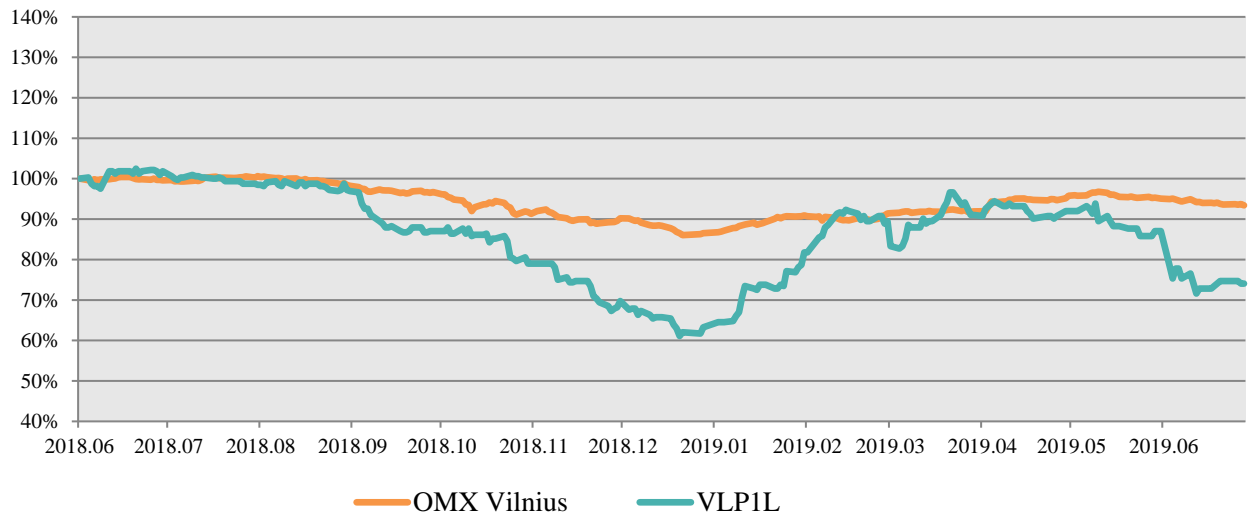
The Company is not aware of any direct agreements between shareholders that might result in restrictions on the transfer of securities and/or on voting rights.

22. Trading in Issuer's Securities on Regulated Markets

The change of price of Vilkyškių pieninė AB shares and trade volume in June 2018 – June 2019.



Comparison of Vilkyškių pieninė AB share price and OMX Vilnius Index June 2018 – June 2019.



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	2015 (for 2014)	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)
Dividend (EUR)	836,010	0	1,433,160	1,672,020	0
Dividend per share (EUR)	0.07	0	0.12	0.14	0
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	2015 (for 2014)	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)
Dividend (EUR)	3,489,039	3,931,312	2,285,075	786,262	1,719,949
Dividend per share (EUR)	1.42	1.60	0.93	0.32	0.70
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 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

On 30th of June 2018 the number of employees working for the Group of Vilkyškių pieninė AB amounted to 971.

Employee category	Number of employees	Education				Average monthly salary (EUR)
		higher	vocational	secondary	secondary incomplete	
Managers	29	24	5	-	-	2,796
Specialists	330	128	91	106	5	890
Workers	612	16	178	361	57	616
	971	168	274	467	62	776

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 2019, a total of 3. Board meetings were held, with the required quorum present at each of them. The Board approved the 2018 annual financial statements and annual report; it called an ordinary meeting of shareholders and offered the distribution of the 2018 profit for an ordinary meeting of shareholders.

As well as, the Board discussed related to 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 - Chairman of the Board 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: a shareholder of "Šilgaliai" ŪKB (CRN 177356654, address: Šilgalių k., LT-99424 Pagėgiai), Chairman of the Board of Modest AB and Kelmės pieninė AB. On 30 June 2019 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 2019, 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 2019, he held 286,563 shares of Vilkyškių pieninė AB, 2.4 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Vilija Milaševičiutė – 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 2019, she held 7,813 shares of Vilkyškių pieninė AB, 0.07 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Linus 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), a Board Member of "Umega" AB (CRN 126334727, address: Metalo g. 5, LT-28216 Utena) and "East West Agro" AB (CRN 300588407, address: Tiklo g. 10, Kumpiai, LT-54311 Kauno r.). Also a Member of the supervisory Board in "Preses namai" SIA. As of 30 June 2019, 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: Business Development Manager of "INVL Asset Management" UAB (CRN 126263073, address: Gynėjų g. 14, LT-01109 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 "Pirmais atklātais pensiju fonds" AS (CRN 40003377918, address: Rīga, Smilšu iela 7-1, LV-1050); Board member and Chairman of the Audit Committee at "AUGA group" AB (CRN 126264360, address: Konstitucijos pr. 21C, LT-08130 Vilnius); CEO of "GPI" UAB (CRN 302582709, address: Maironio g. 11, Vilnius), "GP2" UAB (CRN 302582716, address: Maironio g. 11, Vilnius) and "Piola" UAB (CRN 120974916, address: Mindaugo g. 16-52, LT-03225 Vilnius). As of 30 June 2019, 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: a shareholder of "Šilgaliai" ŪKB (CRN 177356654, address: Šilgalių k., LT-99424 Pagėgiai), Chairman of the Board of "Modest" AB and Kelmės pieninė AB. On 30 June 2019 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 Milaševičiutė – 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 2019, she held 7,813 shares of Vilkyškių pieninė AB, 0.07 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Vaidotas Juškys – Executive Officer, working at the Company since 2010. Has a higher education in IT. As of 30 June 2019, he held 250 shares of Vilkyškių pieninė AB, 0.002 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Sigitas Trijonis – Chief Technology Officer, a Board Member, working at the Company since 1993. Has higher education in mechanical engineer. As of 30 June 2019, 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 2019, held 286,563 shares of Vilkyškių pieninė AB, 2.4 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Arvydas Zaranka – 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 2019, held 1,933 shares of Vilkyškių pieninė AB, 0.016 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Rita Juodikienė (born 1975) – Management and quality director, working at the company since 2002. Has a master degree in business management. Membership in other companies' governing bodies: A Board Member of Kelmės pieninė AB. On 30 June 2019 did not have any shares in Vilkyškių pieninė AB, has no seats in other companies' governing bodies.

Members of Kelmės pieninė AB board and administration

Gintaras Bertašius – Chairman of the Board, last re-elected for a four-year term on 2016. Holds higher education degree in mechanical engineering. Participation in the governing bodies of other companies: Chairman of the Board and CEO of Vilkyškių pieninė AB, shareholder of "Šilgaliai" ŪKB (CRN 177356654, address: Šilgalių k., LT-99424 Pagėgiai), Chairman of the Board at "Modest" AB. On 30 June 2019 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 Board Member, elected for a four-year term on 2017. 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, "Modest" AB and "Šilumos" tinklai UAB (CRN 179478621, address: Paberžių g. 16, 72324 Tauragė). As of 30 June 2019, held 7,813 shares in Vilkyškių pieninė AB, i.e. 0.07 percent of the stock and voting rights. Has no seats in other companies' governing bodies.

Rita Juodikienė – a Board Member, elected for a four-year term on 20 June 2017. Has master degree in business management. Participation in the governing bodies of other companies: Management and quality director of Vilkyškių pieninė AB. On 30 June 2019 did not have any shares in Vilkyškių pieninė AB, has no seats in other companies' governing bodies.

Jolita Valantinienė - CEO of Kelmės pieninė AB, working at the company since 2017. Has master degree in management and business administration. On 30 June 2019 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, last re-elected for a four-year term on 5 April 2017. Holds higher education degree in mechanical engineering. Participation in the governing bodies of other companies: Chairman of the Board and CEO of AB Vilkyškių pieninė AB, shareholder of "Šilgaliai" ŪKB (CRN 177356654, address: Šilgalių k., LT-99424 Pagėgiai), Chairman of the Board at Kelmės pieninė AB. On 30 June 2019 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 Board Member, re-elected for a four-year term on 5 April 2017. Has college degree in dairy technology. Participation in the governing bodies of other companies: Chief Production Officer of AB Vilkyškių pieninė. As of 30 June 2019, held 1,933 shares in Vilkyškių pieninė AB, i.e. 0.016 percent of share capital and voting rights.

Vilija Milaševičiūtė - a Board Member, re-elected for a four-year term on 5 April 2017. Has higher education in finance and credit. 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). As of 30 June 2019, held 7,813 shares in AB Vilkyškių pieninė, i.e. 0.07 percent of the stock and voting rights..

Kęstutis Keršys - CEO of Modest AB, working at the company since 2010. Has higher education degree in economics. Has no seats in other companies' governing bodies.

30. Committees

Members of the Audit Committee: Aušra Labinienė (The Head of Internal Audit of Tauragė Credit Union), Vilma Morkaitienė (senior accountant of Bonus Modus UAB) and Milana Buivydienė (Vilkyškių pieninė AB employee). None of the Committee members hold senior positions in the Company's administration or have shares in the Company.

No committees are formed in subsidiary companies.

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

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

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

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

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

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

IV. INFORMATION ABOUT COMPLIANCE TO MANAGEMENT CODE

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

V. SUMMARY OF SIGNIFICANT EVENTS

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

The following decisions were taken at the Ordinary General Meeting of Shareholders of Vilkyškių pieninė AB which was held on the 26 April 2019:

Item 1 of the Agenda: Approval of Company's report for the year 2018.

Resolution: The annual report of the Company for the year 2018 has been approved.

Item 2 of the Agenda: Auditor's Report regarding the Company's consolidated and separated financial Statements for 2018

Heard.

Item 3 of the Agenda: Approval of Company's separated and consolidated financial statement for the year 2018. ,

Resolution: Company's separated and consolidated financial statements for the year 2018 has been approved

Item 4 of the Agenda: Profit (loss) appropriation for the year 2018.

Resolution: The audited net profit (loss) allocation under IAS has been approved for the year 2018 as follows:

	thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2017	21,727
2) Approved by shareholders dividends of the year 2017	(1,672)
3) Transfers from the reserve to purchase own shares	2,508
4) Non-appropriated profit (loss) at the beginning of the current financial year after dividends payout and transfer from reserves	22,563
5) Net profit (loss) of the reporting period	(2,028)
6) Transfers from reserves	129
7) Net profit to be appropriated at the end of the current financial year	20,664
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	20,664