



Vilkyskiu pienine AB

Interim consolidated financial statements
for the 9 months of 2011

Content

| | |
|--|---|
| CONFIRMATION OF RESPONSIBLE PERSONS..... | 2 |
| GENERAL INFORMATION | 3 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 4 |
| CONSOLIDATED INCOME STATEMENT | 5 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 6 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)..... | 7 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 8 |
| EXPLANATORY NOTES | 9 |

Confirmation of Responsible Persons

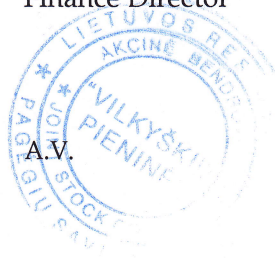
Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we Gintaras Bertasius, General Director of Vilkyškių pieninė AB and Vilija Milaseviciute, Finance Director of Vilkyškių pieninė AB hereby confirm that, unaudited interim condensed consolidated financial statements for the nine months of 2011, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Vilkyškių pieninė AB group.

General Director

Gintaras Bertasius

Finance Director

Vilija Milaseviciute



The financial statements were approved and signed by the Management on 28 November 2011.

General information

| | |
|-------------------------------------|---|
| Name of the Issue | Public Company "Vilkyškių pieninė" |
| Authorized capital | LTL 11 943 000 |
| Registered office | Vilkyškiai, Pagėgiai municipality |
| Telephone number | 8-441 55330 |
| Fax number | 8-441 55242 |
| E-mail address | centras@cheese.lt |
| Date and place of registration | The 10 th of May 1993 |
| Date and place of re-registration | The 10 th of December 2005, Tauragė Branch of Public Institution Center of Registers |
| Code in the Register of Enterprises | 277160980 |
| Internet address | http://www.cheese.lt |

Vilkyskiu pienine AB Board

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

Vilkyskiu pienine AB Management

| | |
|----------------------|-------------------------|
| Gintaras Bertasius | General Director |
| Vaidotas Juskys | Chief operation officer |
| Vilija Milaseviciute | Finance Director |
| Sigitas Trišonis | Technical Director |
| Rimantas Jancevičius | Stock Director |
| Arvydas Paranka | Production Director |

The Group consists of the following companies:

- Vilkyškių Pieninė AB, the parent company
- Modest AB, the subsidiary
- Kelmes Pieninė AB, the subsidiary.

The parent Company is engaged in production and sales of different types of cheese. Also, it produces and sells whey, raw milk and cream.

The Company has a subsidiary Modest AB, which is engaged in milk processing and production of dairy products. The Company holds 99.7% voting rights of the subsidiary. Modest AB specialises in production of fermented cheese, cottage cheese and other cheese products.

Company also has a subsidiary - Kelmes Pieninė AB, which is engaged in milk processing and production of dairy products. The Company holds 99.9% voting rights of Kelmes Pieninė AB. Kelmes Pieninė AB specialises in production of fresh dairy products.

At 30 September 2011 the Group had 831 employees (30 September 2010 - 777).

Consolidated statement of financial position

| Thousand Lit | 30 09 2011 | 31 12 2010 |
|---|----------------|----------------|
| Assets | | |
| Property, plant and equipment | 71,938 | 65,674 |
| Intangible assets | 24,074 | 24,273 |
| Long-term receivables | 1,878 | 1,487 |
| Non-current assets | 97,890 | 91,434 |
| Inventories | 25,829 | 16,950 |
| Trade and other receivables | 21,831 | 12,986 |
| Prepayments | 996 | 1,792 |
| Cash and cash equivalents | 204 | 358 |
| Current assets | 48,860 | 32,086 |
| Total assets | 146,750 | 123,520 |
| Equity | | |
| Share capital | 11,943 | 11,943 |
| Share premium | 11,396 | 11,396 |
| Reserves | 8,219 | 8,252 |
| Retained earnings | 23,781 | 18,067 |
| Total equity attributable to the shareholders of the Company | 55,339 | 49,658 |
| Non-controlling interest | 91 | 155 |
| Total equity | 55,430 | 49,813 |
| Liabilities | | |
| Interest-bearing loans and lease liabilities | 28,118 | 22,279 |
| Government grants | 8,037 | 8,479 |
| Deferred tax liabilities | 2,558 | 2,739 |
| Non-current liabilities | 38,713 | 33,497 |
| Interest-bearing loans and lease liabilities | 20,586 | 18,421 |
| Current tax liabilities | - | 1 |
| Trade and other payables, including derivatives | 32,021 | 21,788 |
| Current liabilities | 52,607 | 40,210 |
| Total liabilities | 91,320 | 73,707 |
| Total equity and liabilities | 146,750 | 123,520 |

Consolidated income statement

Thousand Lit

| | 01.01.2011- 30.09.2011 | 01.01.2010- 30.09.2010 | 01.07.2011- 30.09.2011 | 01.07.2010- 30.09.2010 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Revenue | 210,738 | 179,071 | 80,929 | 71,485 |
| Cost of sales | -188,842 | -158,070 | -71,565 | -58,815 |
| Gross profit | 21,896 | 21,001 | 9,364 | 12,670 |
| Other operating income | 3,974 | 2,978 | 885 | 1,181 |
| Distribution expenses | -7,052 | -5,527 | -2,628 | -1,801 |
| Administrative expenses | -5,423 | -6,169 | -1,957 | -2,959 |
| Other operating costs | -3,624 | -2,451 | -791 | -953 |
| Result from operating activities | 9,771 | 9,832 | 4,873 | 8,138 |
| Finance income | 95 | 65 | 34 | -1,948 |
| Finance costs | -1,436 | -1,464 | -489 | -435 |
| Net finance expenses | -1,341 | -1,399 | -455 | -2,383 |
| Profit before income tax | 8,430 | 8,433 | 4,418 | 5,755 |
| Income tax expense | 129 | -374 | -141 | -291 |
| Profit for the period | 8,559 | 8,059 | 4,277 | 5,464 |
| Attributable to: | | | | |
| Shareholders of the Group | 8,496 | 8,027 | 4,250 | 5,452 |
| Non-controlling interest | 63 | 32 | 27 | 12 |
| Net profit (loss) for the year | 8,559 | 8,059 | 4,277 | 5,464 |
| Basic earnings per share (Lit) | 0.72 | 0.67 | - | - |
| Diluted earnings per share (Lit) | 0.72 | 0.67 | | |

Consolidated statement of changes in equity

Equity, attributable to the shareholders of the Company

| Thousand Lit | Share capital | Share premium | Revaluation reserve | Legal reserve | Retained earnings | Total | Non-controlling interest | Total equity |
|--|---------------|---------------|---------------------|---------------|-------------------|--------|--------------------------|--------------|
| Balance at 1 January 2010 | 11,943 | 11,396 | 7,689 | 935 | 7,048 | 39,011 | 88 | 39,099 |
| Comprehensive income for the period | | | | | | | | |
| Net profit (loss) | - | - | - | - | 8,027 | 8,027 | 32 | 8,059 |
| Other comprehensive income | | | | | | | | |
| Allocated from reserves | - | - | -328 | - | 328 | - | - | 0 |
| Increase of revaluation reserve, net of tax | - | - | 49 | - | - | 49 | - | 49 |
| Total other comprehensive income | - | - | -279 | - | 328 | 49 | - | 49 |
| Total comprehensive income for the period | - | - | -279 | - | 8,355 | 8,076 | 32 | 8,108 |
| Contributions by and distributions to owners: | | | | | | | | |
| Dividends | | | | | -1,194 | -1,194 | | -1,194 |
| Total contributions by and distributions to owners | - | - | - | - | -1,194 | -1,194 | - | -1,194 |
| Changes in the Group without losing control | | | | | | | | |
| Other changes in the Group | - | - | - | - | - | - | - | - |
| Total contributions by and distributions to owners | - | - | - | - | - | - | - | - |
| Balance at 30 September 2010 | 11,943 | 11,396 | 7,410 | 935 | 14,209 | 45,893 | 120 | 46,013 |
| Balance at 1 October 2010 | 11,943 | 11,396 | 7,410 | 935 | 14,209 | 45,893 | 120 | 46,013 |
| Comprehensive income for the period | | | | | | | | |
| Net profit (loss) | - | - | - | - | 3,748 | 3,748 | 35 | 3,783 |
| Other comprehensive income | | | | | | | | |
| Allocated from reserves | - | - | -110 | - | 110 | - | - | - |
| Increase of revaluation reserve, net of tax | - | - | 17 | - | - | 17 | - | 17 |
| Total other comprehensive income | - | - | -93 | - | 110 | 17 | - | 17 |
| Total comprehensive income for the period | - | - | -93 | - | 3,858 | 3,765 | 35 | 3,800 |
| Contributions by and distributions to owners: | | | | | | | | |
| Total contributions by and distributions to owners | - | - | - | - | - | - | - | - |
| Changes in the Group without losing control | | | | | | | | |
| Other changes in the Group | - | - | - | - | - | - | - | - |
| Total contributions by and distributions to owners | - | - | - | - | - | - | - | - |
| Balance at 31 December 2010 | 11,943 | 11,396 | 7,317 | 935 | 18,067 | 49,658 | 155 | 49,813 |

Consolidated statement of changes in equity (continued)

| Thousand Lit | Share capital | Share premium | Revaluation reserve | Legal reserve | Retained earnings | Total | Non-controlling interest | Total equity |
|--|---------------|---------------|---------------------|---------------|-------------------|--------|--------------------------|--------------|
| Balance at 1 January 2011 | 11,943 | 11,396 | 7,317 | 935 | 18,067 | 49,658 | 155 | 49,813 |
| Comprehensive income for the period | | | | | | | | |
| Net profit (loss) | - | - | - | - | 8,496 | 8,496 | 63 | 8,559 |
| Other comprehensive income | | | | | | | | |
| Allocated from reserves | - | - | -343 | 259 | 84 | - | - | - |
| Increase of revaluation reserve, net of tax | - | - | 51 | - | - | 51 | - | 51 |
| Total other comprehensive income | - | - | -292 | 259 | 84 | 51 | - | 51 |
| Total comprehensive income for the period | - | - | -292 | 259 | 8,580 | 8,547 | 63 | 8,610 |
| Contributions by and distributions to owners: | | | | | | | | |
| Dividends | - | - | - | - | -2,866 | -2,866 | -97 | -2,963 |
| Total contributions by and distributions to owners | - | - | - | - | -2,866 | -2,866 | -97 | -2,963 |
| Changes in the Group without losing control | | | | | | | | |
| Changes in minority interest | - | - | - | - | - | - | -30 | -30 |
| Other changes in the Group | - | - | - | - | - | - | - | - |
| Total contributions by and distributions to owners | - | - | - | - | - | - | - | - |
| Balance at 30 September 2011 | 11,943 | 11,396 | 7,025 | 1,194 | 23,781 | 55,339 | 91 | 55,430 |

Consolidated statement of cash flows

Thousand Litass

| | 01.01.2011- 30.09.2011 | 01.01.2010- 30.09.2010 |
|--|---------------------------|---------------------------|
| Cash flows from operating activities | | |
| Net profit (loss) | 8,559 | 8,059 |
| Adjustments: | | |
| Depreciation of property, plant and equipment | 4,997 | 4,732 |
| Amortisation of intangible assets | 199 | 200 |
| Amortisation of grants | -592 | -435 |
| (Profit) loss on disposal of property, plant and equipment | -86 | 80 |
| Income tax expense | -129 | 374 |
| Interest expenses, net | 1,159 | 1,294 |
| | 14,107 | 14,304 |
| Change in inventories | -8,794 | 4,130 |
| Change in long-term receivables | -476 | 227 |
| Change in trade and other receivables and prepayments | -8,049 | -3,931 |
| Change in trade and other payables | 10,702 | 3,794 |
| | 7,490 | 18,524 |
| Paid interest | -1,159 | -1,294 |
| Paid income tax | -1 | - |
| Net cash flows from (used in) operating activities | 6,330 | 17,230 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | -11,360 | -3,592 |
| Acquisition of intangible assets | - | -76 |
| Proceeds from sale of property, plant and equipment | 384 | 462 |
| Acquisition of investments | -14 | - |
| Net cash flow used in investing activities | -10,990 | -3,206 |
| Cash flows from financing activities | | |
| Loans received | 19,078 | 5,723 |
| Repayment of borrowings | -11,850 | -15,905 |
| Dividends paid | -2,872 | -639 |
| Capital grants received | 150 | 156 |
| Net cash from (used in) financing activities | 4,506 | -10,665 |
| Increase (decrease) in cash and cash equivalents | -154 | 3,359 |
| Cash and cash equivalents at 1 January | 358 | 395 |
| Cash and cash equivalents at 30 September | 204 | 3,754 |

Explanatory notes

1. Accounting principles

Consolidated financial statements of Vilkyskiu pienine AB are prepared following International Standards of Financial Accountability.

The interim condensed consolidated financial statements for the 9 months of 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Consolidated annual financial statements for the year 2010.

2. Main financial indicators

| | January - September 2011 | January - September 2010 |
|--|-----------------------------|-----------------------------|
| Revenue (Thousand Litass) | 210,738 | 179,071 |
| EBITDA (Thousand Litass) | 14,193 | 14,350 |
| EBITDA margin (%) | 6,7% | 8.0 |
| Operating result (Thousand Litass) | 9,771 | 9,832 |
| Operating result margin (%) | 4,6% | 5.5 |
| Profit (loss) before tax (Thousand Litass) | 8,430 | 8,433 |
| Profit (loss) before tax margin (%) | 4% | 4.7 |
| Profit (loss) per share (litas) | 0.72 | 0.67 |
| Number or shares (vnt) | 11,943,000 | 11,943,000 |

3. Segment information

Revenue per geographical zones:

| Thousand Litass | January - September 2011 | January - September 2010 | Change |
|-----------------|-----------------------------|-----------------------------|--------|
| Lithuania | 79,676 | 71 123 | 12% |
| European Union | 71,049 | 62 001 | 15% |
| Russia | 54,484 | 42 136 | 29% |
| Other countries | 5,529 | 3 811 | 45% |
| | 210,738 | 179 071 | |

Sales income for the nine months of the current year has increased by 18% and the profit has increased by 6%, compared with the same period of the previous year.

An increase in revenue and net profit occurred due to increased export prices and due to full exhaustion of production capacities in the parent company AB Vilkyskiu Pienine during the winter time. In the middle of the year prices of raw materials also export prices stabilised which enabled the Company to earn a net profit of 8 million Litass. The profit has been earned from export markets.

4. Inventories

| Thousand Litas | 30 September 2011 | 31 December 2010 |
|---------------------------|-------------------|------------------|
| Finished production | 19,994 | 12,079 |
| Raw materials | 1,419 | 377 |
| Other auxiliary materials | 3,753 | 3,787 |
| Goods for re-sale | 663 | 707 |
| | 25,829 | 16,950 |

5. Loans

On 20 January 2011 the subsidiary AB Modest concluded a loan agreement with Nordea Bank Finalnd Plc. According to this agreement, Modest AB was granted a credit facility of 1,740 thousand EUR For five years.

The Company signed overdraft agreement regarding 2 million Litas for working capital purpose also loan contract regarding to 5.4 million EUR for investment projects with SEB bank.

During the nine months of 2011 the Group repaid loans amounting to 11.8 million Litas.