



Vilkyskiu pienine AB

Interim consolidated financial statements
for the 3 months of 2012

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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 Vilkyškiu pienine AB and Vilija Milaseviciute, Finance Director of of Vilkyškiu pienine AB hereby confirm that, unaudited interim condensed consolidated financial statements for the three months of 2012, prepared in accordance with International Financial Reporting Standarts, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of Vilkyškiu pienine AB group.

General Director

Gintaras Bertasius

Finance Director

Vilija Milaseviciute



The financial statements were approved and signed by the Management on 31 May 2012.

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 18 th of May 1993, Tauragė Branch of Public Institution Center
Date and place of re-registration	The 30 th of December 2005, Tauragė Branch of Public Institution Center of Registers
Code in the Register of Enterprises	277160980
Internet address	http://www.vilkyskiu.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 31 March 2012 the Group had 878 employees (31 March 2011 - 793).

Consolidated statement of financial position

Thousand Lit	31 03 2012	31 12 2011
Assets		
Property, plant and equipment	79,501	72,344
Intangible assets	23,944	24,010
Long-term receivables	1,584	1,559
Non-current assets	105,029	97,913
Inventories	20,679	23,259
Trade and other receivables	22,872	19,383
Prepayments	741	1,603
Cash and cash equivalents	202	337
Current assets	44,494	44,582
Total assets	149,523	142,495
Equity		
Share capital	11,943	11,943
Share premium	11,396	11,396
Reserves	12,169	12,494
Retained earnings	19,047	20,195
Total equity attributable to the shareholders of the Company	54,555	56,028
Non-controlling interest	122	104
Total equity	54,677	56,132
Liabilities		
Interest-bearing loans and lease liabilities	31,706	27,117
Derivative financial instruments	1,184	1,045
Government grants	7,646	7,842
Deferred tax liabilities	2,179	2,633
Non-current liabilities	42,715	35,637
Interest-bearing loans and lease liabilities	21,732	21,144
Derivative financial instruments	450	352
Trade and other payables, including derivatives	29,949	29,230
Current liabilities	52,131	50,726
Total liabilities	94,846	86,363
Total equity and liabilities	149,523	142,495

Consolidated income statement

Thousand Litas	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Revenue	68,827	63,329
Cost of sales	-65,230	-57,886
Gross profit	3,597	5,443
Other operating income	384	1,882
Distribution expenses	-2,657	-1,937
Administrative expenses	-2,489	-1,737
Other operating costs	-24	-1,724
Result from operating activities	-1,189	1,927
Finance income	27	40
Finance costs	-511	-430
Net finance expenses	-484	-390
Profit before income tax	-1,673	1,537
Income tax expense	439	-20
Profit for the period	-1,234	1,517
Attributable to:		
Shareholders of the Group	-1,252	1,506
Non-controlling interest	18	11
Net profit (loss) for the year	-1,234	1,517
Basic earnings per share (Litas)	-0,10	0,13
Diluted earnings per share (Litas)	-0,10	0,13

Consolidated statement of changes in equity

Equity, attributable to the shareholders of the Company

Thousand Lit	Share capital	Share premium	Revaluation reserve	Hedging reserve	Reserve for acquiring own shares	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)	-	-	-	-	-	-	1,506	1,506	11	1,517
Other comprehensive income										
Allocated from reserves	-	-	-114	-	-	-	114	-	-	-
Increase of revaluation reserve, net of tax	-	-	17	-	-	-	-	17	-	17
Total other comprehensive income	-	-	-97	-	-	-	114	17	-	-
Total comprehensive income for the period	-	-	-97	-	-	-	1,620	1,523	11	1,534
Contributions by and distributions to owners:										
Dividends	-	-	-	-	-	-	-	-	-	-
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 March 2011	11,943	11,396	7,220	-	-	935	19,687	51,181	166	51,347
Balance at 1 January 2012	11,943	11,396	6,929	-1,397	5,768	1,194	20,195	56,028	104	56,132
Comprehensive income for the period										
Net profit (loss)	-	-	-	-	-	-	-1,252	-1,252	18	-1,234
Other comprehensive income										
Allocated from reserves	-	-	-104	-	-	-	104	-	-	-
Increase of revaluation reserve due to income tax effect	-	-	16	-	-	-	-	16	-	16
Formation of hedging reserve	-	-	-	-237	-	-	-	-237	-	-237
Total other comprehensive income	-	-	-88	-237	-	-	104	-221	-	-221
Total comprehensive income for the period	-	-	-88	-237	-	-	-1,148	-1,473	18	-1,455
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 March 2012	11,943	11,396	6,841	-1,634	5,768	1,194	19,047	54,555	122	54,677

Consolidated statement of cash flows

Thousand Lit	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Cash flows from operating activities		
Net profit (loss)	-1,234	1,517
Adjustments:		
Depreciation of property, plant and equipment	1,320	1,679
Amortisation of intangible assets	66	67
Amortisation and write down of grants	-196	-199
(Profit) loss on disposal of property, plant and equipment	-97	65
Income tax expense	-439	20
Interest expenses, net	484	410
	-96	3,559
Change in inventories	2,580	-768
Change in long-term receivables	-25	84
Change in trade and other receivables and prepayments	-2,676	-3,405
Change in trade and other payables	921	937
	704	407
Paid interest	-413	-410
Net cash from operating activities	291	-3
Cash flows from investing activities		
Acquisition of property, plant and equipment	-8,658	-1,792
Proceeds from sale of property, plant and equipment	100	11
Loans granted	-153	-
Recovery of the loans	158	-
Interest received	2	-
Net cash from investing activities	-8,551	-1,781
Cash flows from financing activities		
Loans received*	14,192	9,102
Repayment of borrowings	-6,067	-7,435
Net cash used in financing activities	8,125	1,667
Increase (decrease) in cash and cash equivalents	-135	-117
Cash and cash equivalents at 1 January	337	358
Cash and cash equivalents at 31 March	202	241

* Change of Credit line 1,743 Thousand Lit (for the three months of 2011 – 2,219 Thousand Lit)

Explanatory notes

1. Accounting principles

Consolidated financial statements of Vilkyškių pieninė AB are prepared following International Standards of Financial Accountability.

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Consolidated annual financial statements for the year 2011.

2. Main financial indicators

	January - March 2012	January - March 2011
Revenue (Thousand Litass)	68,827	63,329
EBITDA (Thousand Litass)	1	3,494
EBITDA margin (%)	0%	5.5%
Operating result (Thousand Litass)	-1,189	1,927
Operating result margin (%)	-1.7%	3%
Profit (loss) before tax (Thousand Litass)	-1,234	1,537
Profit (loss) before tax margin (%)	-1.8%	2.4%
Profit (loss) per share (litas)	0.10	0.13
Number of shares (vnt)	11,943,000	11,943,000

During the first months of this year the group of Vilkyškių pieninė had a loss. The loss was due to modernization of main technological line of cheese production in Vilkyškių pieninė AB (in February - March), because of it the production of cheese were stopped. Another reason of loss is a significant fall in sales prices of products in export markets.

3. Segment information

Revenue per geographical zones:

Thousand Litass	January - March 2012	January - March 2011	Change
Lithuania	31,755	22,482	41.2%
European Union	16,058	19,014	-15.5%
Russia	17,804	19,677	-9.5%
Other countries	3,210	2,156	48.8%
	68,827	63,329	

4. Loans

On 23 February 2012 AB Vilkyškių pieninė signed loan agreement with Nordea Bank Finland Plc for an amount of 1,039 tEUR to re-finance the loan issued by AB Bankas Snoras.

On 23 February 2012 the subsidiary Modest AB was granted a credit facility of 860 thousand EUR for five years period from Nordea Bank Finland Plc.

5. Inventories

Thousand Lit	31 March 2012	31 December 2011
Finished production	15,466	18,057
Raw materials	482	217
Other auxiliary materials	4,731	4,983
Goods for re-sale	-	-
	20,679	23,259

6. Post balance sheet events

The following decisions were taken at the Ordinary General Meeting of Shareholders of Vilkyškių pieninė AB which was held on the 27 April 2012:

Item 1 of the Agenda: The annual report of the Company of the year 2011.

Attended the annual report of the Company of the year 2011.

Item 2 of the Agenda: Auditor's Report regarding the Company's Financial Statements for 2011.

Heard.

Item 3 of the Agenda: Approval of the Company's Financial Statements for 2011. Approved the Company's Financial Statements for 2011.

Item 4 of the Agenda: Profit (loss) appropriation for the year 2011.

Approved the Audited Profit appropriation for the year 2011 as follows under IAS:

	thousand LTL	thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2010	9.028	2.615
2) Approved by shareholders dividends of the year 2010	2.866	830
3) Transfers to reserves provided by law	259	75
4) Portion of the profit allocated to the reserve for the purchase of own shares	5.768	1.671

5) Non-appropriated profit (loss) at the beginning of the year 2011 after dividends payout and transfer to reserves	135	39
6) Net profit (loss) of the reporting period	13.546	3.923
7) Transfers from reserves	457	132
8) Total profit (loss) to be appropriated:	14.138	4.095
- portion of the profit allocated to the legal reserve	0	0
- portion of the profit allocated to the reserve for the purchase of own shares	0	0
- portion of the profit allocated for payment of the dividends (or 0,25 LTL (0,0724 EUR) per ordinary registered share with nominal value of 1 LTL)	2.986	865
- portion of the profit allocated to the other reserves	0	0
- portion of the profit allocated to be paid as annual payouts (tantiemes) to board members, bonuses to employees and for other purposes	150	43
9) Non-appropriated profit (loss) at the end of the year 2011 carried forward to next financial year	11.002	3.186

Item 5 of the Agenda: Election of the Audit Committee members.

The members Audit Committee elected Vanda Krivonosoviene (independent member) and Milana Buivydiene.

Item 6 of the Agenda: A decision on the purchase of own shares.

A decision with regard to the purchase of own shares has been approved:

- a) To purchase up to 10 percent of the Company's shares.
- b) The purpose of acquisition of own shares – to maintain and increase the price of the Company's shares.
- c) Period during which the Company may acquire own shares – until 30 April 2013.
- d) To set the maximum price per share of own shares to be acquired – at 1.40 EUR (4.83 LTL), at the same time setting the minimum acquisition price per share equal to the nominal value of a share, i.e. 0.29 EUR (1.00 LTL).
- e) To commit the Board to organise the purchase of own shares, to determine the procedure for purchase and sale of shares, time, number of shares and price, as well as to perform other actions relating thereto in compliance with the terms set in this resolution as well as in accordance with the requirements established in the Republic of Lithuania Law of Companies.

Item 7 of the Agenda: Approval of dividend policy.

Approved the dividend policy.