



Vilkyskiu pienine AB

Interim consolidated financial statements
for the 12 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 Vilkyškių pieninė AB and Vilija Milaseviciute, Finance Director of Vilkyškių pieninė AB hereby confirm that, unaudited interim condensed consolidated financial statements for the twelve months of 2012, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows 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 February 2013.

General information

Name of the Issue	Public Company "Vilkyskiu pienine"
Authorized capital	LTL 11 943 000
Registered office	Vilkyskiai, Pagegiai 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
Date and place of re-registration	The 30 th of December 2005, Taurage 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:

- Vilkyskiu Pienine AB, the parent company
- Modest AB, the subsidiary
- Kelmes Pienine 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 Pienine AB, which is engaged in milk processing and production of dairy products. The Company holds 99% voting rights of Kelmes Pienine AB. Kelmes Pienine AB specialises in production of fresh dairy products.

At 31 December 2012 the Group had 925 employees (31 December 2011 - 845).

Consolidated statement of financial position

Thousand Lit	31 12 2012	31 12 2011
Assets		
Property, plant and equipment	93,948	72,344
Intangible assets	23,880	24,010
Long-term receivables	1,395	1,559
Non-current assets	119,223	97,913
Inventories	23,968	23,259
Trade and other receivables	17,297	19,383
Prepayments	813	1,603
Cash and cash equivalents	880	337
Current assets	42,958	44,582
Total assets	162,181	142,495
Equity		
Share capital	11,943	11,943
Share premium	11,396	11,396
Reserves	11,389	12,494
Retained earnings	25,141	20,195
Total equity attributable to the shareholders of the Company	59,869	56,028
Non-controlling interest	141	104
Total equity	60,010	56,132
Liabilities		
Interest-bearing loans and lease liabilities	35,755	24,117
Derivative financial instruments	1,707	1,045
Government grants	12,564	7,842
Deferred tax liabilities	1,861	2,633
Non-current liabilities	51,887	35,637
Interest-bearing loans and lease liabilities	17,950	21,144
Derivative financial instruments	436	352
Trade and other payables	31,898	29,230
Current liabilities	50,284	50,726
Total liabilities	102,171	86,363
Total equity and liabilities	162,181	142,495

Consolidated income statement

Thousand Litas

	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011	01.10.2012- 31.12.2012	01.10.2011- 31.12.2012
Revenue	295,759	290,133	79,387	79,395
Cost of sales	-265,705	-260,955	-70,617	-71,765
Gross profit (loss)	30,054	29,178	8,770	7,630
Other operating income	1,095	825	334	230
Distribution expenses	-12,799	-9,782	-3,601	-2,987
Administrative expenses	-8,784	-7,587	-2,109	-2,164
Other operating costs	-341	-268	-224	-114
Result from operating activities	9,225	12,366	3,170	2,595
Finance income	119	133	15	38
Finance costs	-2,432	-1,895	-673	-459
Net finance expenses	-2,313	-1,762	-658	-421
Profit (loss) before income tax	6,912	10,604	2,512	2,174
Income tax expense	772	37	-256	-92
Net profit (loss)	7,684	10,641	2,256	2,082
Attributable to:				
Shareholders of the Group	7,573	10,565	2,241	2,069
Minority interest	111	76	15	13
Net profit (loss)	7,684	10,641	2,256	2,082
Earnings per share (Litas)	0.63	0.88	0.19	0.17

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)	-	-	-	-	-	-	8,496	8,496	63	8,559
Other comprehensive income										
Allocated from reserves	-	-	-343	-	-	-	343	-	-	-
Increase of revaluation reserve, due to income tax effect	-	-	51	-	-	-	-	51	-	51
Total other comprehensive income	-	-	-292	-	-	-	343	51	-	51
Total comprehensive income for the period	-	-	-292	-	-	-	8,839	8,547	63	8,610
Contributions by and distributions to owners:										
Allocated to legal reserve	-	-	-	-	-	259	-259	-	-	-
Dividends	-	-	-	-	-	-	-2,866	-2,866	-97	-2,963
Total contributions by and distributions to owners	-	-	-	-	-	259	-3,125	-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
Balance at 1 October 2011	11,943	11,396	7,025	-	-	1,194	23,781	55,339	91	55,430
Comprehensive income for the period										
Net profit (loss)	-	-	-	-	-	-	2,069	2,069	13	2,082
Other comprehensive income										
Allocated from reserves	-	-	-113	-	-	-	113	-	-	-
Increase of revaluation reserve, due to income tax effect	-	-	17	-	-	-	-	17	-	17
Formation of hedging reserve	-	-	-	-1,397	-	-	-	-1,397	-	-1,397
Total other comprehensive income	-	-	-96	-1,397	-	-	113	-1,380	-	-1,380
Total comprehensive income for the period	-	-	-96	-1,397	-	-	2,182	689	104	702
Contributions by and distributions to owners:										
Allocated to reserve for acquiring own shares	-	-	-	-	5,768	-	-5,768	-	-	-
Total contributions by and distributions to owners	-	-	-	-	5,768	-	-5,768	-	-	-
Changes in the Group without losing control										
Other changes in the Group	-	-	-	-	-	-	-	-	-	-
Total contributions by and distribution to owners	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2011	11,943	11,396	6,929	-1,397	5,768	1,194	20,195	56,028	104	56,132

Consolidated statement of changes in equity (continued)

Thousand Litas	Equity, attributable to the shareholders of the Company									
	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 2012	11,943	11,396	6,929	-1,397	5,768	1,194	20,195	56,028	104	56132
Comprehensive income for the period										
Net profit (loss)	-	-	-	-	-	-	5,332	5,332	96	5,428
Other comprehensive income										
Allocated from reserves	-	-	-270	-	-	-	270	-	-	-
Increase of revaluation reserve, due to income tax effect	-	-	-	-	-	-	-	-	-	-
Formation of hedging reserve	-	-	-	-853	-	-	-	-853	-	-853
Total other comprehensive income	-	-	-270	-853	-	-	270	-853	-	-853
Total comprehensive income for the period	-	-	-270	-853	-	-	5,602	4,479	96	4,575
Contributions by and distributions to owners:										
Dividends	-	-	-	-	-	-	-2,986	-2,986	-	-2,986
Total contributions by and distributions to owners	-	-	-	-	-	-	-2,986	-2,986	-	-2,986
Changes in the Group without losing control										
Changes in minority interest	-	-	-	-	-	-	-	-	-	-
Other changes in the Group	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2012	11,943	11,396	6,659	-2,250	5,768	1,194	22,811	57,521	200	57,721
Balance at 1 October 2012	11,943	11,396	6,659	-2,250	5,768	1,194	22,811	57,521	200	57,721
Comprehensive income for the period										
Net profit (loss)	-	-	-	-	-	-	2,241	2,241	15	2,256
Other comprehensive income										
Allocated from reserves	-	-	-89	-	-	-	89	-	-	-
Increase of revaluation reserve, due to income tax effect	-	-	-	-	-	-	-	-	-	-
Formation of hedging reserve	-	-	-	107	-	-	-	107	-	107
Total other comprehensive income	-	-	-89	107	-	-	89	107	-	107
Total comprehensive income for the period	-	-	-89	107	-	-	2,330	2,348	15	2,363
Contributions by and distributions to owners:										
Dividends	-	-	-	-	-	-	-	-	-74	-74
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-74	74
Changes in the Group without losing control	-	-	-	-	-	-	-	-	-	-
Other changes in the Group	-	-	-	-	-	-	-	-	-	-
Total contributions by and distribution to owners	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2012	11,943	11,396	6,570	-2,143	5,768	1,194	25,141	59,869	141	60,010

Consolidated statement of cash flows

Thousand Lit	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Cash flows from operating activities		
Profit (loss) for the year	7,684	10,641
Adjustments:		
Depreciation of property, plant and equipment	7,783	6,722
Amortization of intangible assets	138	265
Amortization and write down of grants	-1,053	-787
(Profit) loss on disposal of property, plant and equipment	-64	-87
Income tax expense	-772	-37
Interest expenses, net	2,313	1,762
	16,029	18,479
Change in inventories	-709	-6,309
Change in long-term receivables	164	-72
Change in trade and other receivables and prepayments	2,378	-7,969
Change in trade and other payables	2,093	10,129
	19,955	14,258
Interest paid	-1,629	-1,562
Income tax paid	-	-1
Net cash flows from (used in) operating activities	18,326	12,695
Cash flows from investing activities		
Acquisition of property, plant and equipment	-29,594	-13,331
Acquisition of intangible assets	-8	-
Proceeds from sale of property, plant and equipment	246	543
Acquisition of investments	-	-14
Loans granted	-648	-869
Recovery of the loans	999	-
Interest received	2	16
Net cash flow used in investing activities	-29,003	-13,655
Cash flows from financing activities		
Loans received	25,118	19,163
Repayment of borrowings	-16,766	-15,491
Dividends paid	-2,986	-2,883
Capital grants received	5,854	150
Cash flows from (used in) financing activities	11,220	939
Increase (decrease) in cash and cash equivalents	543	-21
Cash and cash equivalents at 1 January	337	358
Cash and cash equivalents at 31 December	880	337

Explanatory notes

1. Accounting principles

Consolidated financial statements of Vilkyškiu pienine 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

	2012	2011
Revenue (Thousand Litass)	295,759	290,133
EBITDA (Thousand Litass)	16,093	18,566
EBITDA margin (%)	5.4%	6.4%
Operating result (Thousand Litass)	9,225	12,366
Operating result margin (%)	3.1 %	4.3%
Profit (loss) before tax (Thousand Litass)	6,912	10,604
Profit (loss) before tax margin (%)	2.3%	3.7%
Profit (loss) per share (litas)	0.63	0.88
Number or shares (vnt)	11,943,000	11,943,000

In the year 2012 the Group earned 296 million LTL. During the first months of the year, the Group had a loss, because of modernization works of cheese line in the main cheese-making manufactory of Vilkyškiu pienine AB. At that time, the production of cheese was completely stopped. Half-year results were affected by significant fall in products' sales prices in export markets compared to the same period of the last year. In the middle of the year decline of prices has stopped, prices began to rise. Demand for dairy products has been quite strong so the Group earned 7.68 million LTL net profit over this year.

2012 - the year of major investments for the company. A new cheese production line was installed, that allowed to increase the capacity of cheese production by 30 percent. Cheese packaging and treatment line installation allows to produce higher value-added cheese. Installation of a new line of glazed sweet cheese curds production in Kelmes pienine AB allows to increase the capacity of production.

3. Segment information

Revenue per geographical zones:

Thousand Litass	2012	2011	Change
Lithuania	109,260	105,526	3.5%
European Union	87,735	97,594	-10.1%
Russia	87,054	78,594	10.8%
Other countries	11,710	8,419	39.1%
	295,759	290,133	

4. 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 3 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.

Referring to the announcement of the Government of Lithuania on 16 November 2011 to take over 100 per cent shares of AB bankas Snoras for the needs of the society, Vilkyškiu pienine AB had no effect to the performance results or cash flow.

In October – December 2012 group received 5.4 million LTL support from the EU Structural Funds for completed 2007-2013 investment project "Improving the competitiveness of dairy processing". 4,7 million LTL of them repayment of borrowings.

5. Inventories

Thousand Litas	31 December 2012	31 December 2011
Finished production	17,856	18,057
Raw materials	183	217
Other auxiliary materials	5,929	4,983
	23,968	23,259

5. Significant events in 2012

Products, that received exclusive recognition in the exhibition "Prodexpo 2012" (in February) and "World Food Moscow" (in September):

- Cheese "Maasdam" and "Vilkyškiu" gooseberry yoghurt were awarded gold medals in category "The best product"
- "Functional yogurt with apples and oats" and "Curd spread with iodized salt" were awarded silver medals
- Cheese "Basilis" and glazed sweet cheese curd with sea-buckthorns and rhubarbs were nominated as "Russia's trade network selection"

Vilkyškiu pienine AB participated in one of the largest food industry exhibitions "SIAL 2012", which took place in Paris, France. Stand of the company attracted a lot of attention because of the unique design and the quality of presented products, especially "Memel blue", "Zalgiris", "Maasdam" and "Prussia". Four flavors of glazed curd cheeses and gooseberry yoghurt were perfectly rated by food industry professionals and were awarded as one of the most innovative. The products received a nomination "SIAL Innovation 2012". Contacts were established with representatives from the Czech Republic, Germany, Holland, USA, Poland, Slovakia and others.

Vilkyskiu pienine AB was the main sponsor of the exhibition "Wine Day 2012". During the exhibition, hard cheeses, piquant cheeses and cheese with the blue mold were presented.

New products were introduced in the market - 15 percent. fat "Sour cream for salad", "Glazed sweet cheese curd with blueberries" and new different flavors functional yogurts: "Vanilla and roasted flax seeds yogurt", "Quince, pumpkin and cereal yogurt" and "Yogurt with apples and oats". According to the updated brand concept, cheese packaging design of "Vilkyskiu pienine" was renewed. Souvenir packages collection of cheeses was also introduced (hard cheeses "Prussia", "Zalgiris" and "Legend" - in the souvenir packages).

The website was renewed to www.vilkyskiu.lt

The largest investments were implemented in 2012: cheese production line (value 16 million LTL), a new line of glazed sweet cheese curds production in Kelmes pienine AB (value 0.5 million LTL), cheese packaging and treatment line installation (value 9.5 million LTL).

2007-2013 investment project "Improving the competitiveness of dairy processing" was completed. Project value 33.2 million LTL, 6.6 million LTL of them was support from the EU Structural Funds. During the year 2012, the Group received 5.4 million LTL support.