



# Vilkyskiu pienine AB

Interim consolidated financial statements  
for the 12 months of 2010



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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 2010, 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

A.V.



The financial statements were approved and signed by the Management on 28 February 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 <sup>th</sup> of May 1993
Date and place of re-registration	The 10 <sup>th</sup> of December 2005, Tauragė Branch of Public Institution Center of Registers
Code in the Register of Enterprises	277160980
Internet address	<a href="http://www.cheese.lt">http://www.cheese.lt</a>

### 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 Trijonis	Technical Director
Rimantas Jancevicius	Stock Director
Arvydas Zaranka	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 99.09% voting rights of Kelmes Pienine AB. Kelmes Pienine AB specialises in production of fresh dairy products.

At 31 December 2010 the Group had 755 employees (31 December 2009 - 735).



## Consolidated statement of financial position

Thousand Lit

	31 12 2010	31 12 2009
<b>Assets</b>		
Property, plant and equipment	65 674	66 248
Intangible assets	398	608
Goodwill	23 875	23 875
Long-term receivables	1 487	1 421
<b>Total non-current assets</b>	<b>91 434</b>	<b>92 152</b>
Inventories	16 950	18 512
Trade and other receivables	14 273	14 820
Cash and cash equivalents	358	395
<b>Total current assets</b>	<b>31 581</b>	<b>33 727</b>
<b>Total assets</b>	<b>123 015</b>	<b>125 879</b>
<b>Equity</b>		
Share capital	11 943	11 943
Share premium	11 396	11 396
Reserves	8 252	8 624
Retained earnings	18 097	7 048
<b>Total equity attributable to the shareholders of the Company</b>	<b>49 688</b>	<b>39 011</b>
<b>Non-controlling interest</b>	<b>155</b>	<b>88</b>
<b>Total equity</b>	<b>49 843</b>	<b>39 099</b>
<b>Liabilities</b>		
Interest-bearing loans and lease liabilities	22 279	39 266
Government grants	8 479	8 203
Deferred tax liabilities	2 739	2 301
<b>Total non-current liabilities</b>	<b>33 497</b>	<b>49 770</b>
Interest-bearing loans and lease liabilities	18 421	15 990
Trade and other payables, including derivatives	21 254	21 020
<b>Total current liabilities</b>	<b>39 675</b>	<b>37 010</b>
<b>Total liabilities</b>	<b>73 172</b>	<b>86 780</b>
<b>Total equity and liabilities</b>	<b>123 015</b>	<b>125 879</b>



## Consolidated income statement

Thousand Lit

	2010.01.01- 2010.12.31	2009.01.01- 2009.12.31	2010.10.01- 2010.12.31	2009.10.01- 2009.12.31
Revenue	244 273	159 318	65 202	43 680
Cost of sales	-215 763	-134 289	-57 693	-37 818
<b>Gross profit (loss)</b>	<b>28 510</b>	<b>25 029</b>	<b>7 509</b>	<b>5 862</b>
Other operating income, net	460	-201	-67	332
Distribution expenses	-7 683	-7 048	-2 156	-1 991
Administrative expenses	-7 524	-6 528	-1 355	-1 908
<b>Operating result</b>	<b>13 763</b>	<b>11 252</b>	<b>3 931</b>	<b>2 295</b>
Finance income	2 124	66	2 059	0
Finance costs	-3 511	-3 346	-2 047	-624
<b>Net finance costs</b>	<b>-1 387</b>	<b>-3 280</b>	<b>12</b>	<b>-624</b>
<b>Profit (loss) before tax</b>	<b>12 376</b>	<b>7 972</b>	<b>3 943</b>	<b>1 671</b>
Income tax expense	-504	-1 249	-130	-1 429
<b>Net profit (loss) for the year</b>	<b>11 872</b>	<b>6 723</b>	<b>3 813</b>	<b>242</b>
Attributable to:				
Shareholders of the Company	11 805	6 690	3 778	230
Non-controlling interest	67	33	35	-12
<b>Net profit (loss) for the year</b>	<b>11 872</b>	<b>6 723</b>	<b>3 813</b>	<b>242</b>
Basic earnings per share (Litas)	0,99	0,56	0,32	0,02
Diluted earnings per share (Litas)	-	-	-	-



## Consolidated statement of changes in equity

Equity, attributable to the shareholders of the Company

Thousand Litas	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2009	11 943	11 396	7 588	935	-81	31 781	55	31 836
<b>Comprehensive income for the period</b>								
Net profit (loss)	-	-	-	-	6 284	6 284	40	6 324
<b>Other comprehensive income</b>								
Allocated from reserves	-	-	-317	-	317	0		0
Increase of revaluation reserve, net of tax	-	-	-165	-	-	-165	-	-165
<b>Total other comprehensive income</b>	-	-	-482	-	317	-165	-	-165
<b>Total comprehensive income for the period</b>	-	-	-482	-	6 601	6 119	40	6 159
<b>Contributions by and distributions to owners:</b>								
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
<b>Changes in the Group without losing control</b>								
Other changes in the Group	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners								
Balance at 30 September 2009	11 943	11 396	7 106	935	6 520	37 900	95	37 995
Balance at 1 October 2010	11 943	11 396	7 106	935	6 520	37 900	95	37 995
<b>Comprehensive income for the period</b>								
Net profit (loss)	-	-	-	-	406	406	-7	399
<b>Other comprehensive income</b>								
Allocated from reserves	-	-	-122	-	122	0	-	0
Increase of revaluation reserve, net of tax	-	-	705	-	-	705	-	705
<b>Total other comprehensive income</b>	-	-	583	-	122	705	-	705
<b>Total comprehensive income for the period</b>	-	-	583	-	528	1 111	-7	1 104
<b>Contributions by and distributions to owners:</b>								
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
<b>Changes in the Group without losing control</b>								
Other changes in the Group	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners								
Balance at 31 December 2009	11 943	11 396	7 689	935	7 048	39 011	88	39 099



## 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 2010	11 943	11 396	7 689	935	7 048	39 011	88	39 099
<b>Comprehensive income for the period</b>								
Net profit (loss)	-	-	-	-	8 027	8 027	32	8 059
<b>Other comprehensive income</b>								
Allocated from reserves	-	-	-328	-	328	0	-	0
Increase of revaluation reserve, net of tax	-	-	49	-	-	49	-	49
<b>Total other comprehensive income</b>	-	-	-279	-	328	49	-	49
<b>Total comprehensive income for the period</b>	-	-	-279	-	8 355	8 076	32	8 108
<b>Contributions by and distributions to owners:</b>								
Dividends					-1 194	-1 194		-1 194
Total contributions by and distributions to owners					-1 194	-1 194		-1 194
<b>Changes in the Group without losing control</b>								
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 January 2010	11 943	11 396	7 410	935	14 209	45 893	120	46 013
<b>Comprehensive income for the period</b>								
Net profit (loss)	-	-	-	-	3 778	3 778	35	3 813
<b>Other comprehensive income</b>								
Allocated from reserves	-	-	-110	-	110	0	-	-
Increase of revaluation reserve, net of tax	-	-	17	-	-	17	-	17
<b>Total other comprehensive income</b>	-	-	-93	-	110	17	-	17
<b>Total comprehensive income for the period</b>	-	-	-93	-	3 888	3 795	35	3 830
<b>Contributions by and distributions to owners:</b>								
Dividends	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
<b>Changes in the Group without losing control</b>								
Other changes in the Group	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
Balance at 30 September 2010	11 943	11 396	7 317	935	18 097	49 688	155	49 843





## Consolidated statement of cash flows

Thousand Lit

	2010.01.01- 2010.12.31	2009.01.01- 2009.12.31
<b>Cash flows from operating activities</b>		
Net profit (loss)	11 872	6 723
Adjustments:		
Depreciation of property, plant and equipment	6 348	6 471
Amortisation of intangible assets	297	260
Amortisation of grants	-717	-723
(Profit) loss on disposal of property, plant and equipment	57	904
(Profit) loss on disposal of investment	-371	-
Income tax expense	504	1 249
Interest expenses, net	1 694	3 079
	<b>19 684</b>	<b>17 963</b>
Change in inventories	1 562	2 089
Change in long-term receivables	-66	-188
Change in trade and other receivables	545	4 882
Change in trade and other payables	-42	-3 875
	<b>21 683</b>	<b>20 871</b>
Paid interest	-1 694	-3 079
Paid income tax	-	-
<b>Net cash flows from (used in) operating activities</b>	<b>19 989</b>	<b>17 792</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-5 432	-2 402
Acquisition of intangible assets	-87	-450
Proceeds from sale of property, plant and equipment	558	519
<b>Net cash flow used in investing activities</b>	<b>-4 961</b>	<b>-2 333</b>
<b>Cash flows from financing activities</b>		
Loans received	2 337	515
Repayment of borrowings	-17 201*	-15 806
Dividends paid	-1 194	-
Capital grants received	993	32
<b>Net cash from (used in) financing activities</b>	<b>-15 065</b>	<b>-15 259</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-37</b>	<b>200</b>
Cash and cash equivalents at 1 January	395	195
<b>Cash and cash equivalents at 31 December</b>	<b>358</b>	<b>395</b>

\*Repayment of the borrowings includes change of overdraft facility of 3 227 tLTL during 2010

## 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 12 months of 2010 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 2009

### 2. Main financial indicators

	January - December 2010	January - December 2009
Revenue (Thousand Litas)	244 273	159 318
EBITDA (Thousand Litas)	20 869	18 049
EBITDA margin (%)	8.5	11.3
Operating result (Thousand Litas)	13 763	11 252
Operating result margin (%)	5.6	7.1
Profit (loss) before tax (Thousand Litas)	12 376	7 972
Profit (loss) before tax margin (%)	5.1	5.0
Profit (loss) per share (litas)	0.99	0.56
Number or shares (vnt)	11 943 000	11 943 000

### 3. Segment information

#### Revenue per geographical zones:

Thousand Litas	January - December 2010	January - December 2009	Change
Lithuania	91 626	74 782	22.5%
European Union	84 431	67 763	24.6%
Russia	62 661	15 060	4.2 times
Other countries	5 555	1 713	3.2 times
	244 273	159 318	

Sales revenue in 2010 has increased 53% compared with same period of the last year. There are several reasons of increase:

1. increase in production, i.e. we have processed more raw milk (about 30 per cent);
2. increased quantities of export;
3. because of the increase in demand of production, in the beginning of the year we have reduced a part of the stock;
4. sale price of exported production has increased about 30%

#### 4. Inventories

Thousand Litas	31 December 2010	31 December 2009
Finished production	12 369	14 683
Raw materials	357	194
Other auxiliary materials	3 518	3 624
Goods for re-sale	706	11
	<b>16 950</b>	<b>18 512</b>

#### 5. Events

On 2nd of November 2010 Modest AB, the subsidiary of Vilkyškių pieninė AB increased its share capital by addition cash contributions. The share capital has been increased from 617 118 LTL till 5 617 118 LTL by Vilkyškių pieninė AB.

#### 6. Post balance sheet events

The quality of Lithuanian cheeses has been acknowledged by the Russians – as many as three products of AB Vilkyškių Pieninė received prizes at the exhibition *Prodexpo 2011* held on 7–11 February in Moscow. *Prodexpo* is the largest international specialised exhibition of food industry, drinks and raw materials in Eastern Europe. The cheese *Prussia* received the gold medal in the international competition *The best product 2011* while cheeses *Legend* and *Žalgiris* received prizes in the competition *The choice of Russia's trade chains 2011*.

On 8 February, during the competition *The choice of Russia's trade chains 2011*, representatives of the largest Russia's trade chains, following a tasting of products, selected the products they liked most which were awarded diplomas of the trade forum *Strategic Russia's trade objectives in the 21st century*. The traders of one of the most important export partners of Lithuania have been particularly impressed with two cheeses of Vilkyškių Pieninė – *Žalgiris*, a hard cheese with a sharp taste and *Legend*, a hard cheese with the odour and taste of pasteurised cream.

Lithuanian products have also received acclaim in the special competition *The best product 2011* which took place behind the closed doors. A special commission of tasters, having evaluated the products presented for the competition with regard to their sensory characteristics, external design and packaging, decided to award the gold medal to *Prussia*, a cheese of the *Goudos* type produced by AB Vilkyškių Pieninė.