

# Vilkyskiu pienine AB

Interim consolidated financial statements for the 12 months of 2012



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VILKYŠKIŲ

Interim consolidated financial statements for the twelve 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 Vilkyskiu pienine AB and Vilija Milaseviciute, Finance Director of Vilkyskiu pienine AB hereby confirm that, unaudited interim condensed consolidated financial statements for the twelve 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 cach flows of Vilkyskiu pienine AB group.

Gintaras Bertasius Muu General Director Vilija Milaseviciute Finance Director RESP YŠK SA

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 <sup>th</sup> of May 1993
Date and place of re-registration	The 30 <sup>th</sup> 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).

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AssetsImage: particular set	Thousand Litas	31 12 2012	31 12 2011
Property, plant and equipment93,94872,344Intangible assets23,08024,010Long-term receivables1,3951,559Non-current assets119,22397,913Inventories23,96823,259Trade and other receivables17,29719,383Prepayments880337Current assets42,95844,582Total assets42,95844,582Total assets11,94311,943Share capital11,39611,396Share capital11,39611,396Reserves11,38912,494Retained earnings25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest11,7071,045Interest-bearing loans and lease liabilities35,75524,117Derivative financial instruments1,8612,633Non-current liabilities11,8612,633Non-current liabilities17,95021,144Derivative financial instruments17,95021,144Derivative financial instruments31,89829,230Current liabilities17,95021,144Derivative financial instruments31,89829,230Trade and other payables31,89829,230Current liabilities15,92450,226Total extra throw throw50,22450,226Total extra throw throw50,22450,226Total extra throw throw50,22450,226<	Assets		
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Long-term receivables1,3951,599Non-current assets119,22397,913Inventories23,96823,259Trade and other receivables17,29719,383Prepayments8131,603Cash and cash equivalents880337Current assets42,95844,582Total assets42,95844,582Total assets11,94311,943Share capital11,39611,396Reserves11,38912,494Retained earnings25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest141104Total equity59,86956,028Liabilities35,75524,117Derivative financial instruments1,2071,045Government grants1,2647,842Deferred tax liabilities1,8612,633Non-current liabilities1,95935,637Interest-bearing loans and lease liabilities1,95921,144Derivative financial instruments1,8613,5637Interest-bearing loans and lease liabilities1,95921,144Derivative financial instruments31,89829,230Current liabilities13,59835,637Interest-bearing loans and lease liabilities13,59835,637Interest-bearing loans and lease liabilities13,59835,637Interest-bearing loans and lease liabilities13,59832,230Current liabilitie			
Non-current assets119,22397,913Inventories23,96823,259Trade and other receivables17,29719,383Prepayments8131,603Cash and cash equivalents880337Current assets42,95844,582Total assets162,181142,495Equity11,94311,943Share capital11,94311,396Share capital11,39611,396Reserves11,39612,494Retained earnings25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest141104Total equity60,01056,132Liabilities12,5442,493Interest-bearing loans and lease liabilities35,75524,117Orivative financial instruments1,2,6947,842Deferred tax liabilities12,5647,842Interest-bearing loans and lease liabilities11,2,56435,637Interest-bearing loans and lease liabilities11,2,56435,637Interest-bearing loans and lease liabilities11,2,56435,637Interest-bearing loans and lease liabilities11,95921,144Derivative financial instruments43,6352Trade and other payables31,89829,230Current liabilities50,28450,726Total equity this the builties50,28450,726Total equity tributable50,28450,726Interest-bearin	Long-term receivables		
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Trade and other receivables17,29719,383Prepayments8131,603Cash and cash equivalents880337Current assets42,95844,582Total assets162,181142,495Equity11,94311,943Share capital11,94311,396Share premium11,39611,396Reserves11,39820,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest111104Interest-bearing loans and lease liabilities35,75524,117Oervent grants12,2647,842Deferred tax liabilities11,29535,637Interest-bearing loans and lease liabilities11,8612,633Non-current liabilities11,95521,144Derivative financial instruments11,95021,144Derivative financial instruments17,95021,144Derivative financial instruments31,89829,230Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments31,89829,230Interest-bearing loans and lease liabilities31,89829,230Interest-bearing loans and lease liabilities11,95021,144Derivative financial instruments31,89829,230Interest-bearing loans and lease liabilities12,26435,267Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments31,898	Inventories	23,968	23,259
Prepayments1,603Cash and cash equivalents880337Current assets42,95844,582Total assets162,181142,495Equity11,94311,943Share capital11,39611,396Share premium11,39612,494Reserves11,38912,494Retained earnings25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest1141104Interest-bearing loans and lease liabilities35,75524,117Oerwative financial instruments11,7071,045Government grants12,56435,637Interest-bearing loans and lease liabilities13,861Oreferred tax liabilities11,795021,144Derivative financial instruments11,795021,144Derivative financial instruments31,893329,230Interest-bearing loans and lease liabilities31,893329,230Interest-bearing loans and lease	Trade and other receivables		
Cash and cash equivalents880337Current assets42,95844,582Total assets162,181142,495Equity11,94311,943Share capital11,39611,396Share premium11,39912,494Reserves25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest60,01056,132Liabilities60,01056,132Interest-bearing loans and lease liabilities35,75524,117Oerivative financial instruments1,7071,045Government grants1,2647,842Deferred tax liabilities1,2643,563Non-current liabilities1,795021,144Derivative financial instruments31,88939,2030Current liabilities17,95021,144Derivative financial instruments31,88929,230Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments31,88929,230Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments31,88929,230Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments343635,257Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments34,3635,257Interest-bearing loans and lease liabilities17,95021,144 </td <td>Prepayments</td> <td></td> <td></td>	Prepayments		
Current assets42,95844,582Total assets162,181142,495Equity11,94311,943Share capital11,94311,943Share premium11,39611,396Reserves111,38912,494Retained earnings25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest141104Total equity60,01056,132Liabilities35,75524,117Derivative financial instruments1,7071,045Government grants1,8612,633Non-current liabilities11,86135,637Interest-bearing loans and lease liabilities1,8612,633Non-current liabilities33,63735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities102,17186,363	Cash and cash equivalents		
Total assets162,181142,495EquityIIIShare capital11,94311,943IShare premium11,39611,396IReserves11,38912,49425,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest1141104Total equity60,01056,132Liabilities35,75524,117Derivative financial instruments1,7071,045Government grants1,8612,633Non-current liabilities11,8613,525Interest-bearing loans and lease liabilities1,8613,523Deferred tax liabilities1,8613,526Interest-bearing loans and lease liabilities1,8613,523Current liabilities17,95021,144Derivative financial instruments4363,52Interest-bearing loans and lease liabilities1,59,5021,144Derivative financial instruments31,89829,230Interest-bearing loans and lease liabilities1,59,5021,144Derivative financial instruments4363,52Inde and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Current assets		
Share capital11,94311,943Share premium11,39611,396Reserves11,38912,494Retained earnings25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest141104Total equity60,01056,132Liabilities60,01056,132Interest-bearing loans and lease liabilities35,75524,117Derivative financial instruments11,7071,045Government grants12,5647,842Deferred tax liabilities11,8612,633Non-current liabilities11,95021,144Derivative financial instruments11,95021,144Derivative financial instruments3436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Total assets		
Share premium11,396Reserves11,396Retained earnings25,14125,14120,195Total equity attributable to the shareholders of the Company59,869Some controlling interest141Total equity60,010Total equity60,010Total equity60,010Total equity56,132Liabilities35,755Interest-bearing loans and lease liabilities35,755Government grants11,707Deferred tax liabilities11,707Interest-bearing loans and lease liabilities51,887Mon-current liabilities51,637Interest-bearing loans and lease liabilities11,707Deferred tax liabilities11,705Opervative financial instruments11,70511,1442,633Non-current liabilities11,795021,1442436Derivative financial instruments43631,89829,230Current liabilities50,284Total equities50,284Total equities50,284Total liabilities50,284Total equities50,284Total equities<	Equity		
Reserves11,000Retained earnings25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest141104Total equity60,01056,132Liabilities35,755Interest-bearing loans and lease liabilities35,755Covernment grants1,707Deferred tax liabilities12,564Non-current liabilities1,861Annext equity2,633Non-current liabilities17,950Interest-bearing loans and lease liabilities35,637Government grants11,8612,63312,564Non-current liabilities31,89829,23031,898Current liabilities50,28450,28450,726Total end other payables31,89851,497102,17186,363102,171	Share capital	11,943	11,943
Retained earnings11,434Retained earnings25,14120,195Total equity attributable to the shareholders of the Company59,86956,028Non-controlling interest141104Total equity60,01056,132Liabilities35,75524,117Interest-bearing loans and lease liabilities35,75524,117Derivative financial instruments1,7071,045Government grants12,5647,842Deferred tax liabilities1,8612,633Non-current liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total end with Within50,28450,726	Share premium	11,396	11,396
Total equity attributable to the shareholders of the Company1011120,000Non-controlling interest141104Total equity60,01056,132Liabilities35,75524,117Interest-bearing loans and lease liabilities35,75524,117Derivative financial instruments1,7071,045Government grants12,5647,842Deferred tax liabilities1,8612,633Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments17,95021,144Derivative financial instruments31,89829,230Current liabilities50,28450,726Total equities102,17186,363	Reserves	11,389	12,494
Non-controlling interest141104Total equity60,01056,132Liabilities60,01056,132Liabilities35,75524,117Interest-bearing loans and lease liabilities35,75524,117Derivative financial instruments1,7071,045Government grants12,5647,842Deferred tax liabilities1,8612,633Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Retained earnings	25,141	20,195
Total equity60,01056,132Liabilities35,75524,117Interest-bearing loans and lease liabilities35,75524,117Derivative financial instruments1,7071,045Government grants12,5647,842Deferred tax liabilities1,8612,633Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Total equity attributable to the shareholders of the Company	59,869	56,028
LiabilitiesStyleStyleLiabilities35,75524,117Derivative financial instruments1,7071,045Government grants12,5647,842Deferred tax liabilities1,8612,633Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Non-controlling interest	141	104
Interest-bearing loans and lease liabilities35,75524,117Derivative financial instruments1,7071,045Government grants12,5647,842Deferred tax liabilities1,8612,633Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Total equity	60,010	56,132
Derivative financial instruments1,7071,045Government grants12,5647,842Deferred tax liabilities1,8612,633Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Liabilities		
Government grants12,5647,842Deferred tax liabilities1,8612,633Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Interest-bearing loans and lease liabilities	35,755	24,117
Deferred tax liabilities1,8612,633Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Derivative financial instruments	1,707	1,045
Non-current liabilities1,0012,000Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Government grants	12,564	7,842
Non-current liabilities51,88735,637Interest-bearing loans and lease liabilities17,95021,144Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Deferred tax liabilities	1,861	2,633
Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Non-current liabilities		
Derivative financial instruments436352Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Interest-bearing loans and lease liabilities	17.950	21.144
Trade and other payables31,89829,230Current liabilities50,28450,726Total liabilities102,17186,363	Derivative financial instruments		
Current liabilities50,28450,726Total liabilities102,17186,363	Trade and other payables		
Total liabilities102,17186,363Total liabilities102,171102,171	Current liabilities		
	Total liabilities		
	Total equity and liabilities		

### Consolidated statement of financial position



### 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 Finance costs <b>Net finance expenses</b>	119 -2,432 <b>-2,313</b>	133 -1,895 <b>-1,762</b>	15 -673 <b>-658</b>	38 -459 - <b>421</b>
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

Ŀ	equity, atti	ributable to	the share	eholders of	the Compa	iny				
			Revalu-		Reserve					m ( 1
	Share	Share	ation	Hodging	for	Logal	Retained	Total	Non-	Total
Thousand Litas	capital	premium		Hedging	acquiring	Legal	earnings	Total	controlling	equity
	_	-	reserve	reserve	own	reserve	-		interest	
					shares					
Balance at 1 January 2011	11,943	11,396	7,317	-	-	935	18,067	49,658	155	49,813
Comprehensive income for			. )e =:							
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			_/_				0,007	0,01	00	0,010
distributions to owners:										
Allocated to legal reserve	-	-	-	-	-	259	-259	-	-	_
Dividends	-	-	-	-	-		-2,866	-2,866	-97	-2,963
Total contributions by and							2,000	2,000		2,700
distributions to owners	_	_	-	-	_	259	-3,125	-2,866	-97	-2,963
Changes in the Group						207	0,120	2,000	,,,	2,700
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 50 September 2011	11,943	11,390	7,025	-	-	1,174	23,701	55,559	91	55,450
Balance at 1 October 2011	11,943	11,396	7,025	_	_	1,194	23,781	55,339	91	55,430
Comprehensive income for	11,745	11,570	7,025			1,174	20,701	00,007	71	00,400
the period										
Net profit (loss)	_	_	_	-	_	-	2,069	2,069	13	2,082
Other comprehensive income							2,007	2,007	10	2,002
Allocated from reserves	_	_	-113	_	_	_	113	_	-	_
Increase of revaluation reserve,			-115				115			
due to income tax effect	_	_	17	-	_	_	-	17	-	17
Formation of hedging reserve	_	-	-	-1,397	-	_	-	-1,397	-	-1,397
Total other comprehensive				1,000				1,000		1,007
income	-	-	-96	-1,397	-	-	113	-1,380	-	-1,380
Total comprehensive income			70	1,077			110	1,000		1,000
for the period	_	-	-96	-1,397	_	-	2,182	689	104	702
Contributions by and			-70	-1,007			2,102	007	104	102
distributions to owners:										
Allocated to reserve for										
acquiring own shares					5,768		-5,768			
Total contributions by and		-	-	-	5,708	-	-5,708	-	-	
distributions to owners					E 769		E 769			
	-	-	-	-	5,768	-	-5,768	-	-	-
Changes in the Group without										
losing control										
Other changes in the Group	-	-	-	-	-	-	-	-	-	-
Total contributions by and										
distribution to owners	-	-	-	-	-	-	-	-	-	-
	44.040	44 201	(	4 205	E = ( 0	4 40 4	00 105	EC COC	101	EC daa
Balance at 31 December 2011	11,943	11,396	6,929	-1,397	5,768	1,194	20,195	56,028	104	56,132



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### Consolidated statement of changes in equity (continued)

Equity, attributable to the shareholders of the Company Reserve Revalu-Total Share Share for Retained Non-Total Hedging ation Legal equity Thousand Litas capital premium acquiring earnings controlling reserve reserve reserve own interest shares 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 -270 -853 270 -853 -853 \_ income 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 11,943 11,396 6,659 -2,250 5,768 1,194 22,811 200 Balance at 30 September 2012 57,521 57,721 Balance at 1 October 2012 11,943 -2.250 1,194 200 11,396 6,659 5,768 22,811 57,521 57,721 Comprehensive income for the period Net profit (loss) 15 2,241 2,241 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 15 2,330 2,348 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 11,396 11,943 6,570 141 Balance at 31 December 2012 -2,143 5,768 1,194 25,141 59,869 60,010



### Consolidated statement of cash flows

Consolitation statement of cash now	,	
Thousand Litas	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Cash flows from operating activities		
Profit (loss) for the year Adjustments:	7,684	10,641
Depreciation of property, plant and equipment	7,783	6,722
Amortization of intangible assets	138	265
Amortization and write down of grants (Profit) loss on disposal of property, plant and	-1,053	-787
equipment	-64 -772	-87 -37
Income tax expense Interest expenses, net	2,313	-37 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 Recovery of the loans	-648 999	-869
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		



### **Explanatory notes**

### **1.** Accounting principles

VILKYŠKIŲ

Consolidated financial statements of Vilkyskiu 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 Litas)	295,759	290,133
EBITDA (Thousand Litas)	16,093	18,566
EBITDA margin (%)	5.4%	6.4%
Operating result (Thousand Litas)	9,225	12,366
Operating result margin (%)	3.1 %	4.3%
Profit (loss) before tax (Thousand Litas)	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 Vilkyskiu 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 Litas			
	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	

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#### 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.

Refering 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, Vilkyskiu 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.Significent events in 2012

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

- Cheese "Maasdam" and "Vilkyskiu" 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"

Vilkyskiu 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.



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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.