



# Vilkyskiu pienine AB

Interim consolidated financial statements  
for the 12 months of 2013

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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 2013, 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	info@vilkyskiu.lt
Date and place of registration	The 18 <sup>th</sup> of May 1993, Taurage Branch of Public Institution Center
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	<a href="http://www.vilkyskiu.lt">http://www.vilkyskiu.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
- Pieno logistika 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 100% voting rights of Kelmes Pienine AB. Kelmes Pienine AB specialises in production of fresh dairy products.

Since 2013 December the Group added a new subsidiary named „Pieno logistika“ AB. Its share capital amounts to 371 thousand LTL, main activity - rent of buildings. Vilkyskiu pienine AB holds 50.8% voting rights of "Pieno logistika" AB.

At 31 December 2013 the Group had 936 employees (31 December 2012 - 925).

## Consolidated statement of financial position

Thousand LTL	31 12 2013	31 12 2012
<b>Assets</b>		
Property, plant and equipment	97.497	93.927
Intangible assets	23.922	23.879
Long-term receivables	1.678	1.395
<b>Non-current assets</b>	<b>123.097</b>	<b>119.201</b>
Inventories	30.179	23.969
Trade and other receivables	27.121	16.724
Prepayments	1.405	1.406
Cash and cash equivalents	241	880
<b>Current assets</b>	<b>58.946</b>	<b>42.979</b>
<b>Total assets</b>	<b>182.043</b>	<b>162.180</b>
<b>Equity</b>		
Share capital	11.943	11.943
Share premium	11.396	11.396
Reserves	11.815	11.389
Retained earnings	35.732	25.132
<b>Total equity attributable to the shareholders of the Company</b>	<b>70.886</b>	<b>59.860</b>
<b>Non-controlling interest</b>	<b>183</b>	<b>141</b>
<b>Total equity</b>	<b>71.069</b>	<b>60.001</b>
<b>Liabilities</b>		
Interest-bearing loans and lease liabilities	28.684	35.755
Derivative financial instruments	1.207	1.707
Government grants	11.204	12.564
Deferred tax liabilities	3.073	1.862
<b>Non-current liabilities</b>	<b>44.168</b>	<b>51.888</b>
Interest-bearing loans and lease liabilities	25.826	17.950
Derivative financial instruments	358	436
Trade and other payables	40.622	31.905
<b>Current liabilities</b>	<b>60.806</b>	<b>50.291</b>
<b>Total liabilities</b>	<b>110.974</b>	<b>102.179</b>
<b>Total equity and liabilities</b>	<b>182.043</b>	<b>162.180</b>

## Consolidated income statement

Thousand LTL

	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012	01.10.2013- 31.12.2013	01.10.2012- 31.12.2012
Revenue	364.434	295.759	100.003	79.387
Cost of sales	-323.794	-265.705	-88.964	-70.617
<b>Gross profit</b>	<b>40.640</b>	<b>30.054</b>	<b>11.039</b>	<b>8.770</b>
Other operating income	1.442	1.095	514	334
Distribution expenses	-17.310	-12.799	-4.634	-3.601
Administrative expenses	-8.205	-8.793	-2.521	-2.118
Other operating costs	-254	-341	-45	-224
<b>Result from operating activities</b>	<b>16.313</b>	<b>9.216</b>	<b>4.353</b>	<b>3.161</b>
Finance income	105	110	21	6
Finance costs	-2.207	-2.423	-603	-664
<b>Net finance expenses</b>	<b>-2.102</b>	<b>-2.313</b>	<b>-582</b>	<b>-658</b>
<b>Profit before income tax</b>	<b>14.211</b>	<b>6.903</b>	<b>3.771</b>	<b>2.503</b>
Income tax expense	-1.212	772	-630	-256
<b>Profit for the period</b>	<b>12.999</b>	<b>7.675</b>	<b>3.141</b>	<b>2.247</b>
Attributable to:				
Shareholders of the Group	12.939	7.564	3.136	2.232
Non-controlling interest	60	111	5	15
<b>Net profit (loss) for the year</b>	<b>12.999</b>	<b>7.675</b>	<b>3.141</b>	<b>2.247</b>
Basic earnings per share (LTL)	1,08	0,63	0,26	0,19

## Consolidated statement of changes in equity

Equity, attributable to the shareholders of the Company

Thousand LTL	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	56.132
<b>Comprehensive income for the period</b>										
Net profit (loss)	-	-	-	-	-	-	5.332	5.332	96	5.428
<b>Other comprehensive income</b>										
Allocated from reserves	-	-	-270	-	-	-	270	-	-	-
Increase of revaluation reserve, due to income tax effect	-	-	-	-	-	-	-	-	-	-
Formation of hedging reserve	-	-	-	-853	-	-	-	-853	-	-853
<b>Total other comprehensive income</b>	-	-	-270	-853	-	-	270	-853	-	-853
<b>Total comprehensive income for the period</b>	-	-	-270	-853	-	-	5.602	4.479	96	4.575
<b>Contributions by and distributions to owners:</b>										
Dividends	-	-	-	-	-	-	-2.986	-2.986	-	-2.986
Total contributions by and distributions to owners	-	-	-	-	-	-	-2.986	-2.986	-	-2.986
<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 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
<b>Comprehensive income for the period</b>										
Net profit (loss)	-	-	-	-	-	-	2.232	2.232	15	2.247
<b>Other comprehensive income</b>										
Allocated from reserves	-	-	-89	-	-	-	89	-	-	-
Formation of hedging reserve	-	-	-	107	-	-	-	107	-	107
<b>Total other comprehensive income</b>	-	-	-89	107	-	-	89	107	-	107
<b>Total comprehensive income for the period</b>	-	-	-89	107	-	-	2.321	2.339	15	2.354
<b>Contributions by and distributions to owners:</b>										
Transfers to Reserve for acquiring own shares	-	-	-	-	-	-	-	-	-74	-74
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-74	-74
<b>Changes in the Group without losing control</b>										
Other changes in the Group	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2012	11.943	11.396	6.570	-2.143	5.768	1.194	25.132	59.860	141	60.001

## Consolidated statement of changes in equity (continued)

Equity, attributable to the shareholders of the Company

Thousand LTL	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 2013	11.943	11.396	6.570	-2.143	5.768	1.194	25.132	59.860	141	60.001
<b>Comprehensive income for the period</b>										
Net profit (loss)	-	-	-	-	-	-	9.803	9.803	55	9.858
<b>Other comprehensive income</b>										
Allocated from reserves	-	-	-266	-	-	-	266	-	-	-
Formation of hedging reserve	-	-	-	408	-	-	-	408	-	408
<b>Total other comprehensive income</b>	-	-	-266	408	-	-	266	408	-	408
<b>Total comprehensive income for the period</b>	-	-	-266	408	-	-	10.069	10.211	55	10.266
<b>Contributions by and distributions to owners:</b>										
Transfers to Reserve for acquiring own shares	-	-	-	-	203	-	-203	-	-	-
Dividends	-	-	-	-	-	-	-2.508	-2.508	-	-2.508
<b>Total contributions by and distributions to owners</b>	-	-	-	-	203	-	-2.711	-2.508	-	-2.508
<b>Changes in the Group without losing control</b>										
Other changes in the Group	-	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2013	11.943	11.396	6.304	-1.735	5.971	1.194	32.490	67.563	196	67.759
Balance at 1 October 2013	11.943	11.396	6.304	-1.735	5.971	1.194	32.490	67.563	196	67.759
<b>Comprehensive income for the period</b>										
Net profit (loss)	-	-	-	-	-	-	3.136	3.136	5	3.141
<b>Other comprehensive income</b>										
Allocated from reserves	-	-	-88	-	-	-	88	-	-	-
Formation of hedging reserve	-	-	-	169	-	-	-	169	-	169
<b>Total other comprehensive income</b>	-	-	-88	169	-	-	88	169	-	169
<b>Total comprehensive income for the period</b>	-	-	-88	169	-	-	3.224	3.305	5	3.310
<b>Contributions by and distributions to owners:</b>										
Transfers to Reserve for acquiring own shares	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-	-	-	-	-
<b>Changes in the Group without losing control</b>										
Other changes in the Group	-	-	-	-	-	-	18	18	-18	-
Balance at 31 December 2013	11.943	11.396	6.216	-1.566	5.971	1.194	35.732	70.886	183	71.069



## Consolidated statement of cash flows

Thousand LTL

	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>Cash flows from operating activities</b>		
Net profit (loss)	12.999	7.675
Adjustments:		
Depreciation of property, plant and equipment	9.140	7.783
Amortisation of intangible assets	6	138
Amortisation and write down of grants	-1.232	-1.132
(Profit) loss on disposal of property, plant and equipment	-38	-64
Income tax expense	1.212	-772
Interest expenses, net	2.102	2.313
	<b>24.189</b>	<b>15.941</b>
Change in inventories	-6.210	-710
Change in long-term receivables	-283	164
Change in trade and other receivables and prepayments	-10.560	-2.358
Change in trade and other payables	8.843	2.180
	<b>15.979</b>	<b>19.933</b>
Paid interest	-1.805	-1.629
<b>Net cash from operating activities</b>	<b>14.174</b>	<b>18.304</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-12.801	-29.573
Acquisition of intangible assets	-49	-7
Proceeds from sale of property, plant and equipment	689	246
Loans granted	0	-648
Recovery of the loans	0	999
Interest received	-	2
<b>Net cash from investing activities</b>	<b>-12.161</b>	<b>-28.981</b>
<b>Cash flows from financing activities</b>		
Loans received*	11.169	30.585
Repayment of borrowings	-11.313	-22.233
Dividends paid	-2.508	-2.986
Government grants received		5.854
<b>Net cash used in financing activities</b>	<b>-2.652</b>	<b>11.220</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-639</b>	<b>543</b>
Cash and cash equivalents at 1 January	880	337
<b>Cash and cash equivalents at 31 December</b>	<b>241</b>	<b>880</b>

\* Change of Credit line 5.191 Thousand LTL (for the year 2012 – 2.948 Thousand LTL)

## 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 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 2012.

### 2. Main financial indicators

	January - December 2013	January - December 2012
Revenue (Thousand LTL)	364.434	295.759
EBITDA (Thousand LTL)	24.227	16.005
EBITDA margin (%)	6,6%	5,4%
Operating result (Thousand LTL)	16.313	9.216
Operating result margin (%)	4,5%	3,1%
Profit (loss) (Thousand LTL)	12.999	7.675
Profit (loss) (%)	3,6%	2,6%
Profit (loss) per share (LTL)	1,09	0,63
Number of shares (vnt)	11 943 000	11 943 000

In the year 2013, the revenue of the Group amounted to 364 million LTL and it is 23 percent more comparing to the last year. The sales increased due to enlarge quantity of sold products and due to changes in products' sales prices in export markets comparing to the same period of the last year. Net profit for the year 2013 was almost 13 million LTL, while for the year 2012 it was about 8 million LTL.

During this year, the Group of Vilkyskiu pienine AB intensified its activities in Israel, the Arab countries, the Balkans, the Greek markets, in which products are selling with higher added value. What is more, we have been conducting intensive marketing activity in neighboring countries, and as a result, the Group introduced its dairy products to major retailers in mentioned regions. Moreover, we started to operate new liquid dairy products packaging line and introduced to the market milk, kefir and drinking yogurts in new tetra top packages. The assortment was supplemented by new products - different flavor yogurt drinks and glazed sweet cheese curds named "Murr". At the end of the year, whey products plant extension was completed and whey ultrafiltration project was implemented, that allows to produce new profitable whey products.

### 3. Segment information

#### Revenue per geographical zones:

Thousand LTL	January – December 2013	January – December 2012	Change
Lithuania	107.446	109.260	-1,7%
European Union	113.495	87.735	29,4%
Russia	126.075	87.054	44,8%
Other countries	17.418	11.710	48,7%
	<u>364.434</u>	<u>295.759</u>	

### 4. Inventories

Thousand LTL	31 December 2013	31 December 2012
Finished production	17.697	15.325
Raw materials	364	183
Other auxiliary materials	6.527	5.928
Goods for re-sale	5.591	2.533
	<b>30.179</b>	<b>23.969</b>

### 5. Post balance sheet events

The following decisions was taken at the Ordinary General Meeting of Shareholders of Vilkyškių pieninė AB which was held on the 26 April 2013:

**Item 1 of the Agenda:** Company's annual report for the year 2012.

Resolution: To approve the Company's annual report for the year 2012.

**Item 2 of the Agenda:** Auditor's Report regarding the Company's Financial Statements for the year 2012.

Heard.

**Item 3 of the Agenda:** Approval of Company's annual and consolidated financial statements of the year 2012.

Resolution: To approve of Company's annual and consolidated financial statements of the year 2012.

**Item 4 of the Agenda:** Profit (loss) appropriation for the year 2012.

Resolution: To approve the Audited Profit appropriation for the year 2012 as follows under IAS (in thousand LTL; in thousand EUR):

	thousand LTL	thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2011	14.138	4.095
2) Approved by shareholders dividends of the year 2011	2.986	865
3) Transfers to reserves provided by law	0	0
4) Portion of the profit allocated to the reserve for the purchase of own shares	0	0
5) Non-appropriated profit (loss) at the beginning of the year 2011 after dividends payout and transfer to reserves	11.152	3.230
6) Net profit (loss) of the reporting period	5.175	1.499
7) Transfers from reserves	354	103
8) Total profit (loss) to be appropriated:	16.681	4.831
- 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	203	59
- portion of the profit allocated for payment of the dividends (or 0,21 LTL (0,0608 EUR) per ordinary registered share with nominal value of 1 LTL)	2.508	726
- 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	13.820	4.003

**Item 5 of the Agenda:** A decision on the purchase of own shares.

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

- To purchase up to 10 percent of the Company's shares.
- The purpose of acquisition of own shares – to maintain and increase the price of the Company's shares.
- Period during which the Company may acquire own shares – until 25 April 2014.
- To set the maximum price per share of own shares to be acquired – at 1,45 EUR (5,00 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).
- To commit the Board to organize 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 6 of the Agenda:** Election of the Company's Audit firm for the year 2013, 2014 and 2015 and setting the conditions of payment.

Resolution:

- To elect KPMG Baltics, UAB as the Company's Audit firm for the year 2013, 2014 and 2015.
- To authorize Mr. Gintaras Bertasius, the Company's General Director, to contract with KPMG Baltics, UAB and to set the conditions of payment for the services.