



Vilkyskiu pienine AB

Interim consolidated financial statements
for the 3 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 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 2013, 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 2013.

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 | info@vilkyskiu.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 2013 the Group had 936 employees (31 March 2012 - 878).

Consolidated statement of financial position

| Thousand Lit | 31 03 2013 | 31 12 2012 |
|---|----------------|----------------|
| Assets | | |
| Property, plant and equipment | 94.659 | 93.927 |
| Intangible assets | 23.877 | 23.879 |
| Long-term receivables | 1.320 | 1.395 |
| Non-current assets | 119.856 | 119.201 |
| Inventories | 22.900 | 23.969 |
| Trade and other receivables | 22.101 | 16.724 |
| Prepayments | 837 | 1.406 |
| Cash and cash equivalents | 531 | 880 |
| Current assets | 46.369 | 42.979 |
| Total assets | 166.225 | 162.180 |
| Equity | | |
| Share capital | 11.943 | 11.943 |
| Share premium | 11.396 | 11.396 |
| Reserves | 11.359 | 11.389 |
| Retained earnings | 24.011 | 25.132 |
| Total equity attributable to the shareholders of the Company | 58.709 | 59.860 |
| Non-controlling interest | 151 | 141 |
| Total equity | 58.860 | 60.001 |
| Liabilities | | |
| Interest-bearing loans and lease liabilities | 35.254 | 35.755 |
| Derivative financial instruments | 1.654 | 1.707 |
| Government grants | 12.123 | 12.564 |
| Deferred tax liabilities | 1.660 | 1.862 |
| Non-current liabilities | 50.691 | 51.888 |
| Interest-bearing loans and lease liabilities | 27.216 | 17.950 |
| Derivative financial instruments | 431 | 436 |
| Trade and other payables, including derivatives | 29.027 | 31.905 |
| Current liabilities | 56.674 | 50.291 |
| Total liabilities | 107.365 | 102.179 |
| Total equity and liabilities | 166.225 | 162.180 |

Consolidated income statement

Thousand Litas

| | 01.01.2013- 31.03.2013 | 01.01.2012- 31.03.2012 |
|---|---------------------------|---------------------------|
| Revenue | 70.395 | 68.827 |
| Cost of sales | -66.059 | -65.230 |
| Gross profit | 4.336 | 3.597 |
| Other operating income | 326 | 384 |
| Distribution expenses | -3.719 | -2.657 |
| Administrative expenses | -1.677 | -2.489 |
| Other operating costs | -149 | -24 |
| Result from operating activities | -883 | -1.189 |
| Finance income | 15 | 27 |
| Finance costs | -532 | -511 |
| Net finance expenses | -517 | -484 |
| Profit before income tax | -1.400 | -1.673 |
| Income tax expense | 201 | 439 |
| Profit for the period | -1.199 | -1.234 |
| Attributable to: | | |
| Shareholders of the Group | -1.209 | -1.252 |
| Non-controlling interest | 10 | 18 |
| Net profit (loss) for the year | -1.199 | -1.234 |
| Basic earnings per share (Litas) | -0,10 | -0,10 |
| Diluted earnings per share (Litas) | -0,10 | -0,10 |

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 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, net of tax | - | - | 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: | | | | | | | | | | |
| 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 2012 | 11.943 | 11.396 | 6.841 | -1.634 | 5.768 | 1.194 | 19.047 | 54.555 | 122 | 54.677 |
| Balance at 1 January 2013 | 11.943 | 11.396 | 6.570 | -2.143 | 5.768 | 1.194 | 25.132 | 59.860 | 141 | 60.001 |
| Comprehensive income for the period | | | | | | | | | | |
| Net profit (loss) | - | - | - | - | - | - | -1.209 | -1.209 | 10 | -1.199 |
| Other comprehensive income | | | | | | | | | | |
| Allocated from reserves | - | - | -88 | - | - | - | 88 | - | - | - |
| Formation of hedging reserve | - | - | - | 58 | - | - | - | 58 | - | 58 |
| Total other comprehensive income | - | - | -88 | 58 | - | - | 88 | 58 | - | 58 |
| Total comprehensive income for the period | - | - | -88 | 58 | - | - | -1.121 | -1.150 | 10 | -1.141 |
| 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 2013 | 11.943 | 11.396 | 6.482 | -2.085 | 5.768 | 1.194 | 24.011 | 58.709 | 151 | 58.860 |

Consolidated statement of cash flows

| Thousand Lit | 01.01.2013- 31.03.2013 | 01.01.2012- 31.03.2012 |
|--|---------------------------|---------------------------|
| Cash flows from operating activities | | |
| Net profit (loss) | -1.199 | -1.234 |
| Adjustments: | | |
| Depreciation of property, plant and equipment | 2.271 | 1.320 |
| Amortisation of intangible assets | 2 | 66 |
| Amortisation and write down of grants | -313 | -196 |
| (Profit) loss on disposal of property, plant and equipment | -27 | -97 |
| Income tax expense | -201 | -439 |
| Interest expenses, net | 517 | 484 |
| | 1.050 | -96 |
| Change in inventories | 1.069 | 2.580 |
| Change in long-term receivables | 75 | -25 |
| Change in trade and other receivables and prepayments | -4.876 | -2.676 |
| Change in trade and other payables | -2.701 | 921 |
| | -5.383 | 704 |
| Paid interest | -407 | -413 |
| Net cash from operating activities | -5.790 | 291 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | -3.561 | -8.658 |
| Proceeds from sale of property, plant and equipment | - | 100 |
| Loans granted | 235 | -153 |
| Recovery of the loans | 2 | 158 |
| Interest received | - | 2 |
| | -3.324 | -8.551 |
| Cash flows from financing activities | | |
| Loans received* | 10.844 | 14.192 |
| Repayment of borrowings | -2.078 | -6.067 |
| | 8.766 | 8.125 |
| Net cash used in financing activities | 8.766 | 8.125 |
| Increase (decrease) in cash and cash equivalents | -349 | -135 |
| Cash and cash equivalents at 1 January | 880 | 337 |
| Cash and cash equivalents at 31 March | 531 | 202 |

* Change of Credit line 8,488 Thousand Lit (for the three months of 2012 – 1,743 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 2012.

2. Main financial indicators

| | January - March 2013 | January - March 2012 |
|------------------------------------|-------------------------|-------------------------|
| Revenue (Thousand Litass) | 70.395 | 68.827 |
| EBITDA (Thousand Litass) | 1.077 | 1 |
| EBITDA margin (%) | 1.5% | 0% |
| Operating result (Thousand Litass) | -883 | -1.189 |
| Operating result margin (%) | -1,3% | -1,7% |
| Profit (loss) (Thousand Litass) | -1.199 | -1.234 |
| Profit (loss) (%) | -1,7% | -1,8% |
| Profit (loss) per share (litas) | -0,10 | -0,10 |
| Number or shares (vnt) | 11 943 000 | 11 943 000 |

3. Segment information

Revenue per geographical zones:

| Thousand Litass | January - March 2013 | January - March 2012 | Change |
|-----------------|-------------------------|-------------------------|--------|
| Lithuania | 26.800 | 31.755 | -15,6% |
| European Union | 16.183 | 16.058 | 0,8% |
| Russia | 23.732 | 17.804 | 33,3% |
| Other countries | 3.680 | 3.210 | 14,6% |
| | 70.395 | 68.827 | |

4. Inventories

| Thousand Litass | 31 March 2013 | 31 December 2012 |
|---------------------------|---------------|------------------|
| Finished production | 15,991 | 17,824 |
| Raw materials | 423 | 87 |
| Other auxiliary materials | 6,486 | 6,026 |
| Goods for re-sale | - | 32 |
| | 22,900 | 23,969 |

6. 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 Litas; 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:

- 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 25 April 2014.
- d) 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).
- e) 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:

- 1) To elect KPMG Baltics, UAB as the Company's Audit firm for the year 2013, 2014 and 2015.
- 2) 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.