



Vilkyskiu pienine AB

Interim consolidated financial statements
for the 6 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 of Vilkyskiu pienine AB hereby confirm that, unaudited interim condensed consolidated financial statements for the six 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 cash flows of Vilkyskiu pienine AB group.

We confirm that review of business development and results is correctly indicated in the consolidated financial statements (the presentation of results for 6 months of 2012).

General Director

Gintaras Bertasius

Finance Director

Vilija Milaseviciute



The financial statements were approved and signed by the Management on 03 September 2012.

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% voting rights of Kelmes Pieninė AB. Kelmes Pieninė AB specialises in production of fresh dairy products.

At 30 June 2012 the Group had 882 employees (30 June 2011 - 857).

Consolidated statement of financial position

Thousand Lit	30.06.2012	31.12.2011
Assets		
Property, plant and equipment	84,571	72,344
Intangible assets	23,884	24,010
Long-term receivables	1,328	1,559
Non-current assets	109,783	97,913
Inventories	24,806	23,259
Trade and other receivables	22,611	19,383
Prepayments	729	1,603
Cash and cash equivalents	362	337
Current assets	48,508	44,582
Total assets	158,291	142,495
Equity		
Share capital	11,943	11,943
Share premium	11,396	11,396
Reserves	11,789	12,494
Retained earnings	17,386	20,195
Total equity attributable to the shareholders of the Company	52,514	56,028
Non-controlling interest	159	104
Total equity	52,673	56,132
Liabilities		
Interest-bearing loans and lease liabilities	32,565	24,117
Derivative financial instruments	1,348	1,045
Government grants	7,450	7,842
Deferred tax liabilities	1,618	2,633
Non-current liabilities	42,981	35,637
Interest-bearing loans and lease liabilities	28,478	21,144
Derivative financial instruments	576	352
Trade and other payables, including derivatives	33,583	29,230
Current liabilities	62,637	50,726
Total liabilities	105,618	86,363
Total equity and liabilities	158,291	142,495

Consolidated income statement

Thousand Lit

	01.01.2012- 30.06.2012	01.01.2011- 30.06.2011	01.04.2012- 30.06.2012	01.04.2011- 30.06.2011
Revenue	138,669	129,809	69,842	66,480
Cost of sales	-128,923	-117,604	-63,693	-59,554
Gross profit	9,746	12,205	6,149	6,926
Other operating income	574	453	190	196
Distribution expenses	-5,427	-4,248	-2,770	-2,396
Administrative expenses	-4,708	-3,466	-2,219	-1,729
Other operating costs	-51	-46	-27	-26
Result from operating activities	134	4,898	1,323	2,971
Finance income	84	61	57	21
Finance costs	-1,179	-947	-668	-517
Net finance expenses	-1,095	-886	-611	-496
Profit before income tax	-961	4,012	712	2,475
Income tax expense	984	270	546	290
Profit for the period	23	4,282	1,258	2,765
Attributable to:				
Shareholders of the Group	-32	4,246	1,221	2,740
Non-controlling interest	55	36	37	25
Net profit (loss) for the year	23	4,282	1,258	2,765
Basic earnings per share (Lit)	0.002	0.36	0.11	0.23

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)	-	-	-	-	-	-	4,246	4,246	36	4,282
Other comprehensive income										
Allocated from reserves	-	-	-228	-	-	-	228	-	-	-
Increase of revaluation reserve, net of tax	-	-	34	-	-	-	-	34	-	34
Total other comprehensive income	-	-	-194	-	-	-	228	34	-	34
Total comprehensive income for the period	-	-	-194	-	-	-	4,474	4,280	36	4,316
Contributions by and distributions to owners:										
Transfers 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										
Other changes in the Group	-	-	-	-	-	-	-	-	-	-
Decrease of non-controlling interest	-	-	-	-	-	-	-	-	-30	-30
Balance at 30 June 2011	11,943	11,396	7,123	-	-	1,194	19,416	51,072	64	51,136

Consolidated statement of changes in equity (continued)

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 July 2011	11,943	11,396	7,123	-	-	1,194	19,416	51,072	64	51,136
Comprehensive income for the period										
Net profit (loss)	-	-	-	-	-	-	6,319	6,319	40	6,359
Other comprehensive income										
Allocated from reserves	-	-	-228	-	-	-	228	-	-	-
Increase of revaluation reserve due to income tax effect	-	-	34	-	-	-	-	34	-	34
Formation of hedging reserve	-	-	-	-1,397	-	-	-	-1,397	-	-1,397
Total other comprehensive income	-	-	-194	-1,397	-	-	228	-1,363	-	-1,363
Total comprehensive income for the period	-	-	-194	-1,397	-	-	6,547	4,956	40	4,996
Contributions by and distributions to owners:										
Transfers 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 distributions 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)

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)	-	-	-	-	-	-	-32	-32	55	23
Other comprehensive income										
Allocated from reserves	-	-	-209	-	-	-	209	-	-	-
Increase of revaluation reserve, net of tax	-	-	31	-	-	-	-	31	-	31
Formation of hedging reserve	-	-	-	-527	-	-	-	-527	-	-527
Total other comprehensive income	-	-	-178	-527	-	-	209	-496	-	-496
Total comprehensive income for the period	-	-	-178	-527	-	-	177	-528	55	-473
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										
Other changes in the Group	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2012	11,943	11,396	6,751	-1,924	5,768	1,194	17,386	52,514	159	52,673

Consolidated statement of cash flows

Thousand Lit

	01.01.2012- 30.06.2012	01.01.2011- 30.06.2011
Cash flows from operating activities		
Net profit (loss)	23	4,282
Adjustments:		
Depreciation of property, plant and equipment	3,584	3,336
Amortisation of intangible assets	133	133
Amortisation and write down of grants	-392	-398
(Profit) loss on disposal of property, plant and equipment	-127	-72
Income tax expense	-984	-270
Interest expenses, net	1,095	886
	3,332	7,897
Change in inventories	-1,547	-5,530
Change in long-term receivables	231	84
Change in trade and other receivables and prepayments	-2,770	-4,278
Change in trade and other payables	4,438	6,523
	3,684	4,696
Paid interest	-904	-741
Paid income tax	-	-1
Net cash from operating activities	2,780	3,954
Cash flows from investing activities		
Acquisition of property, plant and equipment	-15,959	-4,843
Acquisition of intangible assets	-7	-
Proceeds from sale of property, plant and equipment	144	362
Acquisition of the subsidiary's shares	-	-14
Loans granted	-638	-92
Recovery of the loans	998	-
Interest received	2	9
Net cash from investing activities	-15,460	-4,578
Cash flows from financing activities		
Loans received*	23,573	12,514
Repayment of borrowings	-7,520	-8,935
Capital grants received	-362	-478
Dividends paid	-2,986	-2,619
Net cash used in financing activities	12,705	482
Increase (decrease) in cash and cash equivalents	25	-142
Cash and cash equivalents at 1 January	337	358
Cash and cash equivalents at 30 June	362	216

* Change of Credit line 8,687 Thousand Lit (for the six months of 2011 – 4,504 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 2011.

2. Main financial indicators

	January - June 2012	January - June 2011
Revenue (Thousand Litass)	138,669	129,809
EBITDA (Thousand Litass)	3,459	7,872
EBITDA margin (%)	2.5%	6.1%
Operating result (Thousand Litass)	134	4,898
Operating result margin (%)	0.1%	3.8%
Profit (loss) before tax (Thousand Litass)	-961	4,012
Profit (loss) before tax margin (%)	-0.7%	3.1%
Profit (loss) per share (litass)	0.002	0.36
Number or shares (vnt)	11,943,000	11,943,000

In the first half of this year The Group earned 23 thousand LTL. During the first months of this year, the Group had a loss, because of modernization works of cheese line in the main cheese-making manufactory of Vilkyškių Pieninė AB in February - March. During that period, the production of cheese was completely stopped. What is more, half-year results were affected by significant fall in products' sales price in export markets compared to the same period of the last year .

3. Segment information

Revenue per geographical zones:

Thousand Litass	January - June 2012	January - June 2011	Change
Lithuania	61,387	50,594	21.3%
European Union	33,859	39,970	-15.3%
Russia	37,897	36,113	5.0%
Other countries	5,526	3,132	76.4%
	138,669	129,809	

4. Loans

On 23 February 2012 AB Vilkyškių pieninė signed loan agreement with Nordea Bank Finland Plc for an amount of 1,039 tEUR to re-finance the loan issued by AB Bankas Snoras.

On 23 February 2012 the subsidiary Modest AB was granted a credit facility of 860 thousand EUR for five years period from Nordea Bank Finland Plc.

5. Inventories

Thousand Litas	30 June 2012	31 December 2011
Finished production	18,838	18,057
Raw materials	369	217
Other auxiliary materials	5,599	4,983
Goods for re-sale	-	-
	24,806	23,259

6. Significant events

The following decisions were taken at the Ordinary General Meeting of Shareholders of Vilkyškių pieninė AB which was held on the 27 April 2012:

Item 1 of the Agenda: The annual report of the Company of the year 2011.

Attended the annual report of the Company of the year 2011.

Item 2 of the Agenda: Auditor's Report regarding the Company's Financial Statements for 2011.

Heard.

Item 3 of the Agenda: Approval of the Company's Financial Statements for 2011. Approved the Company's Financial Statements for 2011.

Item 4 of the Agenda: Profit (loss) appropriation for the year 2011.

Approved the Audited Profit appropriation for the year 2011 as follows under IAS:

	thousand LTL	thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2010	9,028	2,615
2) Approved by shareholders dividends of the year 2010	2,866	830
3) Transfers to reserves provided by law	259	75
4) Portion of the profit allocated to the reserve for the purchase of own shares	5,768	1,671
5) Non-appropriated profit (loss) at the beginning of the year	135	39

2011 after dividends payout and transfer to reserves		
6) Net profit (loss) of the reporting period	13,546	3,923
7) Transfers from reserves	457	132
8) Total profit (loss) to be appropriated:	14,138	4,095
- 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	0	0
- portion of the profit allocated for payment of the dividends (or 0,25 LTL (0,0724 EUR) per ordinary registered share with nominal value of 1 LTL)	2,986	865
- 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	11,002	3,186

Item 5 of the Agenda: Election of the Audit Committee members.

The members Audit Committee elected Vanda Krivonosoviene (independent member) and Milana Buivydiene.

Item 6 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 30 April 2013.
- To set the maximum price per share of own shares to be acquired – at 1.40 EUR (4.83 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 organise 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 7 of the Agenda: Approval of dividend policy.

Approved the dividend policy.

7. Information about following Corporate Governance Code

Vilkyškių pieninė AB essentially follows Corporate Governance Code for the Companies Listed on Vilnius stock exchange. There is no Supervisory Council in company. The governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. The Board consists of six members who are elected for the term of four years. Nomination and Remuneration Committee is established by the Management Board. The members of Audit Committee and the regulations of activity of the committee is approved by General Meeting of Shareholders. Each committee of the company is composed of three members.



VILKYŠKIŲ PIENINĖ AB GROUP



**THE RESULTS OF
6 MONTHS OF 2012**

ABOUT THE COMPANY

Vilkyškių pieninė AB, was established in 1993 m.

Įmonių grupėje dirba 882 darbuotojai (2012 06 30)

The production of Dairy products is the core of Group business Įmonės

Company's share capital amounts to 11,9 million. Lt

Shares issued by the Company have been included into the Current Trade List of Vilnius Stock Exchange. The shares are listed in the Official List of Standards: ISO 9001:2000 and ISO 22000:2000

COMPANIES OF THE GROUP

VILKYŠKIŲ PIENINĖ AB

Parent Company

Established in 1993

Main activities: The production of cheese, cream, whey

"MODEST" AB

The subsidiary Company

Established in 1992

Main activities: The production of melted smoked cheese, cheese with mould, Mozzarella, other kinds of cheese

KELMĖS PIENINĖ AB

The subsidiary Company

Established in 1993 m.

Main activities: The production of fresh dairy products.

SHORT HISTORY OF THE COMPANY

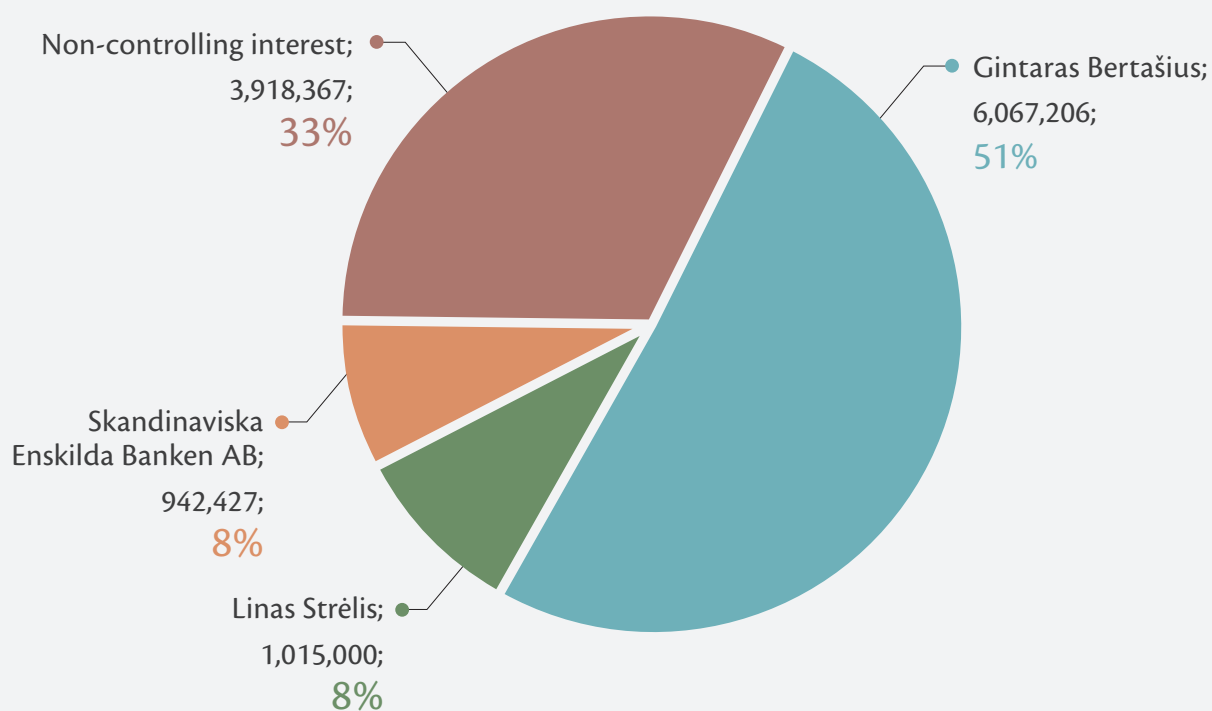
1993	Company established
1999-2000	the fully computerized and automated technological line of cheese production started to work in Vilkyškiai
2000	the company received Export Licence to the European Union
2001	company acquired Taurage workshop form Mažeikiai subsidiary of Pieno Žvaigždės AB
2004	Vilkyškių pieninė AB received Export Licence to Russia
2006	acquired "Modest" AB
2006	the Company have been included into the Current Trade List of Vilnius Stock Exchange
2007	implement development of main technological line of cheese production in Vilkyškiai
2008	acquired Kelmės pieninė
2008	installed the whey processing shop in Vilkyškiai
2008	These certificates of the standards ISO 9001:2000 and ISO 22000:2000 were presented to Vilkyškių pieninė AB
2009	Kelmės pieninė AB received Export Licence to Russia
2005-2011	Company use the support of European Union and other fonds, involve in social projects

SIGNIFICANT EVENTS IN I Q 2012

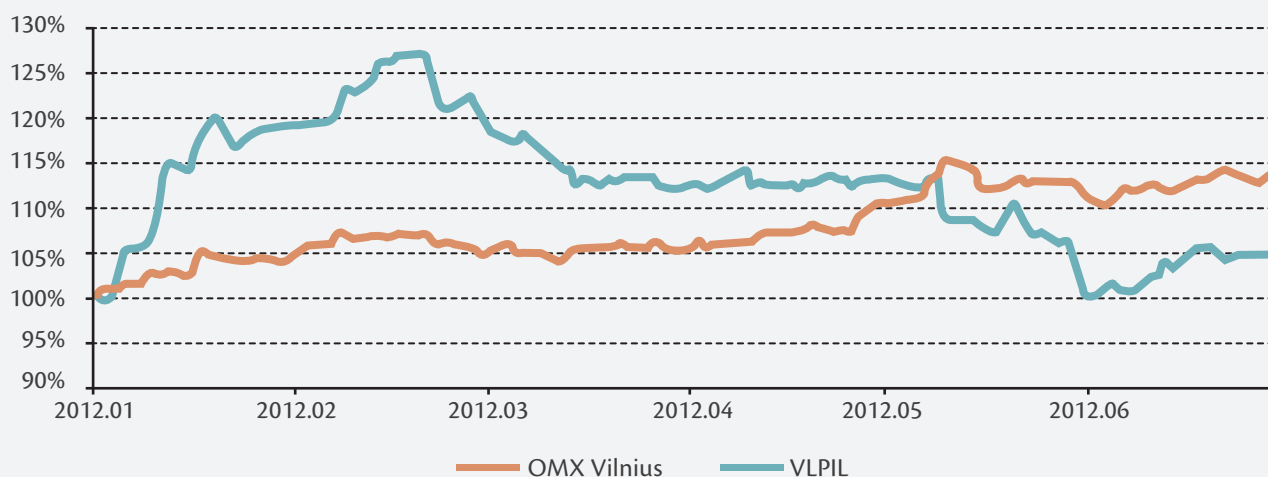
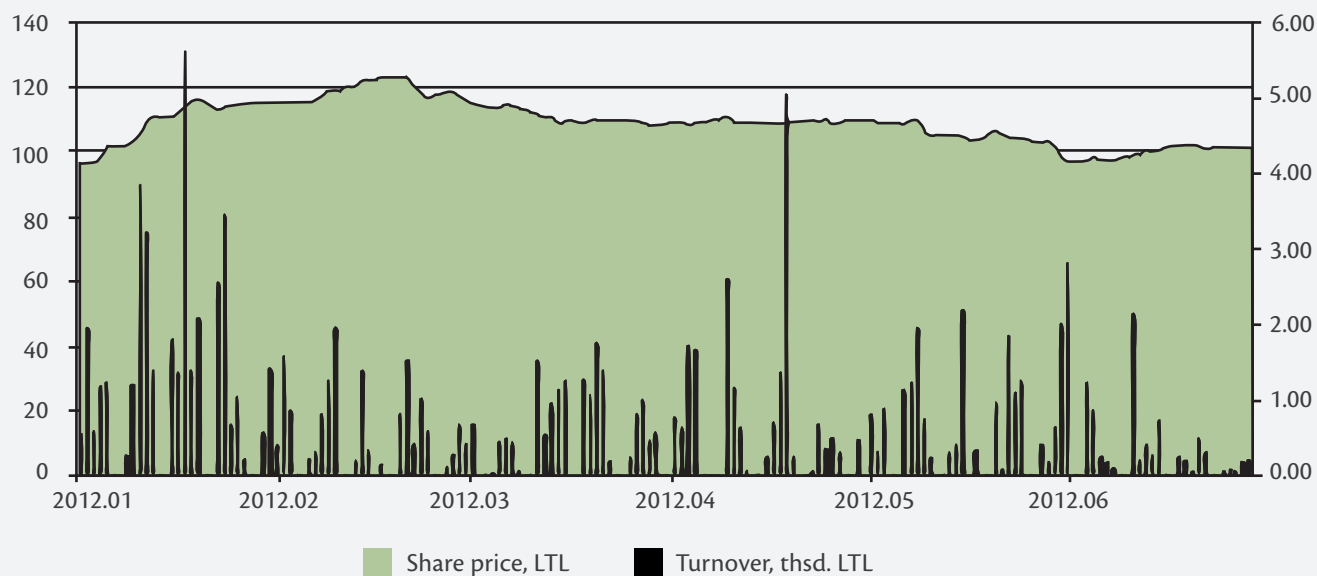
- A new cheese production line, worth about 16 million. LTL, was installed in Vilkyskiu pienine AB. The growth of production's capacity seek 30 percent.
- Vilkyskiu pienine AB participated in exhibition "ProdExpo 2012", which took place in February Moscow, Russia.
- Semi - hard cheese "Maasdam" was awarded gold medal in category "The best product" at the international exhibition "ProdExpo" in 2012.
- "Vilkyškių" gooseberry yoghurt was awarded gold medal in category "The best product" at the international exhibition "ProdExpo" in 2012
- Piquant semi - hard cheese "Basilis" with basil and glazed sweet cheese curd with sea-buckthorns and rhubarbs were nominated as "Russia's trade network selection" at the international exhibition "ProdExpo" which took place in 2012 Moscow.
- Souvenir packages collection of cheeses was introduced (hard cheeses "Prussia", "Žalgiris" and "Legend" - in the souvenir packages).
- The website was renewed to www.vilkyskiu.lt
- According to the updated brand concept, cheese packaging design of "Vilkyškių Pieninė" was renewed.
- A new product - 15 percent. fat "Sour cream for salad" - was introduced in the market.
- Mozzarella with spices changed its name to a new one, called "Bomb", and was introduced in the market. Two new flavors were also introduced, and currently the line consists of three flavors total.
- Vilkyškių Pieninė AB participated in exhibition "Agrobalt 2012".
- Vilkyškių Pieninė 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.
- Vilkyskiu Pienine AB started to sell its production in the supermarkets in Poland and in Kaliningrad region.

SHAREHOLDERS

Shareholder	Shares	Ownership interest, %
Gintaras Bertašius	6,067,206	51%
Linas Strėlis	1,015,000	8%
Skandinaviska Enskilda Banken AB	942,427	8%
Non-controlling interest	3,918,367	33%
Capital in total	11,943,000	100%



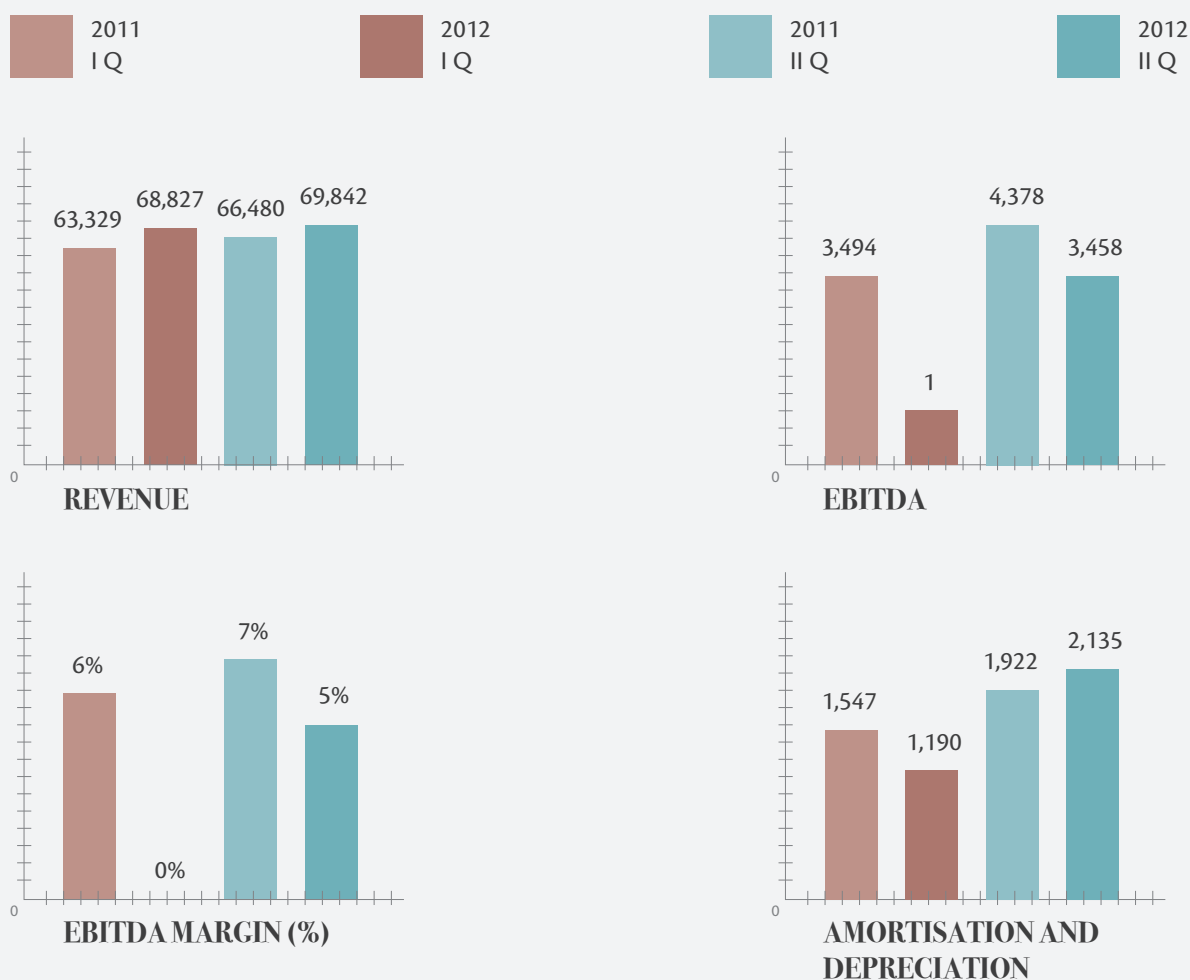
TRADING IN THE ISSUER'S SECURITIES ON THE REGULATED MARKETS

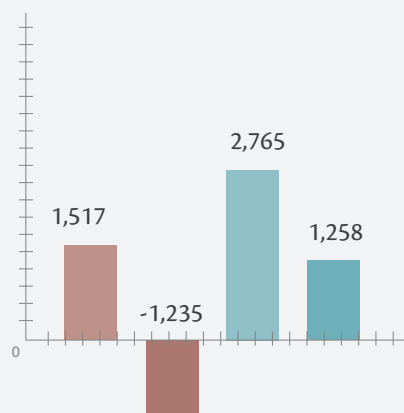
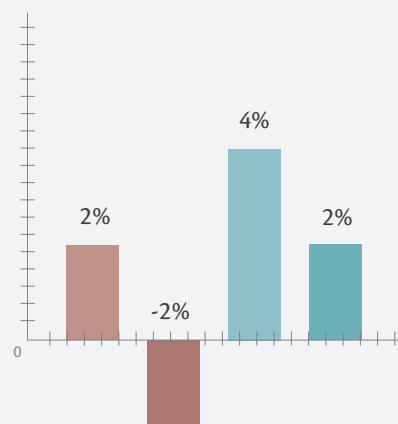
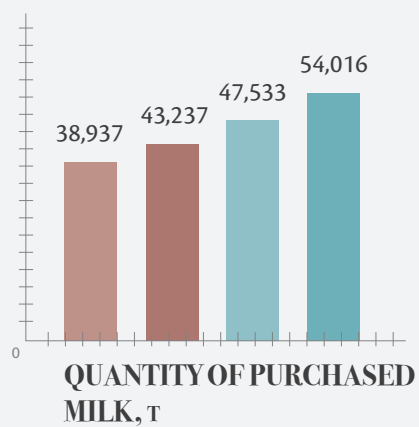
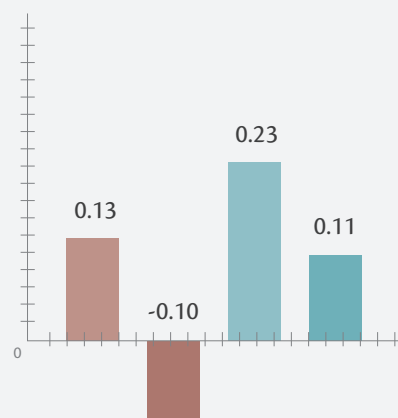
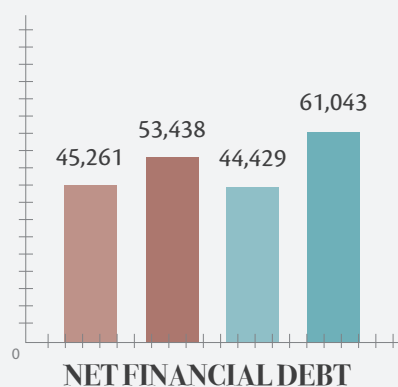


MAIN FINANCIAL INDICATORS

In the first half of this year The Group earned 23 thousand LTL. During the first months of this year, the Group had a loss, because of modernization works of cheese line in the main cheese-making manufactory of Vilkyškių Pieninė AB in February - March. During that period, the production of cheese was completely stopped. What is more, half-year results were affected by significant fall in products' sales price in export markets compared to the same period of the last year .

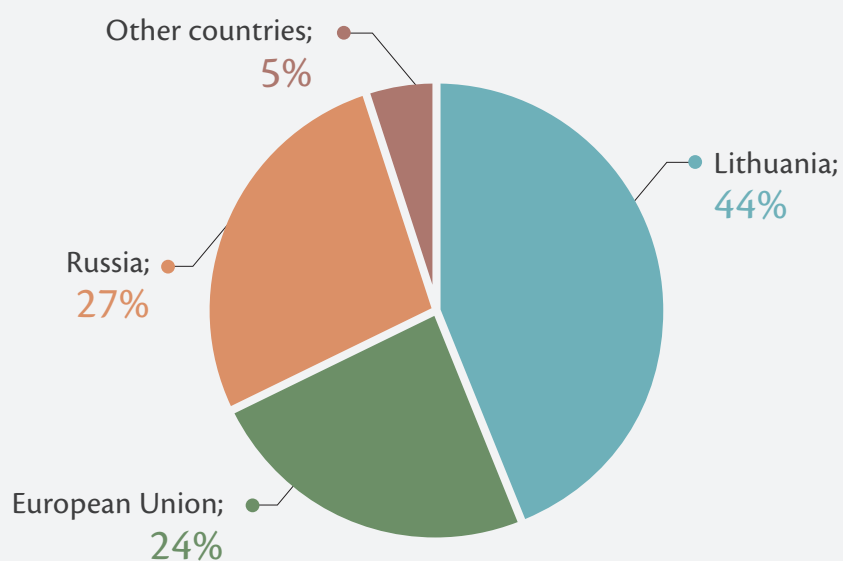
(Thousands LTL)	2011 I Q	2011 II Q	2012 I Q	2012 II Q
Revenue	63,329	66,480	68,827	69,842
EBITDA	3,494	4,378	1	3,458
EBITDA margin (%)	6%	7%	0%	5%
Amortisation and depreciation	1,547	1,922	1,190	2,135
Net profit	1,517	2,765	-1,235	1,258
Profit margin (%)	2%	4%	-2%	2%
Quantity of purchased milk, t	38,937	47,533	43,237	54,016
Profit (loss) per share (Litas)	0.13	0.23	-0.10	0.11
Net financial debt	45,261	44,429	53,438	61,043



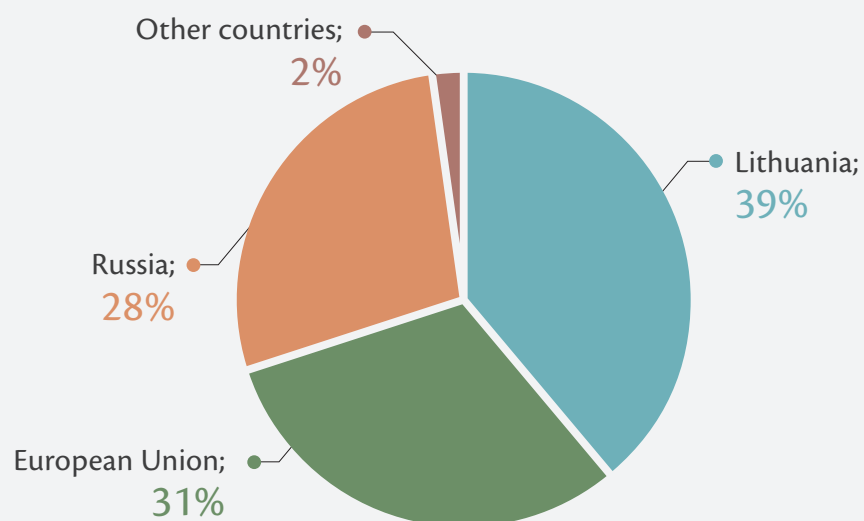
**NET PROFIT****PROFIT MARGIN (%)****QUANTITY OF PURCHASED MILK, T****PROFIT (LOSS) PER SHARE (LITAS)****NET FINANCIAL DEBT**

SALES MARKETS

(Thousands LTL)	H1 2011		H1 2012	
Lithuania	50,594	39%	61,387	44%
European Union	39,970	31%	33,859	24%
Russia	36,113	28%	37,897	27%
Other countries	3,132	2%	5,526	5%
Total income:	129,809		138,669	



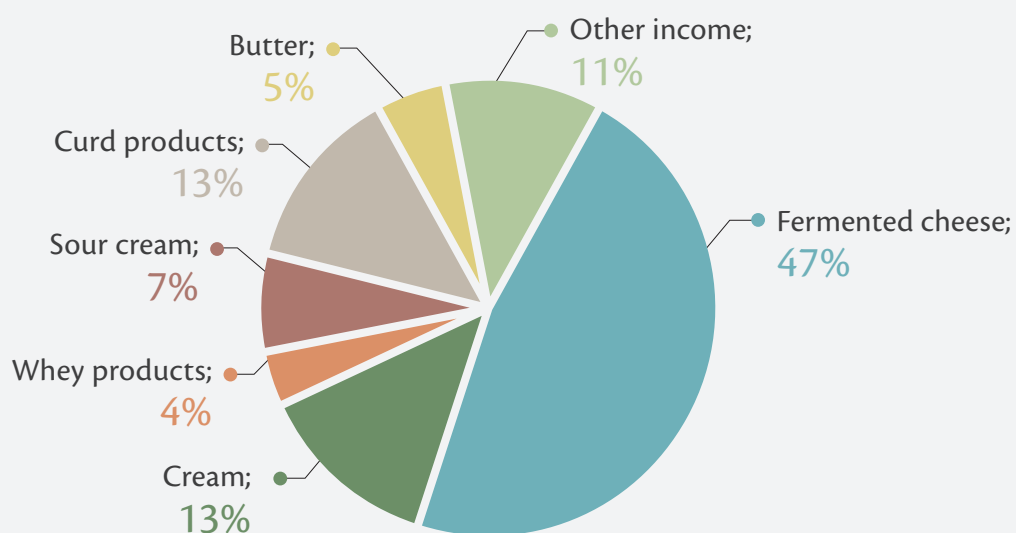
H1 2012



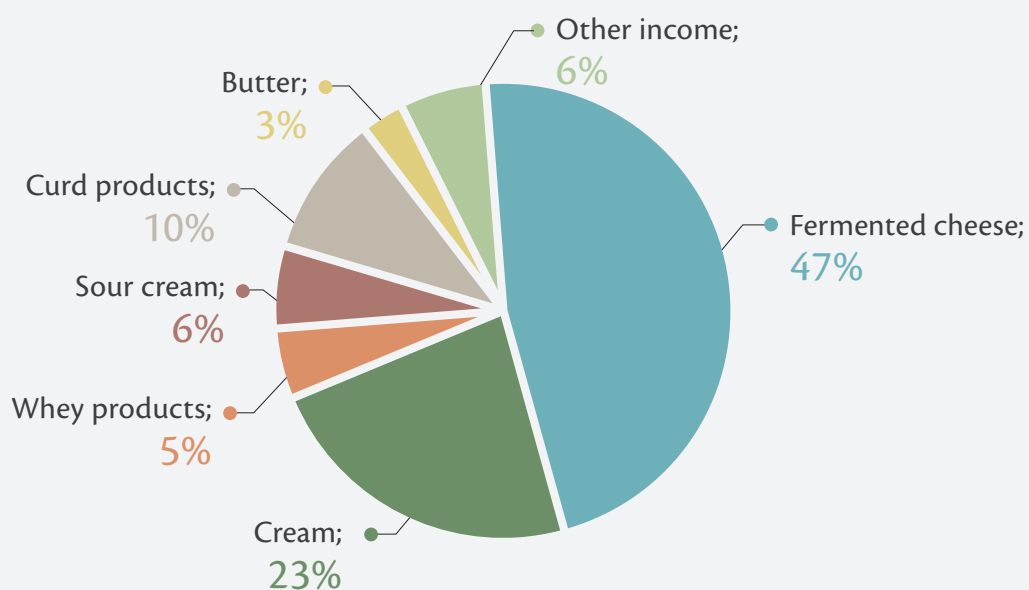
H1 2011

INCOME FROM SOLD PRODUCTION

(Thousands LTL)	H1 2011		H1 2012	
Fermented cheese	60,757	47%	65,183	47%
Cream	30,143	23%	17,719	13%
Whey products	6,303	5%	6,172	4%
Sour cream	8,174	6%	9,599	7%
Curd products	13,475	10%	18,379	13%
Butter	3,409	3%	7,350	5%
Other income	7,537	6%	14,265	11%
Total income:	129,798		138,668	



H1 2012



H1 2011

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