



# Vilkyškių pieninė AB

Interim consolidated financial statements  
for the 9 months of 2014

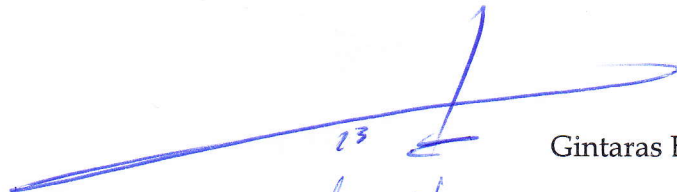
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## Confirmation of Responsible Persons

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, Economics and finance Director of Vilkyškių pieninė AB hereby confirm that, unaudited interim condensed consolidated financial statements for the nine months of 2014, 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

Economics and finance Director



Vilija Milaseviciute



The financial statements were approved and signed by the Management on 28 November 2014.

## General information

Name of the Issue	Public Company Vilkyškių pieninė
Authorized capital	LTL 11 943 000
Registered office	Vilkyškiai, Pagegiai municipality
Telephone number	8-441 55330
Fax number	8-441 55242
E-mail address	<a href="mailto:info@vilkyškiu.lt">info@vilkyškiu.lt</a>
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.vilkyškiu.lt">http://www.vilkyškiu.lt</a>

## Vilkyškių pieninė AB Board

Gintaras Bertasius (Chairman)  
Sigitas Trijonis  
Rimantas Jancevicius  
Vilija Milaseviciute  
Andrej Cyba  
Linas Strelis

## Vilkyškių pieninė AB Management

Gintaras Bertasius	General Director
Vaidotas Juskys	Chief operation officer
Vilija Milaseviciute	Economics and finance Director
Sigitas Trijonis	Technical Director
Rimantas Jancevicius	Raw materials Purchasing Director
Arvydas Zaranka	Production Director

## The Group consists of the following companies:

- Vilkyškių Pieninė AB, the parent company
- Modest AB, the subsidiary
- Kelmes Pieninė 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 cheese Mozzarella, mould cheese and other cheese products.

The Parent Company has also a subsidiary Kelmes Pieninė AB, which is engaged in milk processing and production of dairy products. The Company holds 100% voting rights of Kelmes Pieninė AB. Kelmes Pieninė AB specializes in production of fresh dairy products.

As of December 2013, the Group includes a subsidiary AB Pieno Logistika. The authorized capital of the mentioned company amounts to 371 thousand LTL; the main activity is lease of buildings. AB Vilkyškių Pieninė holds 50.8% shares of AB Pieno Logistika.

At 30 September 2014 the Group had 956 employees (30 September 2013 - 944).

## Consolidated statement of financial position

Thousand LTL	30 09 2014	31 12 2013
<b>Assets</b>		
Property, plant and equipment	103.818	97.493
Intangible assets	24.010	23.922
Long-term receivables	1.156	1.678
<b>Non-current assets</b>	<b>128.984</b>	<b>123.093</b>
Inventories	37.452	30.179
Trade and other receivables	24.927	25.513
Prepayments	1.906	2.265
Cash and cash equivalents	309	241
<b>Current assets</b>	<b>64.594</b>	<b>58.198</b>
<b>Total assets</b>	<b>193.578</b>	<b>181.291</b>
<b>Equity</b>		
Share capital	11.943	11.943
Share premium	11.396	11.396
Reserves	13.638	11.816
Retained earnings	34.881	35.742
<b>Total equity attributable to the shareholders of the Company</b>	<b>71.858</b>	<b>70.897</b>
<b>Non-controlling interest</b>	<b>164</b>	<b>183</b>
<b>Total equity</b>	<b>72.022</b>	<b>71.080</b>
<b>Liabilities</b>		
Interest-bearing loans and lease liabilities	26.307	28.684
Derivative financial instruments	1.432	1.207
Government grants	11.100	11.204
Deferred tax liabilities	2.544	3.058
<b>Non-current liabilities</b>	<b>41.383</b>	<b>44.153</b>
Interest-bearing loans and lease liabilities	37.768	25.826
Derivative financial instruments	411	358
Trade and other payables, including derivatives	41.994	39.874
<b>Current liabilities</b>	<b>80.173</b>	<b>66.058</b>
<b>Total liabilities</b>	<b>121.556</b>	<b>110.211</b>
<b>Total equity and liabilities</b>	<b>193.578</b>	<b>181.291</b>

## Consolidated income statement

Thousand LTL

	01.01.2014- 30.09.2014	01.01.2013- 30.09.2013	01.07.2014- 30.09.2014	01.07.2013- 30.09.2013
Revenue	278.822	264.431	86.589	106.385
Cost of sales	-254.224	-234.830	-77.759	-90.366
<b>Gross profit</b>	<b>24.598</b>	<b>29.601</b>	<b>8.830</b>	<b>16.019</b>
Other operating income	2.024	928	695	283
Distribution expenses	-12.719	-12.676	-4.730	-4.734
Administrative expenses	-7.378	-5.684	-2.957	-1.986
Other operating costs	-737	-209	-440	-127
<b>Result from operating activities</b>	<b>5.788</b>	<b>11.960</b>	<b>1.398</b>	<b>9.455</b>
Finance income	50	84	19	49
Finance costs	-1.530	-1.604	-431	-458
<b>Net finance expenses</b>	<b>-1.480</b>	<b>-1.520</b>	<b>-412</b>	<b>-409</b>
<b>Profit before income tax</b>	<b>4.308</b>	<b>10.440</b>	<b>986</b>	<b>9.046</b>
Income tax expense	515	-582	-7	-940
<b>Profit for the period</b>	<b>4.823</b>	<b>9.858</b>	<b>979</b>	<b>8.106</b>
Attributable to:				
Shareholders of the Group	4.822	9.803	979	8.088
Non-controlling interest	1	55	0	18
<b>Net profit (loss) for the year</b>	<b>4.823</b>	<b>9.858</b>	<b>979</b>	<b>8.106</b>
Basic earnings per share (LTL)	0,40	0,82	0,08	0,68

## 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 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
Total contributions by and distributions to owners	-	-	-	-	203	-	-2.711	-2.508	-	-2.508
<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 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)	-	-	-	-	-	-	3.146	3.146	5	3.151
<b>Other comprehensive income</b>										
Allocated from reserves	-	-	-88	-	-	-	88	-	-	-
Formation of hedging reserve	-	-	-	170	-	-	-	170	-	170
<b>Total other comprehensive income</b>	-	-	-88	170	-	-	88	170	-	170
<b>Total comprehensive income for the period</b>	-	-	-88	170	-	-	3.234	3.316	5	3.321
<b>Contributions by and distributions to owners:</b>										
Transfers to Reserve for acquiring own shares	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interest	-	-	-	-	-	-	18	18	-18	-
Total contributions by and distributions to owners	-	-	-	-	-	-	18	18	-18	-
Balance at 31 December 2013	11.943	11.396	6.216	-1.565	5.971	1.194	35.742	70.897	183	71.080

## 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 2014	11.943	11.396	6.216	-1.565	5.971	1.194	35.742	70.897	183	71.080
<b>Comprehensive income for the period</b>										
Net profit (loss)	-	-	-	-	-	-	4.822	4.822	1	4.823
<b>Other comprehensive income</b>										
Allocated from reserves	-	-	-287	-	-	-	287	-	-	-
Formation of hedging reserve	-	-	-	-278	-	-	-	-278	-	-278
<b>Total other comprehensive income</b>	-	-	-287	-278	-	-	287	-278	-	-278
<b>Total comprehensive income for the period</b>	-	-	-287	-278	-	-	5.109	4.544	1	4.545
<b>Contributions by and distributions to owners:</b>										
Transfers to Reserve for acquiring own shares	-	-	-	-	2.387	-	-2.387	-	-	-
Dividends	-	-	-	-	-	-	-3.583	-3.583	-	-3.583
Total contributions by and distributions to owners	-	-	-	-	2.387	-	-5.970	-3.583	-	-3.583
<b>Changes in the Group without losing control</b>										
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-20	-20
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2013	11.943	11.396	5.929	-1.843	8.358	1.194	34.881	71.858	164	72.022



## Consolidated statement of cash flows

Thousand LTL	01.01.2014- 30.09.2014	01.01.2013- 30.09.2013
<b>Cash flows from operating activities</b>		
Net profit (loss)	4.823	9.858
Adjustments:		
Depreciation of property, plant and equipment	7.247	6.826
Amortisation of intangible assets	26	3
Amortisation and write down of grants	-1.007	-926
(Profit) loss on disposal of property, plant and equipment	-140	-33
Income tax expense	-515	582
Interest expenses, net	1.480	1.520
	<b>11.914</b>	<b>17.830</b>
Change in inventories	-7.273	-2.181
Change in long-term receivables	522	126
Change in trade and other receivables and prepayments	943	-7.214
Change in trade and other payables	729	6.041
	<b>6.835</b>	<b>14.602</b>
Paid interest	-1.355	-1.262
<b>Net cash from operating activities</b>	<b>5.480</b>	<b>13.340</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-13.253	-10.225
Acquisition of intangible assets	-114	0
Proceeds from sale of property, plant and equipment	369	682
Acquisition of shares of the subsidiary	-26	-
Loans granted	-	-
Recovery of the loans	-	-
Interest received	-	-
	<b>-13.024</b>	<b>-9.543</b>
<b>Cash flows from financing activities</b>		
Loans received*	19.844	6.868
Repayment of borrowings	-10.788	-8.498
Dividends paid	-2.347	-2.508
Capital grants received	903	-
	<b>7.612</b>	<b>-4.138</b>
<b>Net cash used in financing activities</b>	<b>7.612</b>	<b>-4.138</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>68</b>	<b>-341</b>
Cash and cash equivalents at 1 January	241	880
<b>Cash and cash equivalents at 30 September</b>	<b>309</b>	<b>539</b>

\* Change of Credit line 6.523 Thousand LTL (for the nine months of 2013 – 2.199 Thousand LTL)

## 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 2013.

### 2. Main financial indicators

	January - September 2014	January - September 2013
Revenue (Thousand LTL)	278.822	264.431
EBITDA (Thousand LTL)	12.054	17.863
EBITDA margin (%)	4,3%	6,8%
Operating result (Thousand LTL)	5.788	11.960
Operating result margin (%)	2,1%	4,5%
Profit (loss) (Thousand LTL)	4.823	9.858
Profit (loss) (%)	1,7%	3,7%
Profit (loss) per share (LTL)	0,40	0,82
Number of shares (vnt)	11 943 000	11 943 000

Dairy group *Vilkyškių Pieninė's* sales came to LTL 278m in nine months this year, up 5.2 pct year-on-year. However, revenues distributed unevenly throughout the 9 months, as H1 sales were LTL 192m, up 22 pct year-on-year, while Q3 sales were down 19 pct y-o-y to LTL 86.6m. The decline was caused by a slump in dairy product prices on global markets and the Russian Federation embargo on food imports from Europe.

As a result, the group's nine-month consolidated unaudited net profit was LTL 4.8m, just half of the result for the same period in 2013.

The Q3 profit (LTL 979,000) distribution by month was a LTL 2.2m profit in July, a LTL 1.1m loss in August due to the Russian embargo, and a LTL 0.1m loss in September, following stabilisation in the company's operations.

### 3. Segment information

#### Revenue per geographical zones:

Thousand LTL	January - September 2014	January - September 2013	Change
Lithuania	88.324	81.024	9%
European Union	100.841	72.885	38,4%
Russia	71.306	97.770	-27%
Other countries	18.351	12.752	44%
	<u>278.822</u>	<u>264.431</u>	

### 4. Inventories

Thousand Litass	30 September 2014	31 December 2013
Finished production	29.722	22.536
Raw materials	377	182
Other auxiliary materials	6.883	6.709
Production in progress	470	749
Goods for re-sale	-	3
	<u>37.452</u>	<u>30.179</u>

### 5. Post balance sheet events

The following decisions was taken at the Ordinary General Meeting of Shareholders of Vilkyškiu pienine AB which was held on the 25 April 2014:

**Item 1 of the Agenda:** Company's annual report for the year 2013.

Resolution: To approve the Company's annual report for the year 2013.

**Item 2 of the Agenda:** Auditor's Report regarding the Company's Financial Statements for the year 2013. Heard.

**Item 3 of the Agenda:** Approval of Company's annual and consolidated financial statements of the year 2013.

Resolution: To approve of Company's annual and consolidated financial statements of the year 2013.

**Item 4 of the Agenda:** Profit (loss) appropriation for the year 2013.

Resolution: To approve the Audited Profit appropriation for the year 2013 as follows under IAS (in thousand Litass; in thousand EUR):

	thousand LTL	thousand EUR
1) Non-appropriated profit (loss) at the end of the year 2012	16.681	4.831
2) Approved by shareholders dividends of the year 2012	2.508	726
3) Transfers to reserves provided by law	0	0
4) Portion of the profit allocated to the reserve for the purchase of own shares	203	59
5) Non-appropriated profit (loss) at the beginning of the year 2013 after dividends payout and transfer to reserves	13.970	4.046
6) Net profit (loss) of the reporting period	21.077	6.104
7) Transfers from reserves	354	103

8) Total profit (loss) to be appropriated:	35.401	10.253
- 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	2.387	692
- portion of the profit allocated for payment of the dividends (or 0.30 LTL (0.087 EUR) per ordinary registered share with nominal value of 1 LTL)	3.583	1.038
- 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 2013 carried forward to next financial year	29.281	8.480

**Item 5 of the Agenda:** Election of the Company's Board members.

Resolution: Gintaras Bertasius, Sigitas Trijonis, Rimantas Jancevičius, Vilija Milaševičiūtė, Andrej Cyba, Linas Strėlis elected as members of the Company's Board for the four year term.

**Item 6 of the Agenda:** A decision on the purchase of own shares.

Resolution: 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 24 April 2015.
- d) To set the maximum price per share of own shares to be acquired – at 2.03 EUR (7.00 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.

#### **Regarding suspension of dairy imports to the Russian market**

On 6<sup>th</sup> August 2014, the President of the Russian Federation enacted an import embargo on most of agricultural produce imported to Russia from the European Union, the United States, Australia, Canada and Norway. The sales of AB Vilkyškių pieninė to the Russian market made up to 20-25% of total sales. The import embargo will not have a threatening impact on the continuation of the company's operations, but it will negatively influence the company's financial results.