



“Vilkyškių pieninė”

First quarter report 2007

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L. “Vilkyškių pieninė”

About the company

Company name	PLC “Vilkyškių pieninė”
Share capital	9 353 000 LTL
Headquarters	Vilkyškiai, Pagėgių municipality
Phone	8-441 55330
Fax	8-441 55242
E-mail	centras@cheese.lt
Legal form	Public limited company
Registration date and place	10 May 1993
Web page	http://www.cheese.lt

“Vilkyškių pieninė” board of directors

The company’s board of directors consists of : G. Bertašius, S. Trijonis, R. Jancevičius and R. Šniepis. General director – G. Bertašius.

Accounting standards

Consolidated “Vilkyškių pieninė” (company code 277160980) financial reports are prepared in line with IFRS (International Financial Reporting Standards).

Balance sheet

Thou LTL	2007.03.31	2006
Assets		
Tangible non-current assets	42 619	38 126
Intangible assets	1 046	1 061
Deferred tax assets	25	23
Long-term receivables		62
Total non-current assets	43 690	39 272
Prepayments for investments	0	0
Inventories	7 499	13 543
Receivables	11 675	11 057
Cash and cash equivalents	675	891
Total current assets	19 849	25 491
Total assets	63 539	64 763
Shareholders' equity		
Share capital	9 353	9 353
Reserves	9 597	9 683
Retained earnings	5 096	4 967
Total shareholders' equity	24 046	24 003
Minority part	39	51
Total shareholders' equity	24 085	24 054
Liabilities		
Interest-bearing liabilities	21 294	16 680
Capital subsidies	1 419	1 441
Deferred tax liabilities	2 770	2 793
Total non-current liabilities	25 483	20 914
Short-term interest-bearing liabilities	4 715	5 567
Income tax payable	349	361

Trade and other amounts payable	8 907	13 867
Total current liabilities	13 971	19 795
Total liabilities	39 454	40 709
Total liabilities and shareholders' equity	63 539	64 763

General director



Gintaras Bertašius

Profit and loss statement

Thou LTL	2007.03.31	2006
Revenue	27 604	21 043
Cost of sales	-25 350	-19 310
Gross profit	2 254	1 733
Other operating income, net	-23	-5
Distribution expenses	-579	-348
Administrative expenses	-1 305	-1 279
Operating profit before financial items	347	101
Financial income	-6	80
Financial expenses	-334	196
Net financial items	-340	-116
Profit before tax	7	-15
Tax payments	4	-66
Net profit	11	-81
To:		
Company shareholders	23	-77
Minority interest	-12	-4
Net profit	11	-81

General director



Gintaras Bertašius

Cash flow statement

Thou LTL	2007	2006
Cash flow from operating activities		
Profit before tax	7	4
Adjustments		
Depreciation	669	494
Amortization	18	47
Capital subsidies recognized in revenues	-79	
Interest expenses	370	175
Tax expenses	4	-66
Cash flow from ordinary activities before changes in working capital	989	654
Change in inventories	6 044	1 530
Change in receivables	634	291
Change in trade and other amounts payable	-6 548	1 582
	1 119	4 057
Interest expenses	-370	-175
Tax expenses	-12	-66
Cash flow from operating activities	737	3 816
Cash flows from financing activities		
Acquisition of tangible non-current assets	-4 268	-2 139
Acquisition of intangible non-current assets	-2	0
Proceeds on sale of tangible non-current assets		
Investments in subsidiary undertaking	0	-1 000
Net cash flow from investing activities	-4 270	-3 139
Cash flows from financing activities		
Loans received	5 108	2 110
Repayment of borrowings	2 314	-348
Payments on financial lease obligation	-610	-271
Dividends paid		-2 500
Subsidies	1 133	300

Net cash flow from financing activities	3 317	-709
Increase in cash and cash equivalents	-216	-32
Cash and cash equivalents as of January 1 st	891	1 041
Cash and cash equivalents as of March 31th	675	1 009

General director



Gintaras Bertašius

Statements on changes in equity

LTL, thou.	Notes.	Share capital	Compulsory reserve	Retained Earnings	Total equity
As of 1 st January 2006	9 353		705	3 786	13 844
Net profit				3 905	3 905
Transfer to reserves			214	-214	0
Dividend				-2 500	-2 500
Revaluation of non current assets		8 764			8 764
Loss (not included into profit and loss statement)				-10	-10
As of 31 st December 2006	9 353	8 764	919	4 967	24 003
As of 1 st January 2007	9 353	8 764	919	4 967	24 003
Net profit				23	23
Revaluation of non current assets		-105			-105
Transfer to reserves		19			19
Dividends					-
Loss (not included into profit and loss statement)				106	106
As of 31 st March 2007	9 353	8 678	919	5 096	24 046

General director



Gintaras Bertašius

Explanatory note

Number of employees in “Vilkyškių pieninė” amounts to 479, together with controlled “Modest” total number of employees is 520.

Since 2007.02.12 until 2007.03.09 implementation of automated pasteurization system in separation room was carried out, and during that period company stopped production. For this reason during January and February cost of goods sold increased.

It is reasonable to believe that the second quarter will bring successful results, as the prices for butter, whey products and cheese increased. Price of butter cream, comparing the first quarter and April, increased by 7 percent, and price for whey products, comparing the first quarter and April, increased by 14 percent.

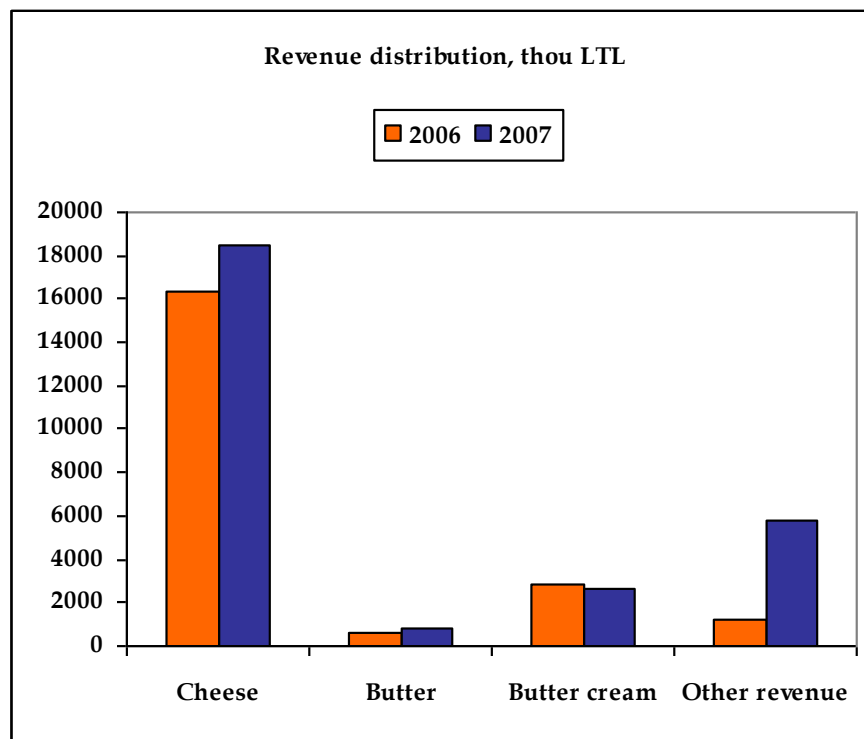
On the 5th of May 2007 “Vilkyškių pieninė” received the first EU structural fund grant equal to 1,28 mLTL.

Remaining part of the grant will be used to purchase whey processing equipment. Until now “Vilkyškių pieninė” has not performed this process inside the company. The project is planned to be completed at the beginning of June 2007.

JSC “Modest” will receive over 2,1 mLTL EU structural funds support. Company will use it to modernize new milk remake technology and modernize “Mozzarella” cheese packaging line, also to renovate specialized milk and its products transportation vehicles fleet.

“Vilkyškių pieninė” is forecasting an increase in revenues during 2007 to 135 mLTL (39,1 mEUR), and the net profit to 5 mLTL (1,45 mEUR).

Table. Repartition of income during the first quarter of 2007



Increase in cheese products sales is documented by an increase in first quarter total revenues in comparison to 2006. As the level of revenues increased faster than the cost of goods sold, the gross margin also increased.

However, an increase in administrative expenses slightly pushed down the net profit of the company.

Solid investment into non-currents assets were reflected in negative changes in cash, which resulted as a decrease in cash and cash equivalents.

General director

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Gintaras Bertašius