



AB “Vilkyškių pieninė”

2007 semi – annual report

(1 Jan 2007 – 30 Jun 2007)

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I. GENERAL INFORMATION

1. Reporting period

The report has been prepared for the first half of 2007 (1 January 2007 – 30 June 2007).

2. Key data about the issuer

Company name	Vilkyškių pieninė
Address	Vilkyškiai, Pagėgiai municipality
Company code	277160980
Legal form	Public limited liability company
Phone	8-441 55330
Fax	8-441 55242
E - mail	centras@cheese.lt
Web site	http://www.cheese.lt

UAB „Vilkyškių Pieninė“ was registered on 10 May 1993. UAB „Vilkyškių pieninė“ was reorganized from private to public limited liability company on 30 December 2005.

Issuer's authorized capital is 9 353 000 LTL. Capital is divided into 9 353 000 shares, with the nominal value of 1.00 LTL each.

3. Availability of report and related documents

The report and other documents of the company are available in the office of AB „Vilkyškių pieninė“, Vilkyškiai, Pagėgiai municipality on business days from 8.00 until 16.30. Report is also available online at <http://www.cheese.lt/investuotojams>.

The issuer's notices and information are published and presented in the manner prescribed by the law in the daily newspaper „Lietuvos Žinios“.

4. Persons responsible for the information presented in the report

AB „Vilkyškių Pieninė“ managing director Gintaras Bertašius, phone (8 441) 55330, fax (8 441) 55242.

AB „Vilkyškių Pieninė“ senior accountant Birutė Bazilienė, phone (8 441) 70423, fax (8 441) 55242.

Report using the information provided by the Issuer was prepared by:

UAB FMĮ „Orion Securities“, A. Tumėno str. 4B, LT-01109 Vilnius, phone (8 5) 2603969, fax (8 5) 2313840. Representative – financial analyst Vilius Maniušis, phone (8 5) 2603969.

II. INFORMATION ABOUT THE ISSUER'S AUTHORIZED CAPITAL, THE SECURITIES ISSUED AND MEMBERS OF THE MANAGING BODIES

5. Issuer's capital

5.1. Issuer's authorized capital

Securities	Number of shares	Nominal value, LTL	Total authorized capital, LTL	Share in the authorized capital, %
Ordinary registered shares	9 353 000	1,00	9 353 000	100 %

All shares are fully paid up.

5.2. Information about the debt securities or derivatives that could increase the authorized capital:

The company has issued no debt securities or derivatives with the purpose to increase the authorized capital.

6. Major shareholders

As of 30 June 2007, 385 persons held Issuer's shares. The shareholders who have by the right of ownership or hold more than 5 percent of the issuer's authorized capital are the following:

Name of the shareholder	Number of ordinary shares, units.	Share of authorized capital, %	Share of votes, %	Together with persons acting in concern, %
Gintaras Bertašius	6 016 506	64,33	64,33	64,37
Martynas Bertašius	935 000	9,996	9,996	9,996
Gabrielė Bertašiūtė	935 000	9,996	9,996	9,996

7. Securities not representing capital

Issuer does not have securities, which does not represent capital, but the trading of which is regulated by the Law on Securities Market.

8. Secondary trading in the issuer's securities

Issuer's ordinary registered shares are traded on the Current list of Vilnius Stock Exchange since 17 May 2006. Securities ISIN code - LT0000127508.

Title of the securities - AB "Vilkyškių pieninė" ordinary registered shares. Number of securities - 9 353 000 units. Nominal value of share: 1.00 LTL.

Period		Price, LTL			Turnover, thou. LTL			Total turnover		Capitalization, LTL
From	To	Max.	Min.	Last	Max.	Min.	Last	Units	LTL	
2006.07.01	2006.09.30	5,50	5,20	5,24	202,9	0	0	84 050	441 768,83	49 009 720

Period		Price, LTL			Turnover, thou. LTL			Total turnover		Capitalization, LTL
From	To	Max.	Min.	Last	Max.	Min.	Last	Units	LTL	
2006.10.01	2006.12.31	5,3	4,80	5,3	360,7	0	0	137 655	711 658,53	49 570 900

Period		Price, LTL			Turnover, thou. LTL			Total turnover		Capitalization, LTL
From	To	Max.	Min.	Last	Max.	Min.	Last	Units	LTL	
2007.01.01	2007.03.31	5,82	5,23	5,7	126,2	0	0	56 635	312 038,65	53 312 100

Period		Price, LTL			Turnover, thou. LTL			Total turnover		Capitalization, LTL
From	To	Max.	Min.	Last	Max.	Min.	Last	Units	LTL	
2006.04.01	2007.06.30	5,7	5,24	5,35	380,6	0	20,5	167 957	930 576,29	50 038 550

9. Agreements with intermediaries of public trading in securities

An agreement concerning management of securities accounting has been concluded with the financial brokerage firm UAB FMĮ "Orion securities" (A. Tumėno str. 4B, Vilnius).

10. Members of the managing bodies

10.1. Members of the management board and administration

Management board

Name, Surname	Education, occupation	Position held	Start of cadence	End of cadence	Beginning of work in Vilkyškių pieninė
Gintaras Bertašius	Higher education, mechanical engineer	Chairman of the board, managing director	2006 01 30	2010 01 30	Since 1993 AB Vilkyškių pieninė
Sigitas Trijonis	Higher education, mechanical engineer	Member of the board, technical director	2006 01 30	2010 01 30	Since 1993 AB Vilkyškių pieninė
Rimantas Jancevičius	Further education, zoo - technician	Member of the board, purchasing director	2006 01 30	2010 01 30	Since 1996 AB Vilkyškių pieninė
Ramūnas Šniepis	Higher education, engineer	„Snoras“ bank director of Tauragė department	2007 04 20	2010 01 30	1997 „Litimpeks bank“ director of Tauragė department 1999 AB „Hermis bank“ director of Tauragė department 2000 - 2007 AB bank „Snoras“ director of Tauragė department

Administration

Name, Surname	Position held	Shares owned, %	Votes controlled, %
Gintaras Bertašius	General director	64,33	64,33
Birutė Bazilienė	Senior accountant	0	0

10.2. Participation of the members of the managing bodies in the activities of other companies or their capital

Name	Surname	Position	Participation in activities of other companies	Shares held of "Vilkyškių pieninė"
Gintaras	Bertašius	Gen. director, chairman of the board	ŪKB „Šilgaliai“ shareholder (1 share) UAB „Modest“ chairman of the board	6 016 506
Sigitas	Trijonis	Technical director, member of the board	-	425 538
Rimantas	Jancevičius	Director of purchases, member of the board	-	1 985
Ramūnas	Šniepis	AB bank „Snoras“ director of Tauragė department, member of the board	-	-
Arvydas	Zaranka	Director of production	UAB „Modest“ member of the board	1 923
Birutė	Bazilienė	Senior accountant	-	12

Notes to the financial statements

1. Segment reporting

The only business segment of the Company (primary segment reporting format) is production of milk products. Information on segments is presented taking into consideration geographical segments of the Company (secondary segment reporting format).

When presenting information on the basis of geographical segments, income from segments is recognized according to a geographical location of the client. Assets of segments are allocated as per geographical location of assets.

Segment results for 2007 I half by geographical segments are as follows:

Thousand Lit	European Union	Lithuania	Russia	Other countries	Total
Income	23 359	26 924	5 978	34	56 295
Segment result	2 931	2 622	105	3	5 661
Not allocated costs					-3 695
Operating result					1 966
Financial items, net					-676
Result before tax					1 290
Income tax expenses					-315
Net result for the year					975
Segment receivables	1 566	8 382	1 079		11 027
Not allocated assets					52 774
Total assets					63 801
Not allocated liabilities					40 792
Not allocated cash flows from ordinary activities					5 012
Not allocated cash flows from investing activities					-4 322
Not allocated cash flows from financing activities					-1 171
Net cash flows					-491
Not allocated acquisitions of non - current assets					-4 334

Non - consolidated segment results for 2006 I half by geographical segments are as follows:

Thousand Lit	European Union	Lithuania	Russia	Other countries	Total
Income	24 384	13 964	5 820	68	44 236
Segment result	1 278	2 172	257	8	3 715
Not allocated costs					-2 526
Operating result					505
Financial items, net					-302
Result before tax					203
Income tax expenses					-169
Net result for the year					34
Segment receivables					11 117
Not allocated assets					35 896
Total assets					47 013
Not allocated liabilities					35 336
Not allocated cash flows from ordinary activities					2 369
Not allocated cash flows from investing activities					-4 091
Not allocated cash flows from financing activities					-1 439
Net cash flows					-283
Not allocated acquisitions of non - current assets					3 346

2. Other operating income

Thousand Lit		2007 I half	2006 I half (non- consolidated)
Gain from disposal of non – current assets		0	0
Gain from disposal of spare parts		12	-27
Other		24	23
Total		36	-4

3. Administrative expenses

Thousand Lit		2007 I half	2006 I half (non- consolidated)
Staff costs		907	744
Repair		778	697
Depreciation and amortization		194	251
Taxes, except for income tax		117	70
Insurance		103	106
Bank fees		80	80
Financial, legal consulting		137	218
Other		340	432
Total		2 656	2 598

4. Financial items, net

Thousand Lit		2007 I half	2006 I half (non- consolidated)
<i>Financial income</i>			
Interest		17	2
Other		1	84
Total financial income		18	86
<i>Financial costs</i>			
Interest		648	357
Foreign exchange losses		19	31
Other		27	
Total financial costs		694	388
		-676	-302

5. Income tax expense

Recognized in the income statement

Thousand Litas	2007 I half	2006 I half (non- consolidated)
Current income tax expense	-316	-278
Deferred tax expense	1	109
Total income tax expense recognized in the income statement	-315	-169

Reconciliation of effective tax rate

Thousand Litas	2007 I half	2006 I half (non- consolidated)
Profit before tax	1 290	203
Non - deductible expenses (income)	460	686
Taxable profit	1 750	889
Tax rate	18	19
Income tax for the year	315	169

Non - deductible expenses

Thousand Litas	2007 I half	2006 I half (non- consolidated)
Forfeits, bad receivables	26	84
Other	434	602
Total non - deductible expenses	460	686

6. Basic earnings per share

Calculation of basic earnings per share is based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year.

	2007 I half	2006 I half (non- consolidated)
Number of issued shares calculated based on weighted average method	9 353 000	9 353 000
Net result for the year, in thousand Litas	975	34
Basic earnings per share, in Litas	0,104	0,0036

7. Tangible non - current assets

Thousand Litas	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost					
Balance as at 1 January 2006	10 450	19 600	7 281	776	38 107
Acquisitions per half - year	316	777	3 222	187	4 502
Disposals per half - year		-239	-364		-603
Balance as at 30 June 2006	10 766	20 138	10 139	963	42 006
Assets acquired as a result of business merger	980	265	241		1 486
Acquisitions	153	3 000	-629	1 116	3 640
Revaluations	8 158				8 158
Disposals	-28	-138	-273		-439
Assets reclassification	-1 089	96	1 914	-921	0
Balance as at 31 December 2006	18 940	23 361	11 392	1 158	54 851
Balance as at 1 January 2007	18 940	23 361	11 392	1 158	54 851
Acquisitions	132	3 817	3 054	1 519	8 522
Disposals		-1 500	-28		-1 528
Assets reclassification	3	159	205	367	0
Balance as at 30 June 2007	19 075	25 837	14 623	2 310	61 845
Amortisation and depreciation loss					
Balance as at 1 January 2006	1 858	10 926	3 836		16 620
Amortisation	212	634	351		1 197
Disposed assets		-239	-110		-349
Balance as at 30 June 2006	2 070	11 321	4 077		17 468
Amortisation per half - year	266	944	514		1 724
Disposed assets (half year result)	-4	-138	-200		-342
Assets reclassification	-163	-386	549		0
Revaluation	-2 125				-2 125
Balance as at 31 December 2006	44	11 741	4 940		16 725
Balance as at 1 January 2007	44	11 741	4 940		16 725
Amortisation per year	428	696	514		1 638
Disposed assets	-4	-67	-24		-95
Reclassification	-214	112	102		0
Balance as at 30 June 2007	254	12 482	5 532		18 268
Carrying amounts					
As at 1 January 2006	8 592	8 674	3 445	776	21 487
As at 30 June 2006	8 696	8 817	6 062	963	24 538
As at 31 December 2006	18 896	11 620	6 452	1 158	38 126
As at 1 January 2007	18 896	11 620	6 452	1 159	38 126
As at 30 June 2007	18 821	13 355	9 091	2 310	43 577

Pledges

To secure bank loans, the Company has pledged its non – current assets with a book value of 20 446 thousand Litass as at 30 June 2007 (note 14).

Leased transport vehicles

The carrying amount of the leased assets amounted to 4006 thousand Litass as at 30 June 2007 (2006 : 2 636 thousand Litass).

Depreciation

Depreciation is recorded in the following items of the income statement:

Thousand Litass	2007 I half	2006 I half (non- consolidated)
Cost of sales	1 399	1 036
Distribution and administrative expenses	239	160
Total	1 638	1 196

8. Intangible assets

Thousand Litass	Goodwill	Software	Total
Cost			
Balance as at 1 January 2006		563	563
Acquisitions		7	7
Balance as at 30 June 2006		570	570
Acquisitions		16	16
Assets acquired as a result of business merger	1 033		1 033
Balance as at 31 December 2006	1 033	586	1 619
Balance as at 1 January 2007	1 033	586	1 619
Acquisitions		6	6
Balance as at 30 June 2007	1 033	592	1 625
Amortisation and depreciation loss			
Balance as at 1 January 2006		367	367
Amortization for the period		94	94
Balance as at 30 June 2006		461	461
Amortization		97	97
Balance as at 31 December 2006		558	558
Balance as at 1 January 2007		558	558
Amortization for the period		22	22
Balance as at 30 June 2007		580	580
Carrying amounts			

As at 1 January 2006		196	196
As at 30 June 2006		109	109
As at 31 December 2006	1 033	28	1 061
As at 1 January 2007	1 033	28	1 061
As at 30 June 2007	1 033	12	1 045

Amortization charge is included in administrative expenses.

AB „Vilkyškių pieninė“ owns 89 percent of UAB „Modest“ shares. UAB „Modest“ is a milk processing company, which produces cheese, cottage cheese, sour cream and other milk products.

Goodwill resulting from the acquisition is mostly attributable to the synergy effect expected to be realized after full integration of acquired company into the milk processing activities of the Group.

9. Inventories

Thousand Lit	2007.06.30	2006.12.31
Raw materials	915	641
Finished production	5 372	11 669
Spare parts and tools	1 440	1 233
Total	7 727	13 543

As at 30 June 2007 inventories with a book value up to 7 250 thousand Lit

Raw materials comprise raw milk and other materials used in production.

10. Receivable amounts

Thousand Lit	2007.06.30	2006.12.31
Subsidies receivable	398	1 281
Trade receivable	6 149	6 007
Prepayments	1 950	1 319
Receivable export subsidies	629	1 550
Other receivable	1 901	900
Total	11 027	11 057

11. Cash and cash equivalents

Thousand Lit	2007.06.30	2006.12.31
Cash at bank	286	67
Cash in hand	114	824
Total	400	891

To secure the bank loans, the Company has pledged cash at bank and future inflows amounting up to 4000 thousand Lit as at 30 June 2007 .

12. Share capital

As at 30 June 2007 the Company's share capital comprised 9 353 000 ordinary shares at a nominal value of 1 litas each.

Holders of ordinary shares have at a shareholders meeting one voting right for one share and the right to dividends, which are announced from time to time, and to participate in capital on a winding up.

The Company's major shareholders (controlling more than 5% of shares) as at the balance sheet date were the following persons:

Name, surname	Ordinary shares, unit	Shares owned, %	Votes controlled, %	Together with persons acting in concern, %
Gintaras Bertašius	6 016 506	64,33	64,33	64,37
Martynas Bertašius	935 000	9,996	9,996	9,996
Gabrielė Bertašiūtė	935 000	9,996	9,996	9,996

Legal reserve

Following the legislation, annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes 10% of the share capital. The reserve cannot be distributed.

Revaluation reserve

Reserve of 8 591 thous. LTL is formed as a result of company's buildings revaluation accomplished on the 31 December 2006 (after tax).

13. Interest - bearing loans and borrowings

The Company's interest - bearing loans and borrowings are as follows (2007 06 30):

Credit institution	Ref.	Loan amount	Interest rate	Balance at	Balance at	Balance at
				2007 06 30	2006 12 31	2006 06 30
AB SEB Vilniaus Bankas	a)	11 998	6mo.LIBOR+1,3%	10 119	10 998	11 599
AB Snoro Bankas	b)	2 072	6mo.LIBOR +1,55%	1 453	1 692	1 865
AB Snoro Bankas	c)	2 758	6mo.LIBOR +1,55%	2 123	0	173
Nordic Environment Finance Corporation (NEFCO)	d)	691	3%		115	230
AB SEB Vilniaus Bankas	e)	7 078	6 mo.LIBOR+1,3%	4 687	3 972	1 994

AB SEB Vilniaus Bankas credit line	f)	7 009	6 mo. LIBOR+1,3%	3 284	3 307	2 872
AB Snoro Bankas		5 429	5,54 %	1 197		
AB DnB Nord bankas	g)	600	3mo.VILIBOR+2.7%		600	
Leasing liabilities				2 804	1 563	1 782
Total liabilities				25 667	22 247	20 515
Minus: current portion of long term debt				-2 916	-5 567	-463
Total current portion of long term debt:				22 751	16 680	20 052

a) The loan (11998 thou. LTL) was used to re-finance the previously received loans from AB „SEB Vilniaus bankas“ and AB „Bankas Snoras“ as well as for working capital needs. The loan matures on 26 December 2011. The Company has pledged to maintain the ratios of 6 million Litas EBITDA and 1,2 interest coverage. To secure the bank loan, the Company has pledged its assets, inventories, cash at bank, trade marks and shares in the Company pledged by the shareholders.

b) The loan – (7009 thou. LTL) was used to finance working capital needs. The loan matures on 20 June 2008. In order to secure the loan, additional inventories worth 2500 thou. Litas were pledged.

c) The loan (7078 tūkst LTL) is used for investments to non – current assets (modernisation of cheese production manufactory and implementation of whey project). After receiving the 1281 thousand Litas from EU structural funds, this amount will be used to return the credit. At the beginning of 2008, when receiving the second part of this loan – 2169 thousand Litas, this money will be also used to return the credit. The loan is repayable in equal monthly installments. The loan matures on 20 December 2012. To secure the bank loan, the Company has pledged (secondary pledge) its assets, cash at bank, trademarks. Non – current assets, acqusted according to these projects, are also pledged to the bank.

d) The loan (2072 thousand Litas) is used for working capital needs. The loan matures on 24 January 2011. To secure the bank loan, the Company has made a secondary pledge of assets, the land rent rights and cash at bank.

e) 2758 thousand Litas credit line is used for settlements with milk suppliers. The credit line matures on 25 April 2009. The Company has pledged 100 tons of cheese, and obtained a guarantee from the Agricultural Loans Guarantee Fund to secure repayment of 60 % of the credit amount.

f) Loan (600 thousand Litas) is used for working capital needs. Repayment will be started on June 2008 in equal monthly installments. The loan matures on 31 December 2008. To secure the bank loan, the Company has pledged buildings, the land rent rights and cash at bank.

g) Loan (5429 thousand Litas) is used for investments to non – current assets (acquisition of vehicles for transportation of milk products and milk and acquisition of „Mozzarella“ cheese production line). After receiving the 2 125 thousand Litas from EU structural funds, this amount will be used to return the credit. Repayment will be started on March 2009 in equal monthly installments. The loan matures on 28 December 2013. To secure the loan, the Company has pledged buildings, the land rent right, cash at bank. Non – current assets, acqusted according to these projects, are also pledged to the bank.

14. Deferred tax assets and liabilities

Deferred tax assets and liabilities calculated applying a 15-19% tax rate are attributed to the following items:

Thousand Litas	Assets		Liabilities		Net value	
	2007.06.30	2006.12.31	2007.06.30	2006.12.31	2007.06.30	2006.12.31
Tangible non-current assets		0	2 944	2 983	2 944	2 983
Vacation reserve	-187	-187			-187	-187
Decrease in deferred tax assets	-26	-26			-26	-26
Deferred tax asset / liabilities	-213	-213	2 944	2 983	2 731	2 770

For deferred tax calculation the Company applied an income tax rate expected in the realization period of temporary differences. The tax rate of 19% was applied for 2006, 18% - for the year 2007 and 15% - for subsequent periods.

15. Trade and other amounts payable

Thousand Litas	2007.06.30	2006.12.31
Payable to suppliers	8 262	11 109
Salaries	1 800	1 214
Other	564	1 544
Total	10 626	13 867

16. Financial instruments

Credit risk, interest rate risk and foreign exchange risk arise in the Company's activities carried out on normal business conditions.

Credit risk

The Company has an established credit policy, and the credit risk is monitored on an ongoing basis. The Company has no significant concentration of credit risk as at the balance sheet date.

Foreign exchange risk

The Company is exposed to foreign exchange risk for sales, purchases and borrowings, denominated in other currencies than Litass or Euro (Litas is pledged to Euro at a fixed rate of 3.4528 LTL / EUR).

The Company's foreign currencies position as at 30 June 2007 was as follows:

	USD	EUR	SEK	LVL
Receivable amounts	85	2 503	112	
Cash	0	0		

Financial liabilities		-21 666		
Trade payable amounts		-811		

Foreign currency positions are translated into Litas at the official exchange rate valid on the balance sheet date.

Interest rate risk

The Company's financial liabilities are subject of variable interest rates, related to LIBOR and varying from LIBOR+1,3% to LIBOR+1,55%.

17. Contingent and capital liabilities

The Company does not have other liabilities not disclosed in the balance sheet.

18. Related parties

Transactions between related parties:

Thousand Litas	2007 I half	
	Sales	Purchases
ŪKB Šilgaliai	0	575
Total	0	575

Thousand litas	2007.06.30		2006.12.31	
	Receivable amounts	Payable amounts	Receivable amounts	Payable amounts
ŪKB Šilgaliai	131	565	136	0
Total	131	565	136	

Remuneration to management is included in administrative expenses „staff costs“ (note 3):

Thousand Litas	2007 I half
Remuneration to management	303

Loans issued to the management are carried as receivable:

Thousand Litas	2007.06.30	2006.12.31
Loan issued to the management	0	0

19. Post balance sheet events

There were no significant events after the balance sheet date.

11. Information about audit.

The financial statements of I half 2007 were not audited.

III. MATERIAL EVENTS

12. Material events of the issuer's activities

The sales of the Company for June 2007

The sales of the Company for June 2007 (non - consolidated) amounted to 11,41 million LTL (3,3 million EUR) - 16,4 % increase comparing to June 2006. The sales of the company for the last 12 months (July 2006 - June 2007) amounted to 121,5 million LTL (35,2 million EUR) - 18,9 % increase comparing to the same period last year (July 2005 - June 2006).

The sales of the Company for January 2007 - June 2007 amounted to 54,2 million LTL (15,7 million EUR) - 22,5% increase comparing to the same period in June 2006. As it was planned, new modern „Vilkiškių pieninė“ whey manufacturing plant will help to achieve profit, which was expected at the beginning of the year. Total value of Vilkiškių pieninė whey manufactory amounts up to 8,3 million LTL. In order to modernize the factory of cheese production and for the whey process project was used 3,45 million Litas from EU structural funds. These investments had a significant influence for the efficiency of production, production quality control and for waste reducing. The Company has not processed the whey by itself till now. The new whey processing manufactory is completely automatized, and is operated by 1 employee.

The sales of the Company for May 2007

The sales of the Company for May 2007 (non - consolidated) amounted to 10,05 million Litas (2,91 million Eur) - 30 % increase comparing to May 2006.

The sales of the company for last 12 months (June 2006 - May 2007) amounted to 119,9 million LTL (34,7 million EUR) - 18 % increase comparing to the same period last year (June 2005 - May 2006).

The sales of the Company for January 2007 - May 2007 amounted to 42,78 million LTL (12,4 million EUR) - 24,25% increase comparing to the same period in 2006.

The sales of the Company for April 2007

The sales of the Company for April 2007 (non - consolidated) amounted to 5,98 million LTL (1,73 million EUR) - 8,8% decrease comparing to April 2006.

The sales of the company for last 12 months (May 2006 - April 2007) amounted to 117,6 million LTL (34 million EUR) - 18% increase comparing to the same period last year (May 2005 - April 2006).

The sales of the Company for January 2007 - April 2007 amounted to 32,73 million LTL (9,48 million Eur) - 22,7% increase comparing to the same period in 2006.

Resolutions of the General Shareholders Meeting of 20 April 2007

Item 1 of the Agenda: The annual report of the Company of the year 2006.
The meeting attended the annual report of the Company of the year 2006.

Item 2 of the Agenda: The conclusions of the Company's audit.
The meeting attended the conclusions of auditor UAB „KPMG Baltics“ of the year 2006.

Item 3 of the Agenda: Approval of the Company's financial statements of the year 2006.

Resolution: To approve the Company's financial statements per year 2006.

Item 4 of the Agenda: Appropriation of the Company's profit of the year 2006.

Resolution: To approve the appropriation of profit of the year 2006 as follows:

- 1) Non-appropriated profit at the end of the year 2005 - 1 071 403 LTL (310 300 EUR)
- 2) Net profit of the reporting period - 4 084 161 LTL (1 182 855 EUR)
- 3) Total profit to be appropriated - 5 155 564 LTL (1 493 155 EUR):
 - portion of the profit allocated to the legal reserve - 16 125 LTL (4670 EUR)
 - portion of the profit allocated for payment of the dividends - 2 057 660 LTL (595 939EUR) (or LTL 0,22 (0,064 EUR)per ordinary registered share with nominal value of LTL 1)
- 4) Non-appropriated profit at the end of the year 2006 - 3 081 779 LTL (892 545 EUR)

Item 5 of the Agenda: The recall of the member of the Board and the election of the new member of the Board.

Resolution:

To recall Vaidotas Juskys from the position of the member of the Board.

To elect Ramunas Sniepis to the position of the member of the Board.

13. Court and arbitration proceedings

There were no court and (or) arbitration proceedings, which had or potentially could have had a substantial effect on the financial status of the company during the reporting period.

IV. AB „VILKYŠKIŲ PIENINĖ“ FINANCIAL STATEMENTS

The financial statements (consolidated) have been prepared in accordance with International Financial Reporting Standards (IFRS). Business overview, significant accounting policies and notes to the financial statements are provided in part “18. Explanatory notes”.

14. Balance sheet

Thousand Litas	Notes	2007 06 30	2006 12 31
Assets			
Tangible non – current assets	7	43 577	38 126
Intangible assets	8	1 045	1 061
Deferred taxes		25	23
Long term receivables			62
Other investments			
Total non – current assets		44 647	39 272
Prepayments for investments			0
Inventories		7 727	13 543
Receivable amounts	10	11 027	11 057
Cash and cash equivalents	11	400	891
Total current assets		19 154	25 491
Total assets		63 801	64 763
Equity			
Share capital	12	9 353	9 353
Reserves		9 518	9 683
Retained earnings		4 098	4 967
Total equity		22 969	24 003
Minority interest		40	51
Total equity		23 009	24 054
Subsidies			
Liabilities			
Interest – bearing loans and borrowings	13	22 751	16 680
Capital subsidies		1 742	1 441
Deferred tax liabilities	14	2 756	2 793
Total non – current liabilities		27 249	20 914
Interest – bearing loans and borrowings	15	2 916	5 567
Income tax payable		1	361
Trade and other amounts payable	16	10 626	13 867
Total current liabilities		13 543	19 795
Total liabilities		40 792	40 709

Total equity and liabilities	63 801	64 763
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15. Profit / loss statement

Thousand Lit	Notes	2007.06.30.	2006.06.30 Not consolidated
Revenue	1	56 295	44 236
Cost of sales		-50 634	-40 521
Gross profit		5 661	3 715
Other operating income, net	2	36	-4
Distribution expenses		-1 075	-608
Administrative expenses	3	-2 656	-2 598
Operating profit before financing costs		1 966	505
Financial income		18	86
Financial expenses		-694	-388
Net financing costs	4	-676	-302
Profit before tax		1 290	203
Income tax expense	5	-315	-169
Profit for the year		975	34
Distributable:			
For Company's shareholders		986	34
Minority interest		-11	0
Net profit		975	34
Basic earnings per share (in Litas)	6	0,104	0,00364
Diluted earnings per share (in Litas)			

16. Cash flow statement

Thousand Litas	Notes	2007 06 30	2006 06 30 Not consolidated
Cash flows from operating activities			
Profit before tax		975	34
Adjustments:			
Depreciation		1 616	1 196
Amortization		22	94
Capital subsidies recognized as revenues		-41	
Gain on disposal of tangible non - current assets			
Interest expenses, net		711	360
Income tax expenses		315	169
Cash flows from ordinary activities before changes in the working capital		3 598	1 853
Change in inventories		5 816	-380
Change in receivable amounts		94	-4 572
Change in trade and other payable amounts		-3 470	5 997
Cash flows from operating activities		6 038	2 898
Paid / received interest, net		-711	-360
Income tax paid		-315	-169
Net cash flow from operating activities		5 012	2 369
Cash flows from investing activities			
Acquisition of tangible non - current assets		-4 327	-3 339
Acquisition of intangible assets		-7	-7
Proceeds on sale of tangible non - current assets		2	255
Investments in subsidiary undertaking			-1 000
Net cash flow from investing activities		-4 332	-4 091
Cash flows from financing activities			
Loans received		7 435	5 137
Repayment of borrowings		-5 256	-894
Payment of finance lease liabilities		-990	-604
Dividends paid		-2 758	-2 500
Subsidies		398	300
Net cash from financing activities		-1 171	1 439
Increase in cash and cash equivalents		-491	-283
Cash and cash equivalents at 1 January		891	1041
Cash and cash equivalents at 30 June		400	758

17. Statement on changes in equity

Thousand Litas	Notes	Share capital	Revaluation reserve	Compulsory reserve	Retained earnings	Total equity
At 1 January, 2006		9 353		705	3 786	13 844
Net profit for 2006					3 905	3 905
Increase in non-current tangible assets value			8 764			8 764
Transfer to reserves				214	-214	0
Dividends					-2 500	-2 500
Loss not included in the profit and loss statement					-10	-10
At 31 December, 2006		9 353	8 764	919	4 967	24 003
At 1 January, 2007		9 353	8 764	919	4 967	24 003
Net profit for 2007					986	986
Increase in non-current tangible assets value			-219			-219
Transfer to reserves				16	-16	0
Other			38			38
Dividends					-2 058	-2 058
Loss not included in the profit and loss statement					219	219
Losses						
At 30 June, 2007		9 353	8 583	935	4 098	22 969

18. Explanatory notes

Business overview

Income of the Company for the first half of 2007 amounted to 56 295 thousand Litas – 27% increase comparing to the first half of 2006. This is the result of new whey processing manufactory, increased income from whey products and because of higher cream prices. On the other hand, sales and price of cheese are stable – only 2% increase comparing to the same period in 2006.

The production of cheese for last 6 months amounted to 3 319 t., while sales amounted to 3 926 t. – 2.5% increase comparing to 2006 I half.

The production of butter for last 6 months amounted to 270 t., while sales amounted to 280 t. – 5% increase comparing to 2006 I half.

High increase in sales of cream – from 1705 t. to 2100 t. – 23% increase comparing to 2006 I half.

19. Significant accounting policies

19.1.1. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations adopted by the European Union.

19.1.2. Basis of preparation

The financial statements are prepared on the historical cost basis, with the exception of:

- derivative financial instruments are valued at real market price
- buildings are valued at real market price

Financial statements are prepared in accordance with ongoing concern assumption.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which from the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

19.1.3. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiary was acquired in 2006. Only parent company's financial information is included in comparative information.

19.1.4. Functional and presentation currency

These consolidated financial statements are presented in Litas (LTL), which is the Group's functional currency. Except as indicated, the financial information presented in Litas has been rounded to the nearest thousand.

19.1.5. Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for buildings which are stated at their fair value in the consolidated financial statements for 2006 and which in the previous periods were recognised at historical cost less depreciation and impairment. Impact of the change of this accounting policy on the consolidated financial statements is presented in note 6.

19.2. Financial instruments

Loans and receivables are non – derivative financial instruments and are initially recognized at fair value plus transaction costs directly related to the acquisition of the financial assets. After initial recognition loans and receivables are valued at amortized cost applying an effective interest rate method less impairment loss, if any. Short – term receivable amounts are not discounted.

Investments in shares, which have no quoted price in an active market and the fair value of which cannot be reliably estimated, are classified as investments held for sale and are recognized at cost less impairment loss, if any.

19.2.1. Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement.

19.2.2. Tangible non – current assets

Recognition and measurement

Items of property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly related to acquisition of assets.

When parts of property, plant and equipment have different useful lifetimes, they are accounted for as separate items of property, plant and equipment (major compound parts).

Buildings are recorded at revaluated amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which is determined using fair value at the balance sheet date. The fair value of the buildings is determined by appraisals undertaken by certified independent appraisers. The depreciation of buildings is calculated on a straight-line basis over the estimated useful economic lives of assets. The revaluation reserve for buildings is being reduced in conformity with depreciation of certain assets.

In the case of revaluation, when the estimated fair value of an asset is lower than its carrying amount, the carrying amount of this asset is immediately reduced to the amount of fair value and such impairment is recognised as an expense. However, such impairment is deducted from the amount of increase of the previous revaluation of this asset accounted for in the revaluation reserve, to the extent it does not exceed the amount of such increase.

In the case of revaluation, when the estimated fair value of an asset is higher than its carrying amount, the carrying amount of this asset is increased to the amount of fair value and such increase is recorded in the revaluation reserve of property, plant and equipment under the capital caption. However such an increase in value is recognised as income to the extent it does not exceed the decrease of previous revaluation recorded under capital.

Subsequent cost

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Land and buildings	10-40 years
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Machinery and equipment 5-15 years

Other tangible non - current assets 3-7 years

The useful lives, residual values and depreciation methods of assets are reviewed on an annual basis.

19.2.3. Intangible assets

The company's intangible assets are stated at cost less accumulated amortization and impairment loss (refer to accounting principle 1). Amortization is charged to the income statement on straight - line basis over the 3 years useful lives of intangible assets.

Goodwill is stated at cost less impairment losses.

19.2.4. Trade and other receivable amounts

Trade and other receivable amounts are stated at amortized cost less impairment losses.

19.2.5. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the first - in first - out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

19.2.6. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

19.2.7. Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An

impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

19.2.8. Dividends

Dividends are stated as a liability for the period in which they are declared.

19.2.9. Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre - tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

19.2.10. Interest - bearing loans and borrowings

Interest - bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest - bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on effective interest basis.

19.2.11. Trade and other payables

Trade and other payables are stated at amortized cost.

19.2.12. Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Group's balance sheet.

The Group adopted IFRIC 4 Determining whether an Arrangement Contains a Lease, which is mandatory for annual periods beginning on or after 1 January 2006, in its 2005 consolidated financial statements.

19.2.13. Revenue

Revenue from sales of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfer of risks and rewards vary depending on the individual terms of the contract of sale.

19.2.14. Distribution and administrative costs.

Distribution and administrative costs comprise costs related to administration, management, office expenses and etc., including depreciation and amortization.

19.2.15. Other operating income and costs

Other operating income and charges comprise gain or loss from disposal of non - current assets as well as other income and costs not related to the primary activity.

19.2.16. Financial and investing income and expenses

Financial income and expenses comprise interest receivable and payable, realized and unrealized exchange gains and losses regarding debtors and creditors denominated in foreign currencies.

Interest income is recognized in the income statement when earned. Financial lease interest costs are recognized in the income statement applying the effective interest rate method.

19.2.17. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Calculation of income tax is based on the requirements prescribed by the Lithuanian tax legislation.

In 2005 and 2004 the standard income tax rate in Lithuania was 15%. On 1 January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January 2006 companies will have to pay an additional 4% tax calculated based on the income tax principles, and one financial year beginning on 1 January 2007 - 3% tax. After the year 2007 the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15%.

Tax losses can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and / or derivative financial instruments that can be carried forward for 3 consecutive years. The losses from disposal of securities and or derivative financial instruments can be only used to reduce the taxable income earned from the transactions of the same nature.

Deferred tax is provided using the balance sheet liability method, providing the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

19.2.18. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the company by the weighted number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

19.2.19. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.