



Vilkyškių pieninė AB

Consolidated Interim Financial Statement of 2009

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Vilkyskiu pienine AB

Main data about the Issuer

Name of the Issue	Vilkyskiu pienine AB
Authorized capital	LTL 11 943 000
Registered office	Vilkyskiai, Pagegiai municipality
Telephone number	8-441 55330
Fax number	8-441 55242
E-mail address	centras@cheese.lt
Legal – organizational form	public limited company
Date and place of registration	The 10 th of May 1993
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.cheese.lt

Management Board of Vilkyskiu pienine AB

The Management Board of the Issuer consists of the following persons: Gintaras Bertašius, Sigitas Trijonus, Rimantas Jancevičius, Vilija Milaševičiutė, Andrej Cyba and Linas Strėlis. Director General of the Company is Gintaras Bertašius.

Significant accounting policies

Consolidated financial statements of Vilkyskiu pienine AB (company's code 277160980) are prepared following International Standards of Financial Accountability. Interim financial statements coincide 34th Standards of Financial Accountability „Interim financial statements”.

Balance sheet

Thousand LTL	31/12/2009	31/12/2008
Assets		
Long term tangible assets	65 785	71 740
Goodwill	23 875	23 875
Intangible assets	608	418
Long-term amounts receivable	904	1 233
Total long-term assets	91 172	97 267
Resources	18 620	20 601
Trading and other amounts receivable	14 925	18 584
Advance payment of income tax	-	1 117
Cash and cash equivalents	395	195
Total short-term assets	33 940	40 497
Total assets	125 112	137 764
Equity		
Share capital	11 943	11 943
Supplements of shares	11 396	11 396
Reserves	8 784	8 523
Undistributed assets	6 505	-81
Total equity attributed to shareholders of the Company	38 628	31 781
Minority interest	83	55
Total equity	38 711	31 836
Liabilities		
Loans and financial leasing liabilities	35 761	48 946
Capital subsidies	8 203	8 894
Deferred profits tax liabilities	2 306	1 591
Total long-term liabilities	46 270	59 431
Loans and financial leasing liabilities	19 496	21 601
Profits tax payable	0	0
Trade and other amounts payable	20 635	24 896
Total short-term liabilities	40 131	46 497
Total liabilities	86 400	105 928
Total equity and liabilities	125 112	137 764

Profit and loss account

Thousand LTL	31/12/2009	31/12/2008	October – December 2009	October – December 2008
Sales revenue	158 366	151 981	43 680	37 629
Cost price of sales	-133 651	-154 338	-37 818	-36 060
Gross profit (loss)	24 715	-2 357	5 862	1 247
Other operating income, net	-120	1 020	332	385
Expenditure of distribution	-7 069	-1 130	-1 991	-1 877
Administrative expenditure	-6 438	-7 228	-1 908	-2 037
Operating profit (loss)	11 088	-9 695	2 295	-2 282
Income from financial activity	73	528	0	0
Expenditure from financial activity	-3 343	-4 249	-624	-1 421
Net financing costs	-3 270	-3 721	-624	-1 421
Profit (loss) before taxes	7 818	-13 416	1 927	-3 703
Profit tax expenditure (diferred)	-1 252	1 447	-1 429	1 509
Net profit (loss)	6 566	-11 969	242	-2 194
Attributable to:				
Shareholders of the company	6 538	-11 916	230	-2 186
Minority interest	28	-53	-12	-8
Net profit (loss)	6 566	-11 969	242	-2 194
Profit (loss) per share (LTL)	0,55	-1,05	0,02	-0,18
Reduced profit (loss) per share (LTL)	-	-		

The consolidated EBITDA – 17 153 thousand LTL.

Cash flow statement

Thousand LTL	31/12/2009	31/12/2008
Cash flows from operating activities		
Net profit (loss)	6 566	-11 969
Adjustments:		
Depreciation of long-term tangible assets	6 302	5 946
Amortization of intangible assets	260	93
Capital subsidies recognized as income	-636	-387
Result of transfer of long-term tangible assets	1 401	379
Interest expenditure, in net value	3 124	3 816
Income tax expenditure	-	-1 447
Cash flows from ordinary activities before changes in the working capital	17 017	-3 569
Change in resources	1 981	-1 525
Change in amounts receivable	3 989	-336
Change in trading and other amounts payable	-4 261	7 620
	1 709	2 190
Paid / received income, net value	-3 124	-3 816
Income tax paid	-	-2 235
Cash flows from operating activities	15 602	-3 861
Cash flows from investing activities		
Acquisition of long-term tangible assets	-1 825	-10 520
Acquisition of long-term intangible assets	-450	-312
Income from sale of long-term tangible assets	22	431
Transfer of short-term investments	-	4 297
Investment into daughter-enterprise, minus acquired money	-	-30 028
Net cash flows from investing activities	-2 253	-36 132
Cash flows from financing activities		
Loans received		
Repayment of borrowings	614	37 682
Payment of financial lease liabilities	-13 217	-10 784
Issue of shares	-1 182	-1 040
Dividends paid	-	13 986
Capital subsidies received	-	-2 030
Net cash flows from financing activities	636	1 319
Change in cash and cash equivalents	-13 149	39 133
Net cash and cash equivalents as on the 1 st of January	200	-860
Net cash and cash equivalents as on the 31st of December	195	1 055

Statement on changes in equity

	Share capital Thousand LTL	Equity attributable to the Group						Minority interest	Total equity
		Supplements of shares	Revaluation on reserve	Compulsory reserve	Undistributed result	In total			
On the 1 st of January 2008	9 353	-	8 420	935	13 442	32 150	42	32 192	
2008 m. Net profit					-11 916	-11 916	-53	-11 969	
Emission of shares	2 590	11 396				13 986		13 986	
Transferred to reserves			-423		423	0		0	
Decrease in reevaluation reserve			-409			-409		-409	
Dividends					-2 030	-2 030		-2 030	
Changes in the Group							66	66	
On the 31 st of December 2008	11 943	11 396	7 588	935	-81	31 781	55	31 836	
On the 1 st of January 2009	11 943	11 396	7 588	935	-81	31 781	55	31 836	
2009 m. Net profit					6 538	6 538	28	6 566	
Transfers from reserves			-439		439	0		0	
Transfers to reserves			309			309		309	
Dividends									
Issue of Company's shares									
Others									
On the 31 st of December 2009	11 943	11 396	7 458	935	6 896	38 628	83	38 711	

Explanatory notes

Vilkyskiu pienine AB is one of the most modern cheese factories in Lithuania which occupies about 17 % of national cheese market. According to this criterion, the company takes the fourth place among the producers of the country.

Currently, the number of employees of Vilkyskiu pienine AB is 430, and together with the employees of Modest AB and Kelmes pienine AB, the total number of employees amounts to 747.

Vilkyskiu pienine AB started expanding in June 2001 by acquiring Taurage workshop. In January 2006 it acquired Modest AB, which produced fresh dairy products and cheese "Mozzarella". Later the activity of Modest AB was transferred to Taurage workshop. In 2008, having invested LTL 3.6 million, new Mozzarella cheese production line was mounted and started operating. At present Vilkyskiu pienine AB controls 97 % of block of shares. The main products of Modest AB are cheese "Mozzarella", processed, smoked cheese, mold cheese "Memel blue" and others.

In 2008 Kelmes pienine AB, which is strong and perspective company, joined the group of companies of Vilkyskiu pienine AB. Vilkyskiu pienine AB took an ownership to 99.09 percent of Kelmes pienine AB shares. As Kelmes pienine AB, which specializes in the production of curd products, has joined the group of companies of Vilkyskiu pienine AB, Vilkyskiu pienine AB has entered a market of fresh products. In 2008-2009 was increased the processing of raw milk from 30 tons to 90 tons per day, was increased the assortment of fresh dairy products: bottled milk, kephyr, yogurt.

The Company constantly increases its in-house capacities: the Company expands the assortment of cheese. At present Vilkyskiu pienine AB produces even 11 types of cheese of 56 different names. Opened a modern whey processing workshop where whey is processed into whey concentrate.

The main clients of the Company are all major Lithuanian trade networks, the purchasers of EU countries and Russia. At present the following value added cheeses are the most known and the most liked: Prussia, Maasdams, Memel Blue and Mozzarella. The group of companies, utilizing the assortment of fresh products of Kelmes pienine AB, enters into the market of Latvia, Estonia and of other countries, and this allows the group of companies to utilize better its productive capacities.

Despite the year 2007 was very successful, the year 2008 was loss-making for the group of companies of Vilkyskiu pienine AB. Consolidated loss reached LTL 11.9 million. The main reasons of loss were decreased prices of dairy products due to the excess of production in the Europe, the reappraisal of stock and onetime expenses because of the acquisition of Kelmes pienine AB and its integration into the group of companies.

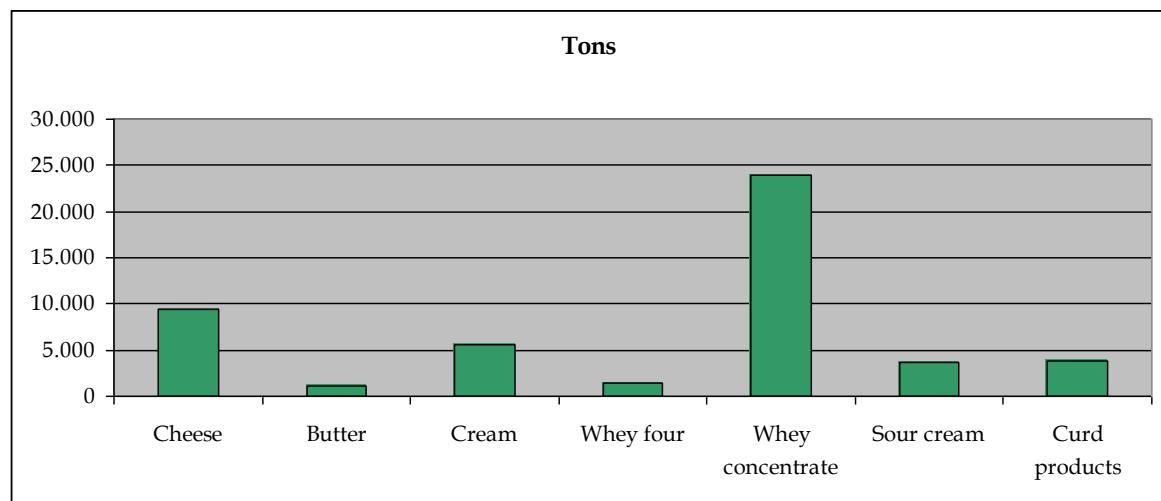
The year of 2009 is profitable to Vilkyskiu pienine AB because of significantly reduced expenditures of production, management and administration, lower raw milk price compared with 2008, and because of renewed means set up by the European Commission in order to balance dairy product market: returned export subsidies for certain dairy products, and application of intervention warehouse system in order to sustain prices - this helps to balance the demand and supply of production.

AB Vilkyskiu pienine increases efficiency also by disposing of unnecessary real estate. Recently the company sold its subsidiary's AB Modest production facility in Bagaslaviskis and transferred the

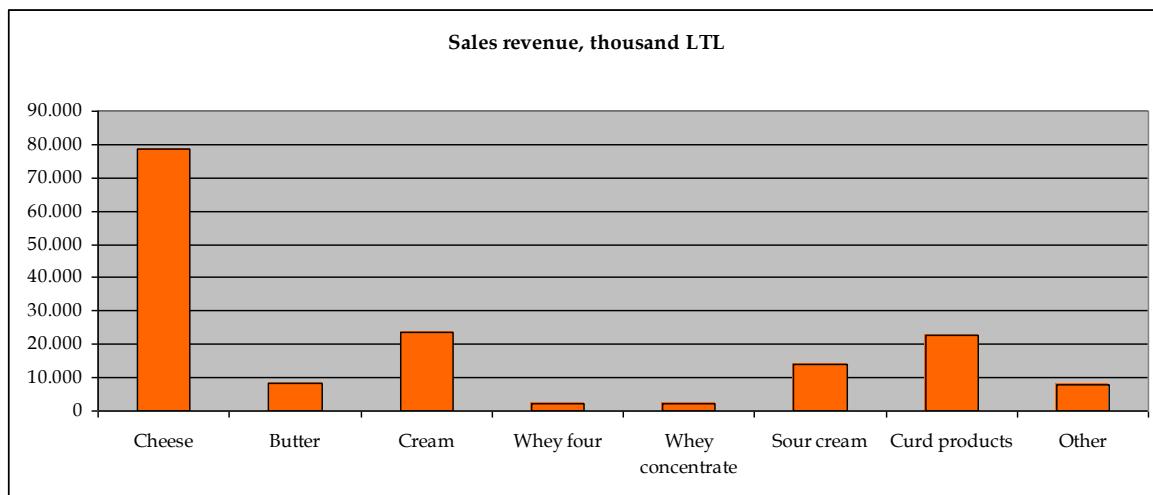
production to main facility at Taurage, and sold unnecessary real estate in Skaudvile. Total revenues from the disposal of these assets amounted to 490 thousand LTL.

This year the main Company's activities are to automate and optimize the processes of production, to develop fresh dairy products, to strengthen the department of sales, to introduce new means of marketing and to search for new markets. Moreover, the Company plans to carry out the purposeful transfer from the production of industrial cheese to brand cheese (having unique trade mark), to strengthen the trademarks of the Company and of certain products both in Lithuanian and in foreign markets by expanding the assortment with new exceptional types of cheese.

Tables below present the overviews of key indicators of consolidated trade volumes of the Group of Vilkyškių pieninė AB:



Sold production, tons	2009
Cheese	9370
Butter	1119
Cream	5641
Whey four	1376
Whey concentrate	23874
Sour cream	3667
Curd products	3757



Sales revenues, thousand LTL	2009
Cheese	78543
Butter	8467
Cream	23387
Whey four	2070
Whey concentrate	2236
Sour cream	13864
Curd products	22631
Other	7896

MATERIAL EVENTS IN THE ACTIVITY OF THE ISSUER

On the 30th of April 2009 in the ordinary general meeting of shareholders of *Vilkyskių pieninė* AB annual statement of the year 2008 as well as conclusion made by an audit company about financial statement of the Company for the year 2008 were debriefed, financial statement of the Company for the year 2008 was approved, a member of the Management Board Ramūnas Šniepis was released and a new member of the Management Board Vilija Milaševičiūtė was appointed. Moreover, Audit Committee Activity Regulations were approved and a new audit committee was composed. Alius Jakubėlis was appointed as an independent member of the audit committee. The Management Board is authorized to set the salary to the independent member of the audit committee for his work. The Head of the Company is authorized to sign the contract with the independent member of the audit committee. Ligita Pudžiuvelytė and Birutė Bazilienė are appointed as the members of the audit committee.

On the 7th of July 2009 the Extraordinary General Meeting of Shareholders decided to increase Company's authorized capital from LTL 128408 up to LTL 692710, by issuing a new emission of 564302 units of ordinary registered shares. The term for the shareholders to subscribe share subscription agreement ended on the 25th of July. In total 488710 units of shares were subscribed. In conformity with decision adopted by the Extraordinary General Meeting of Shareholders, when not all shares are subscribed for within the period intended for share subscription, the authorized capital may be increased by the amount of nominal values of subscribed shares. Authorized capital of the Company has been increased up to LTL 617118.

01 January 2010 the branch company of *Vilkyskių pieninė* AB joint – stock company Modest changed its status to stock company.