



AB "Vilkyškių pieninė"

2006 semi-annual report
(1 Jan 2006 – 30 Jun 2006)

TABLE OF CONTENTS

I.	GENERAL PROVISIONS.....	1
1.	ACCOUNTING PERIOD OF THE REPORT	1
2.	KEY DATA ABOUT THE ISSUER.....	1
3.	AVAILABILITY OF REPORT AND RELATED DOCUMENTS	1
4.	PERSONS RESPONSIBLE FOR THE INFORMATION PRESENTED IN THE REPORT	1
5.	CONFIRMATION ON THE CORRECTNESS OF INFORMATION.....	2
II.	INFORMATION ABOUT THE ISSUER'S AUTHORIZED CAPITAL, THE SECURITIES ISSUED AND MEMBERS OF THE MANAGING BODIES.....	3
6.	ISSUER'S CAPITAL	3
7.	MAJOR SHAREHOLDERS.....	3
8.	SECURITIES NOT REPRESENTING CAPITAL.....	4
9.	SECONDARY TRADING IN THE ISSUER'S SECURITIES	4
10.	AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES.....	4
11.	MEMBERS OF THE MANAGING BODIES	4
III.	FINANCIAL STATEMENTS	6
12.	BALANCE SHEET.....	6
13.	PROFIT / LOSS STATEMENT	7
14.	CASH FLOW STATEMENT.....	8
15.	STATEMENT ON CHANGES IN EQUITY	9
16.	EXPLANATORY NOTES	9
17.	INFORMATION ABOUT AUDIT	24
IV.	MATERIAL EVENTS	25
18.	MATERIAL EVENTS OF THE ISSUER'S ACTIVITIES	25
19.	COURT AND ARBITRATION PROCEEDINGS	26

I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been prepared for the first half of 2006 (1 January 2006 – 30 June 2006).

2. Key data about the issuer

Name of the Company	Public limited liability company „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“ situated in Vilkyškiai, Pagėgių municipality, on business days from 8.00 until 16.30 val. Report is also available online at <http://www.cheese.lt/investuotojams>.

In the cases stipulated in the Company Law and other laws of the Republic of Lithuania, the Issuer's notices and information are published and presented in the manner prescribed by the law in the daily newspaper Lietuvos Rytas.

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 „TM Finance“, Odminių g. 8, LT-01122 Vilnius, phone (8 5) 2791390, fax (8 5) 2624416.
Representative - director Justas Jurkuvėnas phone (8 5) 2791390.

5. Confirmation on the correctness of information

The persons responsible for the preparation of the Report confirm by their signatures that the information presented in the Report correspond with the reality and it contains no concealed facts that could have an impact on investors' decisions.

Managing director

Gintaras Bertašius

Senior accountant

Birutė Bazilienė

Consulting company UAB „TM Finance“, which helped in preparation of this Report confirms that Report fully and correctly discloses all information, which was provided to UAB „TM Finance“ by employees and management of AB „Vilkyškių pieninė“. UAB „TM Finance“ is responsible for full and correct disclosure of the data presented by the Issuer..

Director

Justas Jurkuvėnas

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

6. Issuer's capital

6.1. Issuers 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.

6.2. 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.

7. Major shareholders

As of 30 June 2006, 401 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	10,00	10,00	10,00
Gabrielė Bertašiūtė	935 000	10,00	10,00	10,00

8. 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.

9. 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	
2006.05.17	2006.06.30	5,58	5,25	5,40	647,8	0	0	173 491	919 265	50 506 200

10. 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 "Baltijos vertybiniai popieriai" (Gedimino av. 60, Vilnius).

11. Members of the managing bodies

11.1. Members of the management board and administration

Management board

Name, Surname	Position held	Shares owned, %	Votes controlled, %
Gintaras Bertašius	Chairman of the board, managing director	64,33	64,33
Sigitas Trijonis	Member of the board, technical director	4,55	4,55
Rimantas Jancevičius	Member of the board, purchasing director	0,02	0,02
Vaidotas Juškys	Member of the board, sales director	0	0

Administration

Name, Surname	Position held	Shares owned, %	Votes controlled, %
Gintaras Bertašius	Chairman of the board, managing director	64,33	64,33
Birutė Bazilienė	Senior accountant	0	0

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

Name, Surname	Participation in activities of other companies	Participation in capital of other companies (over 5%)
Gintaras Bertašius	-	ŪKB „Šilgaliai“ (1 share)
Sigitas Trijonis	-	-
Rimantas Jancevičius	-	-
Vaidotas Juškys	Tauragė credit union, chairman of the board since 2000.	UAB „Globegaz“ shareholder (50% of shares)
Birutė Bazilienė	-	-

III. FINANCIAL STATEMENTS

The financial statements (not 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 "16. Explanatory notes"

12. Balance sheet

Thousand Lit	Notes	2006 06 30	2005 12 31	2005 06 30
Assets				
Tangible non-current assets	7	24 539	21 487	19 892
Intangible assets	8	108	196	283
Long-term receivables		334	112	1 151
Other investments	9	1 350		
Total non-current assets		26 331	21 795	21 326
Prepayments for investments			350	
Inventories	10	8 807	8 427	6 160
Receivable amounts	11	11 117	6 768	3 624
Cash and cash equivalents	12	758	1 041	105
Total current assets		20 682	16 586	9 889
Total assets		47 013	38 381	31 215
Equity				
Share capital	13	9 353	9 353	9 353
Reserves		919	705	466
Retained earnings		1 105	3 786	919
Total equity		11 377	13 844	10 738
Subsidies		300		
Liabilities				
Interest-bearing loans and borrowings	14	18 956	13 210	11 731
Deferred tax liabilities	15	1 324	1 304	1 474
Total non-current liabilities		20 280	14 514	13 205
Interest-bearing loans and borrowings	14	1 559	2 575	536
Income tax payable		1 071	1 037	237
Trade and other amounts payable	16	12 426	6 411	6 499
Total current liabilities		15 056	10 023	7 272
Total liabilities		35 336	24 537	20 477
Total equity and liabilities		47 013	38 381	31 215

13. Profit / loss statement

Thousand Litas	Notes	2006.06.30.	2005.06.30
Revenue	1	44 236	33 734
Cost of sales		-40 521	-29 835
Gross profit		3 715	3 899
Other operating income, net	2	-4	-37
Distribution expenses		-608	-504
Administrative expenses	3	-2 598	-2 016
Operating profit before financing costs		505	1 342
Financial income		86	4
Financial expenses		-388	-286
Net financing costs	4	-302	-282
Profit before tax		203	1 060
Income tax expense	5	-169	-358
Profit for the year		34	702
Basic earnings per share (in Litas)	6	0,00364	75,0561
Diluted earnings per share (in Litas)		0,00364	75,0561

14. Cash flow statement

Thousand Lit	Notes	2006 06 30	2005 06 30
Cash flows from operating activities			
Profit before tax		203	1060
Adjustments:			
Depreciation	7	1 196	1 727
Amortization	8	94	83
Gain on disposal of tangible non-current assets	2	0	-26
Interest expenses, net	4	360	232
Cash flows from ordinary activities before changes in the working capital		1 853	3 076
Change in inventories		-380	-1 919
Change in receivable amounts		-4 572	-4 676
Change in trade and other payable amounts		5 997	5 232
Cash flows from operating activities		2 898	1 713
Paid / received interest, net		-360	-232
Income tax paid		-169	-358
Net cash flow from operating activities		2 369	1 123
Cash flows from investing activities			
Acquisition of tangible non-current assets	7	-3 339	-1 341
Acquisition of intangible assets	8	-7	-7
Proceeds on sale of tangible non-current assets		255	32
Investments in subsidiary undertaking		-1 000	0
Net cash flow from investing activities		-4 091	-1 316
Cash flows from financing activities			
Loans received		5 137	2 568
Repayment of borrowings		-894	-754
Payment of finance lease liabilities		-604	-301
Dividends paid		-2 500	-1 177
Subsidies		300	0
Net cash from financing activities		-1 439	336
Increase in cash and cash equivalents		-283	143
Cash and cash equivalents at 1 January		1 041	105
Cash and cash equivalents at 30 June		758	248

15. Statement on changes in equity

Thousand Litas	Notes	Share capital	Compulsory reserve	Retained earnings	Total equity
At 1 January, 2005		9 353	466	919	10 738
Net profit for 2005				4 283	4 283
Transfer to reserves			239	-239	0
Dividends				-1 177	-1 177
At 31 December, 2005		9 353	705	3 786	13 844
At 1 January, 2006		9 353	705	3 786	13 844
Net profit for 2006				33	33
Transfer to reserves			214	-214	0
Dividends				-2 500	-2 500
At 30 June, 2006	13	9 353	919	1 105	11 377

16. Explanatory notes

Business overview

Lithuanian cheese producer Vilkyškių pieninė increased its half-year revenues to LTL 44.2 million, up by 31% year over year. Profit before taxes in first half a year was LTL 203 thousand. Rapid growth in revenues was reached due to the increased volumes of raw milk purchases and completed cheese production line modernization (maximum annual capacity increased up to 14 thousand tones of cheese per year). So far the company surpasses its annual revenue target, so revenues for whole year might be higher than planned.

During the first six months in 2006 company produced 3 748 tones and sold 3 680 tones of cheese (accordingly 23% and 40% more than a year ago). In comparison with the 1st half of 2005, exports to the Russian market grew most (up by 197%) followed by the exports to the EU countries (up by 53%). Sales in Lithuania decreased 10% year over year.

Due to the lower cheese (down by 3.4%) and cream (down by 7.3%) prices, company lost respectively LTL 1.15 million and LTL 0.57 million in revenues. Therefore, gross profit margin decreased to 8.4% from 11.6% a year ago. Gross profit in first half of 2006 reached LTL 3.7 million (down by 5% than a year ago). Gross profit margin in the export markets decreased to 5%; during the same period a year ago gross profit margin of exports to Russia was 19%, to EU countries – 12%. Profitability decrease in the export markets was partly compensated with the gross margin increase from 10.5% to 15.6% in the Lithuanian market.

Bigger decrease in gross profit margin was also limited by the 1.3% lower raw milk prices. During the first half of the year company purchased 45.2 thousand tones of raw milk (up by 25% year over year). During the period average milk price was 600 LTL/t.

Second quarter was more profitable than the first due to the business seasonality; June was the most profitable month in the first half a year. Higher profitability should be sustained

during the forthcoming few months, when the major part of the annual profit is earned. Company is not considering reviewing annual profit forecasts earlier than the end of the third quarter.

Due to the production line modernization and onetime expenses related to the initial public offering, operating costs increased by 27%. Company's first half a year EBITDA decreased 40% and was LTL 1.9 million; profit before taxes reached LTL 203 thousand and was 80% lower than a year ago.

Significant accounting policies

(a) 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.

(b) Basis of preparation

The financial statements are presented in Litas, the Lithuanian national currency that is the functional currency of the Company, and are prepared on the historical cost basis.

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 form 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRS.

(c) Derivative financial instruments

The Company does not use any derivative financial instruments.

(d) Other 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.

(e) 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.

(f) Tangible non-current assets

Items of property, plant and equipment, including assets acquired by way of finance lease, are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Depreciation of own assets and assets acquired by way of finance lease is provided on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

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

(g) Intangible assets

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

(h) Trade and other receivable amounts

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

(i) 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.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(k) Impairment

The carrying amounts of the Group's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to the 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.

(l) Dividends

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

(m) Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a 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.

(n) 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 an effective interest basis

(o) Trade and other payables

Trade and other payables are stated at amortized cost.

(p) Revenue

Revenue from sales of goods and services is recognized on an accrual basis.

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due, associated costs or return of the goods.

(q) Cost of goods sold and services rendered

Cost of sales comprises costs related to depreciation, salaries and wages and other costs incurred in production.

(r) Distribution and administrative costs

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

(s) 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.

(t) 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.

(u) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for 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.

(x) 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.

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 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

Segment results for 2005 I half by geographical segments are as follows:

Thousand Litas	European Union	Lithuania	Russia	Other countries	Total
Income	15 989	15 441	1 957	347	33 734
Segment result	1 839	1 624	370	66	3 899
Not allocated costs					-2 557
Operating result					1 342
Financial items, net					-282
Result before tax					1 060
Income tax expenses					-358
Net result for the year					702
Segment receivables					5 919
Not allocated assets					26 853
Total assets					32 772
Not allocated liabilities					2 349
Not allocated cash flows from ordinary activities					1 123
Not allocated cash flows from investing activities					-1 316
Not allocated cash flows from financing activities					336
Net cash flows					143
Not allocated acquisitions of non-current assets					1 348

2. Other operating income

Thousand Litas		2006 I half	2005 m. I half
Gain from disposal of non-current assets		0	26
Gain from disposal of spare parts		-27	-62
Other		23	1
Total		-4	-37

3. Administrative expenses

Thousand Litas		2006 I half	2005 m. I half
Staff costs		744	625
Repair		697	505
Depreciation and amortization		251	232
Taxes, except for income tax		70	24
Insurance		106	116
Bank fees		80	49
Financial, legal consulting		218	101
Other		432	364
Total		2 598	2 016

4. Financial items, net

Thousand Litas		2006 I half	2005 m. I half
Financial income			
Interest		2	0
Other		84	4
Total financial income		86	4
Financial costs			
Interest		357	265
Foreign exchange losses		31	21
Other			
Total financial costs		388	286
		-302	-282

5. Income tax expense

Recognized in the income statement

Thousand Litas		2006 I half	2005 m. I half
Current income tax expense		-278	-258
Deferred tax expense		109	0
Total income tax expense recognized in the income statement		-169	-358

Taxable losses available to be carried forward were fully utilized when calculating taxable profit for 2004 (4,969 thousand Litas).

Reconciliation of effective tax rate

Thousand Litas	2006 I half	2005 m. I half
Profit before tax	203	1 060
Non-deductible expenses (income)	686	1 326
Taxable profit	889	2 386
Tax rate	19%	15%
Income tax for the year	169	358

Non-deductible expenses

Thousand Litas	2006 I half	2005 m. I half
Forfeits, bad receivable	84	25
Other	602	1 301
Total non-deductible expenses	686	1 326

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.

	2006 I half	2005 m. I half
Number of issued shares calculated based on weighted average method	9 353 000	99 500
Net result for the year, in thousand Litas	34	702
Basic earnings per share, in Litas	0,0036	75,0561

The diluted earnings per share are the same as basic earnings per share.

On 30 December 2005 the Company decreased the par value of shares from 94 Litas to 1 Litas.

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 2005	9 448	18 417	5 415	27	33 307
Acquisitions	727	397	1 085	288	2 497
Disposals	0	55	211	0	266
Balance as at 30 June 2005	10 175	18 759	6 289	315	35 538
Acquisitions	1 002	1 256	2 244	749	5 251
Disposals		73	378		451
Balance as at 31 December 2005	10 450	19 600	7 281	776	38 107
Balance as at 1 January 2006	10 450	19 600	7 281	776	38 107
Acquisitions	316	777	3 222	187	4 502
Disposals		239	364		603
Balance as at 30 June 2006	10 766	20 138	10 139	963	42 006
Depreciation and impairment					
Balance as at 1 January 2004	1 447	8 383	3 585		13 415
Depreciation for the period	173	1 292	262		1 727
Disposals	0	55	205	0	260
Balance as at 30 June 2005	1 620	9 620	3 642		14 882
Depreciation for the period	411	2 616	596		3 623
Disposals		73	345		418
Balance as at 31 December 2005	1 858	10 926	3 836	0	16 620
Balance as at 1 January 2006	1 858	10 926	3 836	0	16 620
Depreciation for the period	212	634	351		1 197
Disposals		239	110		349
Balance as at 30 June 2006	2 070	11 321	4 077	0	17 468
Carrying amounts					
As at 1 January 2005	8 001	10 034	1 830	27	19 892
As at 30 June 2005	8 555	9 139	2 647	315	20 656
As at 31 December 2005	8 592	8 674	3 445	776	21 487
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

Pledges

To secure bank loans, the Company has pledged its non-current assets with a book value of 12,302 thousand Litas as at 30 June 2006 (2005: 14,787 thousand Litas (note 14)).

Leased transport vehicles

The Company has acquired several transport vehicles by way of finance leasing. The carrying amount of the leased assets amounted to 2,636 thousand Lit as at 30 June 2006 (2005: 1,783 thousand Lit). The leasing liabilities are secured by pledging the leased assets (note 14).

Depreciation

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

Thousand Lit	2006 I half	2005 m. I half
Cost of sales	1 036	1 454
Distribution and administrative expenses	160	273
Total	1 196	1 727

8. Intangible assets

Thousand Lit		Total
Cost		
Balance as at 1 January 2005		491
Acquisitions		8
Balance as at 30 June 2005		499
Acquisitions		72
Balance as at 31 December 2005		563
Balance as at 1 January 2006		563
Acquisitions		7
Balance as at 30 June 2006		570
Amortization and impairment		
Balance as at 1 January 2004		208
Amortization for the period		83
Balance as at 30 June 2005		291
Amortization for the period		159
Balance as at 31 December 2005		367
Balance as at 1 January 2006		367
Amortization for the period		94
Balance as at 30 June 2005		461
Carrying amounts		
As at 1 January 2005		283
As at 30 June 2005		208
As at 31 December 2005		196

As at 1 January 2006		196
As at 30 June 2006		109

Amortization charge is included in administrative expenses.

9. Other investments

In November 2005 the Company signed a purchase agreement regarding acquisition of a 80% shareholding in UAB „Modest“. In the balance sheet as at 30 June 2006 shares of UAB „Modest“ are recorded at the acquisition price under the item “other investments”

UAB Modest is a milk processing company, which produces cheese, cottage cheese, sour cream and other milk products. The company's sales income for 2005 amounted to 5 461 thousand Litas and the net profit amounted to 42 thousand Litas. The share capital of the company as at 31 December 2005 amounted to 1 173 thousand Litas and assets - 2 543 thousand Litas.

10. Inventories

Thousand Litas	2006.06.30	2005.12.31
Raw materials	611	656
Finished production	7 229	6 899
Spare parts and tools	967	872
Total	8 807	8 427

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

As at 30 June 2006 the Company did not have any stocks stated at fair value less selling costs.

As at 30 June 2006 inventories with the book value up to 3,700 thousand Litas (2005: 3,700 thousand Litas) were pledged to secure the bank loans (note 14).

11. Receivable amounts

Thousand Litas	2006.06.30	2005.12.31
Subsidies receivable	1 283	
Trade receivable	4 270	3 309
Prepayments	2 524	1 777
Other receivable	3 040	1 682
	11 117	6 768

As at 30 June 2006 prepayments amounting to thousand Litas 2,524 related mainly to prepayment for milk.

12. Cash and cash equivalents

Thousand Lit	2006.06.30	2005.12.31
Cash at bank	678	1 011
Cash in hand	80	30
	758	1 041

To secure the bank loans, the Company has pledged cash at bank and future inflows amounting up to 927 thousand Lit (2005: 927 thousand Lit) as at 30 June 2006.

13. Share capital

As at 30 June 2006 the Company's share capital comprised 9,353,000 ordinary shares at a nominal value of 1 Lit each.

Holders of ordinary shares have at the 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 not less than 5% of shares) as at the balance sheet date were the following persons:

	Ordinary shares	Ownership %
Gintaras Bertašius	6 016 506	64,33
Martynas Bertašius	935 000	10,00
Gabrielė Bertašiūtė	935 000	10,00

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 up 10% of the share capital. The reserve cannot be distributed.

14. Interest bearing loans and borrowings

The Company's interest bearing loans and borrowings are as follows (2006 06 30):

Credit institution	Ref.	Loan amount	Interest rate	Balance at 30 06 2006	Balance at 30 06 2005
AB SEB Vilniaus bankas	a)	11 998	6 mo. LIBOR+1,3%	11 598	11 026
AB SEB Vilniaus bankas	b)	3 004	6 mo. LIBOR+1,3%	2 872	
AB SEB Vilniaus bankas	c)	7 078	6 mo. LIBOR+1,3%	1 994	
AB Snoro bankas	d)	2 072	6 mo. LIBOR+1,7%	1 865	2 072
AB Snoro bankas	e)	345	6 mo. LIBOR+1,7%	173	345
Nordic Environment Finance Corporation (NEFKO)	f)	691	3%	230	460
Total liabilities		25 188		18 732	13 903

a) The loan (3,475 thousand EUR) 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 is repayable in equal monthly installments. The loan matures on 26 December 2011. The Company has pledged to maintain the ratios of 6 million Litass EBITDA and 1.2 interest coverage. To secure the bank loan, the Company has pledged its assets, inventories, cash at bank (678 thousand Litass as at 30 June 2006), trade marks and shares in the Company pledged by the shareholders

b) The loan (600 thousand EUR) is used to finance working capital needs. The loan matures on 19 June 2008. In order to secure the loan, additional inventories worth 2500 thousand Litass were pledged.

c) The loan (2050 thousand Litass) is used for investments to non-current assets. After receiving the 3450 thousand Litass from EU structural funds, this amount will be 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, inventories, cash at bank (678 thousand Litass as at 30 June 2006), trademarks and shares in the Company pledged by the shareholders

d) The loan (600 thousand EUR) is used for working capital needs. The loan matures on 25 May 2007. To secure the bank loan, the Company has made a secondary pledge of assets (note 3), the land rent rights and cash at bank (8 thousand Litass as at 31 December 2005).

e) 100 thousand EUR credit line used for settlements with milk suppliers. The credit line matures on 29 May 2006. 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) The loan (200 thousand EUR) was granted for realization of the ecological production project and is to be fully repaid by 15 July 2007.

15. Deferred tax assets and liabilities

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

Thousand Litass	Assets		Liabilities		Net value	
	2006.06.30	2005.12.31	2006.06.30	2005.12.31	2006.06.30	2005.12.31
Tangible non-current assets	0	0	1 494	1 474	1 494	1 474
Vacation reserve	-170	-170	0	0	-170	-170
Deferred tax (asset) / liabilities	-170	-170	1 494	1 474	1 324	1 304

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.

16. Trade and other amounts payable

Thousand Litas	2006.06.30	2005.12.31
Payable to suppliers	8 019	4 874
Salaries	1 603	1 063
Other	2 804	474
Total	12 426	6 411

17. 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 Litas or Euro. (Litas is pegged to Euro at a fixed rate of 3.4528 LTL / EUR).

The Company's foreign currencies position as at 30 June 2006 was as follows:

	USD	EUR	SEK	LVL
Receivable amounts	61	1 399	112	
Cash	0	336	0	0
Financial liabilities	0	-18 732	0	0
Trade payable amounts	0	-926	0	-71
	61	-17 923	112	-71

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 to variable interest rates, related to LIBOR varying from LIBOR+1.3% to LIBOR+1.7%.

On 13 June 2006 Company entered into floating-to-fixed (3.55 %) interest rate swap agreement with AB SEB „Vilniaus bankas“ regarding 3 330 thousand EUR loan.

18. Contingent and capital liabilities

Tax dispute regarding receivable VAT amounting was on 22 March 2006. Company has paid 74 thousand Litas to settle the dispute.

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

19. Related parties

Transactions between related parties:

Thousand Lit	2006 I half		2005 I half	
	Sales	Purchases	Sales	Purchases
ŪKB Šilgaliai	0	448	3	406
Total	0	804	3	611

Thousand Lit	2006.06.30		2005.12.31	
	Receivable amounts	Payable amounts	Receivable amounts	Receivable amounts
ŪKB Šilgaliai	745	0	677	0
Total	745	0	677	0

UKB Šilgaliai is a supplier of milk. The Company's major shareholder and parties related to him hold part of shares of UAB Šilgaliai.

Remuneration to management is included in administrative expenses "staff costs" (note 3):.

Thousand Lit	2006 I half	2005 I half.
Remuneration to management	278	271

Loans issued to the management are carried as receivable:

Thousand Lit	2006.06.30	2005.12.31
Loan issued to the management	0	112

20. Post balance sheet events

There were no significant events after the balance sheet date.

17. Information about audit

The financial statements of I half 2006 were not audited.

IV. MATERIAL EVENTS

18. Material events of the issuer's activities

The sales of the company for May 2006 (2006 06 08)

The sales of the company for May 2006 amounted to 7.74 million LTL (2.24 million EUR)- 34.14% increase comparing to May 2005. The sales of the company for last 12 months (June 2005 - May 2006) amounted to 101.59 million LTL (29.42 million EUR)- 27.1% increase comparing to the same period last year (June 2004 - May 2005). The sales of the company for period January - May 2006 amounted to 34.42 million LTL (9.97 million EUR) - 40.2% increase comparing to the same period last year.

Company "Modest", owned by Vilkyškių pieninė, will receive the EU support of 2.1 million Litass (0.61 mln. EUR) (2006 07 05)

UAB "Modest", owned by one of the most modern Lithuanian cheese producers AB Vilkyškių pieninė, will receive the support of the EU Structural Funds of over 2.1 million LTL (0.61 m EUR). For these funds the company is planning to streamline the production capacity - to implement new milk processing technologies and modern „Mozzarella“ cheese production-packaging line, moreover to renew the park of the means of transportation of special milk and milk products.

„Upon implementation of the project, supported by EU, we expect to increase the competitive ability and efficiency of the activities of „Modest“ as well as expand the production of the products of the higher surplus. Moreover, the modernization of the production of the enterprise will open new export prospects to the markets of EU countries, which are yet not entered by „Modest““, - said Gintaras Bertašius, Director General of Vilkyškių pieninė.

According to him, investment to the project of modernization will also enable the company „Modest“ to fully implement high EU quality requirements of the environment control, sanitation, hygiene, and food in the entire milk processing chain - from the collection of raw material to the presentation of the production to the consumer.

Support, received from EU, will constitute 44 percent of the total value of the project of „Modest“. It is planned that "Modest" will budget approximately half of these funds to streamline the production line of the main product, produced by the company - „Mozzarella“ cheese. According to G. Bertašius, this meets the strategy of the production of the products of higher surplus of the enterprise.

Company Vilkyškių pieninė has acquired 80.24 percent of the shares of UAB "Modest", operating in Širvintos region, in the beginning of this year. According to the audited data, the income of AB Vilkyškių pieninė in 2005 amounted to 91.708 million Litass (26.56 m EUR), i.e. 22.1 percent more than in 2004, when it reached 75.101 million Litass (21.75 m EUR). Net profit of the company last year amounted to 4.28 million LTL (1.24 mln. EUR).

The sales of the company for June 2006 (2006 07 13)

The sales of the company for June 2006 amounted to 9.76 million LTL (2.83 million EUR)- 6.2% increase comparing to June 2005. The sales of the company for last 12 months (July 2005 - June 2006) amounted to 102.18 million LTL (29.59 million EUR) - 22.4% increase comparing to the same period last year (July 2004 - June 2005). The sales of the company for period January - June 2006 amounted to 44.2 million LTL (12.8 million EUR) - 31% increase comparing to the same period last year.

19. 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.