



Vilkyskiu pienine AB

Interim consolidated financial statements
for the three months of 2010



Content

CONFIRMATION OF RESPONSIBLE PERSONS	2
GENERAL INFORMATION	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED INCOME STATEMENT	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS.....	7
EXPLANATORY NOTES.....	8

Confirmation of Responsible Persons

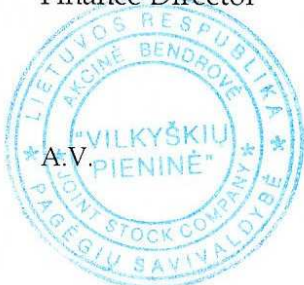
Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we Gintaras Bertasius, General Director of Vilkyskiu pienine AB and Vilija Milaseviciute, Finance Director of Vilkyskiu pienine AB hereby confirm that, unaudited interim condensed consolidated financial statements for the three months of 2010, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Vilkyskiu pienine AB group.

General Director

Gintaras Bertasius

Finance Director

Vilija Milaseviciute



The financial statements were approved and signed by the Management on 24 May 2010.



General information

Name of the Issue	Public Company "Vilkyškių pieninė"
Authorized capital	LTL 11 943 000
Registered office	Vilkyškiai, Pagėgiai municipality
Telephone number	8-441 55330
Fax number	8-441 55242
E-mail address	centras@cheese.lt
Date and place of registration	The 10 th of May 1993
Date and place of re-registration	The 10 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

Vilkyskiu pienine AB Board

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

Vilkyskiu pienine AB Management

Gintaras Bertasius	General Director
Vilija Milaseviciute	Finance Director
Sigitas Trijonis	Technical Director
Rimantas Jancevicius	Stock Director
Arvydas Zaranka	Production Director
Arminas Lunia	Sales Director

The Group consists of the following companies:

- Vilkyskiu Pienine AB, the parent company
- Modest AB, the subsidiary
- Kelmes Pienine AB, the subsidiary. Kelmes Pienine AB directly controls 100% of the shares of Kelmes Pieno Centras UAB.

The parent Company is engaged in production and sales of different types of cheese. Also, it produces and sells whey, raw milk and cream.

The Company has a subsidiary Modest AB, which is engaged in milk processing and production of dairy products. The Company holds 97,2% voting rights of the subsidiary. Modest AB specialises in production of cheese, cottage cheese and other cheese products.

Company also has a subsidiary - Kelmes Pienine AB, which is engaged in milk processing and production of dairy products. The Company holds 99% voting rights of Kelmes Pienine AB. Kelmes Pienine AB specialises in production of fresh dairy products.

At 31 March 2010 the Group had 716 employees (31 December 2009 - 735).



Consolidated statement of financial position

Thousand Litas

	31 03 2010	31 12 2009
Assets		
Property, plant and equipment	64 748	66 248
Intangible assets	548	608
Goodwill	23 875	23 875
Long-term receivables	1 019	1 421
Total non-current assets	90 190	92 152
Inventories	12 156	18 512
Trade and other receivables	16 430	14 820
Cash and cash equivalents	184	395
Total current assets	28 770	33 727
Total assets	118 960	125 879
Equity		
Share capital	11 943	11 943
Share premium	11 396	11 396
Reserves	8 497	8 624
Retained earnings	4 930	7 048
Total equity attributable to the shareholders of the Company	36 766	39 011
Non-controlling interest	88	88
Total equity	36 854	39 099
Liabilities		
Interest-bearing loans and lease liabilities	29 810	39 266
Government grants	8 059	8 203
Deferred tax liabilities	2 088	2 301
Total non-current liabilities	39 957	49 770
Interest-bearing loans and lease liabilities	24 424	15 990
Trade and other payables, including derivatives	17 725	21 020
Total current liabilities	42 149	37 010
Total liabilities	82 106	86 780
Total equity and liabilities	118 960	125 879



Consolidated income statement

Thousand Lit

	31 03 2010	31 03 2009
Revenue	51 762	34 221
Cost of sales	-50 295	-29 917
Gross profit (loss)	1 467	4 201
Other operating income, net	117	64
Distribution expenses	-1 985	-1 311
Administrative expenses	-1 548	-1 431
Operating result	-1 949	1 626
Finance income	13	51
Finance costs	-523	-1 110
Net finance costs	-510	-1 059
Profit (loss) before tax	-2 459	567
Income tax expense	232	299
Net profit (loss) for the year	-2 227	866
Attributable to:		
Shareholders of the Company	-2 227	853
Non-controlling interest	0	13
Net profit (loss) for the year	-2 227	866
Basic earnings per share (Litas)	-0,19	0,07
Diluted earnings per share (Litas)	-0,19	0,07



Consolidated statement of changes in equity

Thousand Lit	Equity, attributable to the shareholders of the Company							Total equity
	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total	Non-controlling interest	
Balance at 1 January 2009	11 943	11 396	7 588	935	-81	31 781	55	31 836
Comprehensive income for the period								
Net profit (loss)	-	-	-	-	853	853	13	866
Other comprehensive income								
Allocated from reserves	-	-	-41	-	41	-	-	
Increase of revaluation reserve, net of tax	-	-	7	-	-	7	-	7
Total other comprehensive income	-	-	-34	-	41	-	-	
Total comprehensive income for the period	-	-	-34	-	894	860	13	873
Contributions by and distributions to owners:								
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
Changes in the Group without losing control								
Other changes in the Group	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners								
Balance at 31 March 2009	11 943	11 396	7 554	935	813	32 641	68	32 709
Balance at 1 January 2010	11 943	11 396	7 689	935	7 048	39 011	88	39 099
Comprehensive income for the period								
Net profit (loss)	-	-	-	-	-2227	-2227	-	-2227
Other comprehensive income								
Allocated from reserves	-	-	-109	-	109	-	-	
Increase of revaluation reserve, net of tax	-	-	-18	-	-	-18	-	-18
Total other comprehensive income	-	-	-127	-	109	-2245	-	-2245
Total comprehensive income for the period	-	-	-127	-	-2 118	-2 245	-	-2245
Contributions by and distributions to owners:								
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
Changes in the Group without losing control								
Other changes in the Group	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners								
Balance at 31 March 2010	11 943	11 396	7 562	935	4 930	36 766	88	36 854



Consolidated statement of cash flows

Thousand Lit	31 03 2010	31 03 2009
Cash flows from operating activities		
Net profit (loss)	-2 227	866
Adjustments:		
Depreciation of property, plant and equipment	1 594	1 367
Amortisation of intangible assets	64	8
Amortisation of grants	-144	-88
(Profit) loss on disposal of property, plant and equipment	42	0
Income tax expense	-	945
Interest expenses, net	547	-23
	-124	3 075
Change in inventories	6 356	5 595
Change in long-term receivables	402	-
Change in trade and other receivables	-1 610	-599
Change in trade and other payables	-3 295	-1 539
	1 729	6 532
Paid interest	-547	-945
Paid income tax	-	-23
Net cash flows from (used in) operating activities	1 182	5 564
Cash flows from investing activities		
Acquisition of property, plant and equipment	-516	-513
Acquisition of intangible assets	-4	-327
Proceeds from sale of property, plant and equipment	-	-
Proceeds from sale of investments	-	-
Acquisition of investment, net of cash acquired	-	-
Net cash flow used in investing activities	-520	-840
Cash flows from financing activities		
Loans received	1 117*	515
Repayment of borrowings	-2 134	-4 926
Proceeds from issue of share capital	-	-
Dividends paid	-	-
Capital grants received	144	88
Net cash from (used in) financing activities	-873	-4 323
Increase (decrease) in cash and cash equivalents	-211	401
Cash and cash equivalents at 1 January	395	195
Cash and cash equivalents at 31 March	184	596

*Change of Credit line – 700 Thousand Lit



Explanatory notes

1. Accounting principles

Consolidated financial statements of Vilkyškių pieninė AB are prepared following International Standards of Financial Accountability.

The interim condensed consolidated financial statements for the three months of 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Consolidated annual financial statements for the year 2009

2. Main financial indicators

	January – March 2010	January – March 2009
Revenue (Thousand Litas)	51 762	34 221
EBITDA (Thousand Litas)	-285	3 052
EBITDA margin (%)	-0,55	8,9
Operating result (Thousand Litas)	-1 949	1 626
Operating result margin (%)	-3,8	4,8
Profit (loss) before tax (Thousand Litas)	-2 459	567
Profit (loss) before tax margin (%)	-4,8	1,7
Profit (loss) per share (litas)	-0,19	0,07
Number of shares (vnt)	11 943 000	11 943 000

3. Segment information

The Group has three reportable segments: Vilkyškių Pieninė AB (parent company), Kelmes Pieninė AB (a subsidiary) and Modest AB (a subsidiary). The activity of each company (segment) is related to production of dairy products. However, the companies produce different dairy products and therefore use different technologies and apply different marketing strategies. The Chairman of the Board of the Group reviews internal management reports of the segments on a monthly basis.

Segment information January – March 2010:

Thousand Litas	Vilkyškių pieninė AB	Kelmes pieninė AB	Modest AB	Adjustment	Total
Revenue	46 660	16 995	2 985	-14 878	51 762
Interest income	9	42	-	-38	13
Interest expenses	-381	-141	-39	38	-523
Depreciation and amortisation	1 124	376	151	-	1 651
Result before taxation	-1 133	-815	-486	-25	-2 459
Income tax expense	232				232
Net profit (loss)	-901	-815	-486	-25	-2 227
Other material non-cash items	-	-	-	-	-



Segment assets	101 514	32 326	7 709	-22 589	118 960
Acquisition of property, plant and equipment	418	46	85	-29	520
Segment liabilities	62 754	23 468	10 940	-15 056	82 106

Segment information January – March 2009:

Thousand Lit	Vilkyskiu pienine AB	Kelmes pienine AB	Modest AB	Adjustment	Total
Revenue	28 870	12 441	3 416	-10 506	34 221
Interest income	11	40	-	-	51
Interest expenses	-709	-310	-91	-	-1110
Depreciation and amortisation	910	397	68	-	1 375
Result before taxation	-792	1 432	-73	-	567
Income tax expense	299				299
Net profit (loss)	-493	1 432	-73	-	866
Other material non-cash items	-	-	-	-	-
Segment assets	102 838	32 214	11 377	-15 686	130 743
Acquisition of property, plant and equipment	359	8	13	-	380
Segment liabilities	69 619	24 710	13 816	-10 111	98 034

Adjustments are related to elimination of inter-company transactions and balances.

Revenue per geographical zones:

Thousand Lit	January – March 2010	January – March 2009	Change
Lithuania	21 916	18 510	18%
European Union	19 559	11 802	66%
Russia	8 519	3 581	2,4 times
Other countries	1 768	328	5,4 times
	51 762	34 221	

During the first months of this year sales revenue has increased by more than 50% compared with same period of the last year. There are several reasons of increase:

1. increase in production, i.e. we have processed more raw milk (about 30 per cent);
2. because of the increase in demand of production, we have reduced a part of the stock;
3. sale price of production has increased about 30%.

Despite the fact that the growth in production price was high, however it was slower than the rise of raw milk price. As a result the Group has suffered LTL 2.2 million of losses during the first quarter of this year. We want to emphasize that currently the growth in the price of milk purchase and our produce has become similar.



4. Loans

AB Bankas Snoras has granted a loan of 1,448 t EUR to Vilkyškių Pieninė AB for an investment project as to facility „Processing of agricultural goods and increase of surplus value – support by loans“. The liability is guaranteed by Zemes Ukio Paskolu Garantiju Fondas UAB for a period of seven years.

The company plans to return the credit line of EUR 1 426 thousand in the first quarter of 2011, so as on 31/03/2010 this amount was transferred into short-term part of financial debts of the current year. Credit line repayment period is planned to be extended for a period of a year till the beginning of 2012.

5. Inventories

Thousand Lit	31 March 2010	31 December 2009
Finished production	7 976	14 683
Raw materials	276	194
Other auxiliary materials	3 892	3 624
Goods for re-sale	12	11
	12 156	18 512

6. Post balance sheet events

The following decisions were taken at the Ordinary General Meeting of the Shareholders of AB Vilkyškių pieninė which was held on the 30 April 2010:

Item 1 of the Agenda: The annual report of the Company of the year 2009.

Resolution: To approve the annual report of the Company of the year 2009.

Item 2 of the Agenda: Auditor's Report regarding the Company's Financial Statements for 2009.

Heard.

Item 3 of the Agenda: Approval of the Company's Separate and Consolidated Financial Statements for 2009.

Resolution: To approve the Company's Separate and Consolidated Financial Statements for 2009.

Item 4 of the Agenda: Profit (loss) appropriation for the year 2009.

Resolution: To approve the Audited Profit appropriation for the year 2009 as follows under IAS (in thousand Lit; in thousand EUR):

1) Non-appropriated profit (loss) at the end of the year 2008 - 2.177 LTL (631 EUR)

2) Net profit (loss) of the reporting period - 4.104 LTL (1.189 EUR)

3) Transfers from reserves - 439 LTL (127 EUR)

4) Total profit (loss) to be appropriated - 6.720 LTL (1.946 EUR)

from it:

- portion of the profit allocated to the legal reserve - 0 LTL (0 EUR)



- portion of the profit allocated for payment of the dividends – 1.194 LTL (346 EUR)
(or 0,10 LTL (0,03 EUR) per ordinary registered share with nominal value of 1 LTL)
- portion of the profit allocated to the other reserves - 0 LTL (0 EUR)
- portion of the profit allocated to be paid as annual payouts (tantiemes)
to board members, bonuses to employees and for other purposes – 67 LTL (19 EUR)
- 5) Non-appropriated profit (loss) at the end of the year 2009
carried forward to next financial year – 5.459 LTL (1.581 EUR)

Item 5 of the Agenda: The election of the new members of the Board.

Resolution: To elect Gintaras Bertasius, Rimantas Jancevicius, Sigitas Trijonis, Linas Strelis, Andrej Cyba, Vilija Milaseviciute as a Board members for the four year term.

Item 6 of the Agenda: The election of the Audit Company.

Resolution: To elect UAB „KPMG Baltics“ as an Audit Company of AB Vilkyškių pieninė. To authorise Mr. Gintaras Bertasius, the General Director of the Company to sign the contract with UAB „KPMG Baltics“ and to set the payment for the service.

Item 7 of the Agenda: The recall of the member of the Audit Committee and election of the new Audit Committee member.

Resolution: To recall of the independent member of the Audit Committee Alius Jakubelis and elect Birute Baziliene as a new independent member of the Audit Committee. To authorise a Board to set payment for independent member of the Audit Committee. To authorise Mr. Gintaras Bertasius, the General Director of the Company to sign a contract with independent member of the Audit Committee. To elect Asta Mikalauskiene and Ligita Pudziuvelyte as members of the Audit Committee.