

AB “Vilkyškių pieninė”

Summary of memorandum for public offering of 10% common shares and listing of 100% of common shares on Vilnius stock exchange

SUMMARY

DISCLAIMER: This summary should be read as an introduction to Offering memorandum. The summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in Offering memorandum, including audited consolidated financial statements. Any consideration to invest in offered shares should be based on consideration of Offering memorandum taken as a whole.

BUSINESS OVERVIEW

UAB “Vilkyškių pieninė” (*Issuer*) was established on 10th of May 1993. It is located in Vilkyškiai town, (Tauragės district, Pagėgių municipality), in the premises of a dairy which was built in 1934 and was operating until 1985. On 30th of December 2005, UAB “Vilkyškių pieninė” was reorganized from private limited liability company into public limited liability company.

Issuer specializes in production of cheese – it produces 10 types of cheese, sold with 29 brand names (e.g. “Prūsija”, “Memel Blue”). The company also produces butter, butter mixtures, processed cheese and cheese products. Cheese amounts to approximately 90% of the total production, butter – 10%. In 2005 Issuer has purchased 94.9 thou. tones of base fat content milk (7.7% more than in 2004) and produced 8,024 tones of cheese (9.6% more than in 2004). Issuer is the fourth biggest cheese producer in Lithuania. Company employs about 470 employees.

The company consists of 3 production facilities in Tauragės district: main production base in Vilkyškiai, and two departments in Eržvilkas (milk collection and logistics) and Tauragė (milk collection, logistics, and production). In January 2006, Issuer acquired 80.25% shares of other dairy UAB „Modest“ (the revenues of UAB „Modest“ in 2005 amounted to LTL 5.5 million).

Company revenues in 2005 amounted to LTL 91.7 million (22.1% higher than in 2004). Company focuses on export markets – revenues from exports in 2005 amounted to LTL 60.6 million. Most of the production is sold in Baltic States, CIS and EU markets.

RISK FACTORS

Before making any investment decisions with respect to the Shares of the Issuer, potential Investors should carefully review factors described in Offering memorandum. Business, financial conditions and results from operations could be adversely affected by each of such risks. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, could also adversely affect our business. Due to these factors, Investors may lose the value of their investment in whole or in part.

SHARES AND SHAREHOLDERS

On the 31st of December 2005, the share capital was divided into 9,353,000 shares of LTL 1.00 nominal value each (*Shares*). The Vilnius Stock Exchange will be addressed regarding listing of all (100%) of Shares. The Shares have following ISIN number: LT0000127508.

Company was owned by four shareholders – main shareholder, company founder and managing director Mr. Gintaras Bertašius controlled 93.19% of all shares. He, together with related shareholders Ms. Rita Domeikienė (1.13%) and Mr. Aleksandras Bertašius (1.13%), controlled 95.45% of the company's shares. Remaining 4.55% were owned by one of the company's co-founders Mr. Sigitas Trijonis who is working as a technical director in the company.

THE OFFERING

Offering	<p>953,300 ordinary shares of the company will be offered (<i>Offered shares</i>). Offered shares amount to 10% of the Issuer's authorized capital. Only existing shares will be sold; there will be no new share issue for this purpose. All shares, including Offered shares, are equal with regards to property and non-property rights of shareholders.</p> <p>The Offering should be understood as an invitation for potential investors to submit applications to buy Offered shares, according to the rules, listed in Offering memorandum. The application does not mean that a potential investor will receive requested number of Offered shares. The Offered shares sale - purchase agreement with the Investor is considered to be confirmed by a transaction of the Offered shares to Investor's personal securities account, after the final price of Offered shares is announced and Offered shares are distributed among Investors.</p>
Purpose of Offering	<p>The purpose of this public offering is to expand the shareholders base and to create possibility for the share listing on the Stock Exchange. It should increase the liquidity of Issuer's shares and create new opportunities for financing future business expansion, by issuing new shares and offering them for both existing shareholders and public in general.</p>
Listing	<p>Once this Prospect is registered with the Lithuanian Security Commission, the Issuer will apply for 100% Issuer's common shares to be listed on the Vilnius Stock Exchange. Offering, collection of subscriptions, allocation of Offered Shares for the Investors, and settlement will be completed before planned trading on the Vilnius stock exchange.</p>
Types of Investors	<p>The Shares will be offered publicly for Investors in Lithuania. An Investor is considered to be in Lithuania if he has a securities account in Lithuania.</p> <p>According to the purpose of this Offering, Investors will be divided into Large investors and Small investors. All investors that will subscribe to invest more than LTL 10,000 will be considered as <i>Large investors</i>. The investors will be considered as <i>Small investors</i>, if they will subscribe to invest for equal or smaller than LTL 10,000 amount Privately, Offered shares will also be offered for foreign institutional (professional) Investors.</p>
Selling shareholders	<p>The shares are sold by Mr. Gintaras Bertašius (8.87% of the Issuer's shares) and related individual – Aleksandras Bertašius (1.13%) (<i>Selling shareholders</i>).</p>
Subscription period	<p>Public offering will take place from 24th of April 2006 to 4th of May 2006 (<i>Subscription period</i>).</p>

Price range	<p>The offered price range is within LTL 5.00 and LTL 6.50 per share (<i>Price range</i>). Large investors in their application to buy shares should indicate the offered price, which is within the Price range. Small investors in their application should indicate the upper limit of the Price range, i.e. LTL 6.50 per share.</p> <p>The final Offering price (<i>Offering price</i>) will be determined after the Subscription period when the demand for Offered shares will be evaluated. The Offering price will be the same for all Investors.</p>
Settlement	<p>The securities will be transferred to the securities accounts of the Investors and the money for shares will be written off at the day of settlement. It is expected to happen on 12th of May 2006 (<i>Settlement day</i>).</p>
Lock-up agreement	<p>Except the sale of Offered shares, Selling shareholders have agreed, for a period of 365 days after the share listing on the Vilnius Stock Exchange, not to: a) offer, sell, transfer, lend, or pawn the Shares and make agreements for such transaction deals (including option deals); b) decide to issue new shares.</p> <p>This agreement does not hold for shares, issued from reserves. There are no restrictions regarding transfer of shares for Investors, which acquired Offered shares during the Subscription period.</p>
Allocation plan	<p>In case of over-subscription, Small investors will receive the number of shares they have requested, while remaining number of Offered shares will be allocated according to the rules in Offering memorandum.</p>
Manager	<p>The Manager of this Offering is UAB FMĮ „Baltijos Vertybiniai Popieriai”, Gedimino av. 60, LT-01110 Vilnius (Manager), phone (+370 5) 2313833, fax. (+370 5) 2313840.</p> <p>Potential Investors should fill in the applications at the main office of the Coordinator. It should be done during the Subscription period from 8.30 until 17.30 (during working days).</p>

SUMMARY FINANCIAL INFORMATION

The table below presents certain summary financial information. This information has been derived from both audited and un-audited financial statements included elsewhere in Offering memorandum. This information should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements and related notes.

The financial data and ratios for 2004-2005 were taken from year 2005 audit report and were prepared according to the Lithuanian Accounting standards. The financial data for 2003 was taken from year 2004 audit report and is prepared according to Lithuanian Accounting standards. The financial data for year 2001-2002 is prepared according to Lithuanian accounting standards, which were in force at that time.

Summary financial information, thou. LTL	2001	2002	2003	2004	2005
Income statement information					
Revenues	59,831.2	46,562.9	53,997.8	75,101.9	91,708.8
EBITDA	2,098.2	-1,540.8	8,417.1	9,319.7	9,548.7
EBIT	189.2	-3,780.4	4,923.9	5,997.9	5,766.7
Profit before income tax and minority interests	-822.7	-5,305.3	3,576.1	5,210.7	5,197.1
Net profit	-822.7	-5,305.3	3,576.1	4,570.7	4,282.6
Balance sheet information					
Non-current assets	19,367.1	19,155.9	19,456.0	21,326.2	22,145.2
Current assets	16,095.9	12,701.7	10,014.3	9,889.1	16,236.3
Cash and cash equivalents	68.7	1,020.3	723.6	105.1	1,041.2
<u>Total assets</u>	<u>35,560.2</u>	<u>31,938.7</u>	<u>29,470.3</u>	<u>31,215.3</u>	<u>38,381.5</u>
Interest-bearing liabilities	14,433.4	17,268.3	13,760.0	12,266.5	15,785.2
Invested capital	23,430.1	20,959.7	20,613.8	23,004.5	29,628.8
Equity	8,996.7	3,691.4	6,853.8	10,738.0	13,843.6
<u>Total liabilities</u>	<u>26,526.7</u>	<u>28,210.4</u>	<u>22,579.7</u>	<u>20,477.3</u>	<u>24,537.9</u>
Cash flow information					
Cash flow from operating activities	2,455.1	648.5	7,194.4	6,962.9	4,474.2
Cash flow used in investing activities	-11,101.2	-1,711.4	-2,142.7	-4,326.5	-4,079.3
Cash flow from financing activities	8,656.3	2,014.5	-5,313.7	-3,254.9	541.2
Per share information (according to share number as of 2005.12.31)					
Number of shares, thousands (2005.12.31)	9,353	9,353	9,353	9,353	9,353
Earnings per share, LTL	-0.088	-0.567	0.382	0.489	0.458
Dividends per share, LTL	-	-	-	0.126	0.267
Ratios and Indicators					
EBITDA margin, %	4%	-3%	16%	12%	10%
Operating profit margin, %	7%	-11%	9%	8%	6%
Net profit margin, %	-1%	-11%	7%	6%	5%
ROI, %	1%	-17%	24%	28%	22%
ROA, %	13%	-15%	16%	19%	17%
ROE, %	-9%	-84%	68%	54%	35%
Cash flow from operating activities and invested capital ratio, %	12%	3%	35%	32%	17%
Equity ratio, %	0,25	0,12	0,23	0,34	0,36

EBITDA = Profit before interest, tax, depreciation and amortization

EBIT = Profit before interest and tax

EBITDA margin = EBITDA / Revenues

Operating profit margin = Operating profit / Revenues

Net profit margin = Net profit / Revenues

ROI = EBIT / (Average total assets - Average interest free liabilities)

ROA = Operating profit / Average total assets

ROE = Net profit / Average equity

Cash flow from operating activities and invested capital ratio = Cash flow from operating activities / Average invested capital

Equity ratio = Equity / Total assets