



# AB “Vilkyškių pieninė”

Report for 2006 I – III quarters

(2006 01 01 – 2006 09 30)

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## I. Balance sheet

The AB „Vilkyškių pieninė“ (enterprise code: 277160980) financial statements (not consolidated) have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements of I-III quarters of 2006 were not audited.

Thousand Lit	2006 09 30	2005 12 31
<b>Assets</b>		
Tangible non-current assets	24 169	21 487
Intangible assets	77	196
Long-term receivables	287	112
<b>Other investments</b>	1 380	
<b>Total non-current assets</b>	25 913	21 795
Prepayments for investments		350
Inventories	13 758	8 427
Receivable amounts	14 741	6 768
Cash and cash equivalents	119	1 041
<b>Total current assets</b>	28 618	16 586
<b>Total assets</b>	54 531	38 381
<b>Equity</b>		
Share capital	9 353	9 353
Reserves	919	705
Retained earnings	3 120	3 786
<b>Total equity</b>	13 392	13 844
<b>Subsidies</b>	300	
<b>Liabilities</b>		
Interest-bearing loans and borrowings	23 281	13 210
Deferred tax liabilities	1 259	1 304
<b>Total non-current liabilities</b>	24 540	14 514
Interest-bearing loans and borrowings	777	2 575
Income tax payable	382	1 037
Trade and other amounts payable	15 140	6 411
<b>Total current liabilities</b>	16 299	10 023
<b>Total liabilities</b>	40 839	24 537
<b>Total equity and liabilities</b>	54 531	38 381

Managing director

Gintaras Bertašius

## II. Profit / loss statement

Thousand Litas	2006 I-III q.	2005 I-III q.
Revenue	78 137	65 690
Cost of sales	69 832	56 457
<b>Gross profit</b>	8 305	9 233
Other operating income, net	16	-4
Distribution expenses	1 009	834
Administrative expenses	3 921	3 127
<b>Operating profit before financing costs</b>	3 391	5 268
Financial income	98	11
Financial expenses	671	453
<b>Net financing costs</b>	-573	-442
<b>Profit before tax</b>	2 818	4 826
Income tax expense	770	1 036
<b>Profit for the year</b>	2 048	3 790
Basic earnings per share (in Litas)	0.219	38,09
Diluted earnings per share (in Litas)	0.219	38,09

Managing director

Gintaras Bertašius

### III. Cash flow statement

Thousand Lit	2006 I-III q.	2005 I-III q.
<b>Cash flows from operating activities</b>	2 818	4 826
Profit before tax		
Adjustments:		
Depreciation	1 995	2 627
Amortization	142	112
Gain on disposal of tangible non-current assets	0	-80
Interest expenses, net	553	414
<b>Cash flows from ordinary activities before changes in the working capital</b>	5 508	7 899
Change in inventories	-5 331	-2 484
Change in receivable amounts	-8 147	-3 646
Change in trade and other payable amounts	8 028	3 649
<b>Cash flows from operating activities</b>	58	5 418
Paid / received interest, net	-553	-414
Income tax paid	-770	-1 036
<b>Net cash flow from operating activities</b>	-1 265	3 968
<b>Cash flows from investing activities</b>		
Acquisition of tangible non-current assets	-3 804	-2 325
Acquisition of intangible assets	-23	-55
Proceeds on sale of tangible non-current assets	258	110
Provision of loans	0	-650
Investments in subsidiary undertaking	-1 030	
<b>Net cash flow from investing activities</b>	-4 599	-2 920
<b>Cash flows from financing activities</b>		
Loans received	9 674	3 268
Repayment of borrowings	-1 685	-173
Payment of finance lease liabilities	-847	-492
Dividends paid	-2 500	-1 177
Subsidies	300	
<b>Net cash from financing activities</b>	4 942	1 426
Increase in cash and cash equivalents	-922	2 474
Cash and cash equivalents at 1 January	1 041	105
<b>Cash and cash equivalents at 30 September</b>	119	2 579

Managing director

Gintaras Bertašius

#### IV. Statement of changes in equity

Thousand Litas	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			2 048	2 048
Transfer to reserves		214	-214	0
Dividends			-2 500	-2 500
At 30 September, 2006	9 353	919	3 120	13 392

Managing director

Gintaras Bertašius

## V. Business overview

Lithuanian cheese producer Vilkyškių pieninė increased its 9 month revenues to LTL 78.1 million, up by 19% year over year. 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).

During the first nine months in 2006 company produced 7 264 tones and sold 6 461 tones of cheese (accordingly 23% and 19% more than a year ago). Sales growth was mainly driven by the increasing export volumes.

Company's gross profitability decreased due to the drop of cheese (down by 1.9%) and cream (down by 7.4%) sales prices. Despite the cheese price recovery back to the last year's level during the 3rd quarter, company lost respectively LTL 1.1 million and LTL 1.0 million in revenues because of lower average cheese and cream prices. Therefore, gross profit margin decreased to 11% from 14% a year ago. Gross profitability was also decreased by growing labor and energy costs. Gross profit in 9 months of 2006 reached LTL 8.3 million (down by 10% than a year ago).

Decrease in gross profit margin was also affected by the 0.4% higher raw milk prices. After the slight decrease (year over year) in raw milk prices during the first half of the year, since June prices started to increase, totaling to 1.4% rise in 3rd quarter (year over year). During the nine months of the year company purchased 87.6 thousand tones of raw milk (up by 25% year over year). During the period average milk price was 594 LTL/t.

Due to the production line modernization and onetime expenses related to the initial public offering, operating costs increased by 24%.

Company's 9 month EBITDA decreased 31% and was LTL 5.5 million; profit before taxes reached LTL 2 818 thousand and was 42% lower than a year ago.

Due to the lower than planned 9 months results, AB Vilkyškių pieninė reviews downwards its 2006 profit plan to LTL 5.2 million profit before taxes. 2007 business plans will be reviewed till the end of January, 2007.

Despite the lower than expected 9 months results, company is planning high revenue growth and modernization in the future. Currently company is undergoing the second phase of LTL 7.6 million worth investment program part of which (LTL 3.5 million) is financed from the EU subsidy funds. During the second phase, whey processing manufactory will be installed; works should be completed till the end of 1<sup>st</sup> quarter 2007.

Investment program is also planned for the modernization of UAB Modest, which is controlled by AB Vilkyškių pieninė. On August 10, 2006 company signed EU support agreement, according to which it will receive LTL 2.1 million EU support for its LTL 4.8 million investment program.