



The issuer's employees, administrative manager and the members of the management bodies who are responsible for the composition of interim consolidated financial statements for 6 months of 2009, hereby confirm that the information provided in the reports is prepared according to the applied accounting standards, reflects the reality correctly and fairly shows issuers' and consolidated general companies assets, liabilities, financial position, profit (loss) and also that the interim report shows fair business environment as well as description of the company's performance.

The General Director of Vilkyškių pieninė

Gintaras Bertašius

The Finance Director of Vilkyškių pieninė

Vilija Milaševičiūtė



Date of preparation of the report:

31st of August, 2009

Place of preparation:

Vilkyškiai, Pagegių municipality, Lithuania



Vilkyškių pieninė AB

Interim consolidated financial statements
for 6 months of 2009

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I. GENERAL PROVISIONS

1. Accounting period for which the statement has been prepared

The statement has been prepared for the 1st half-year of 2009

Possibility to get acquainted with statement and documents

Acquaintance with statement and other documents, which have been used for the preparation of the statement, is possible at Vilkyškių pieninė AB, the address of which is Vilkyškiai, Pagėgių municipality, on weekdays from 8.00 to 16.30, and on the internet site of Vilkyškių pieninė AB, the address of which is: <http://www.cheese.lt/investuotojams>.

Mass communication: daily newspaper "Lietuvos Žinios" (*The News of Lithuania*).

Persons responsible for information presented in this financial statement

Director General of Vilkyškių Pieninė AB Gintaras Bertasius, tel. (8 441) 55330, fax (8 441) 55242.

Finance Director of Vilkyškių Pieninė AB Vilija Milaseviciute, tel. (8 441) 55102, fax (8 441) 55242.

Financial statement in accordance with the information presented by the representatives of the Issuer has been prepared by:

Financial Broker Company Orion Securities UAB, A. Tumėno g. 4B, LT-01109 Vilnius, tel. (8 5) 2603969, fax (8 5) 2313840. Representative – Analyst of Finances Jonas Narbutas.

2. 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

Vilkyškių Pieninė UAB was established on the 10th of May 1993. Vilkyškių pieninė UAB was reorganized from private limited company into public limited company of the 30th of December 2005.

Authorized capital of the Issuer is LTL 11 943 000. It is divided into 11 943 000 ordinary intangible registered shares, the nominal value of 1 share is LTL 1.00.

As of the 30th of June 2009, the Group of Vilkyškių pieninė AB was consisted of parent company and of the following daughter-enterprises:

Name of the company	Address	Type of activity	Share controlled by the company (%)	Authorized capital (in thousand LTL)
Modest UAB	Gaurės 23, Tauragė	Production of cheese, curd cheese and other dairy products	86.64	128
Kelmės pieninė AB	Raseinių 2, Kelmė	Production of dairy products	99.09	2,495
Kelmės pieno centras UAB	Raseinių 2, Kelmė	Milk procurement, resale	99.09	10

3. Narute of the Issuer's core business

Core business of Vilkyškių pieninė AB is the production of dairy products.

The Group of Companies also produces fermented cheese, melted cheese, curd, butter, cream, scalded cream and other fresh dairy products. The Company also processes whey.

4. Contracts with the intermediaries of public circulation of securities

Vilkyškių pieninė AB has entered into the contract of service with Financial Broker Company Orion Securities UAB (address: A. Tumėno g. 4B, Vilnius) on the record of shareholders of Vilkyškių pieninė AB.

On the 15th of October 2007 Vilkyškių pieninė AB entered into the contract with Financial Broker Company Orion Securities UAB on the market making.

5. Secondary turnover of securities of the Issuer

Securities issued by the company have been included into the Current Trade List of Vilnius Stock Exchange since the 17th of May 2006. ISIN code of securities is LT0000127508.

Title of securities: Ordinary Registered Shares of Vilkyškių pieninė AB. Number of securities: 11 943 000 pieces. Nominal value of one share is LTL 1.00.

Period		Price in LTL			Turnover, in thousand LTL			Total turnover		Capitalization, in LTL
From	Till	High est	Lowest	Last	Biggest	Smallest	Last	Pieces	LTL	
2008.01.01	2008.03.31	6,35	5,20	5,20	1 507	0	12	693 973	3 848 098	48 635 600
2008.04.01	2008.06.30	5,52	4,56	4,69	237	0	15	244 910	1 209 573	56 012 670
2008.07.01	2008.09.30	4,70	2,39	2,39	324	0	3	245 700	912 782	28 543 770
2008.10.01	2008.12.31	2,4	0,52	0,6	69	0	0	731 354	696 019	14 003 400
2009.01.01	2009.03.31	0,76	0,56	0,62	242	0	0,4	1 040 145	660 301	7 404 660
2009.04.01	2009.06.30	1,64	0,60	1,37	83	0	3	531 304	566 948	16 361 910

II. AUTHORIZED CAPITAL OF THE ISSUER, ISSUED SECURITIES AND MEMBERS OF THE MANAGEMENT BODIES

6. Authorized capital registered in the Register of Enterprises

Type of securities	Number of securities	Nominal value per share (in LTL)	Total nominal value (in LTL)	Proportion in the authorized capital, %
Ordinary registered shares	11 943 000	1.00	11 943 000	100 %

All the shares are fully paid.

Information about the foreseen increase in authorized capital converting or changing issued securities of debts or derivative securities into shares:

The company has issued neither securities of debts nor derivative securities, therefore the increase of capital converting or changing these securities into shares is not foreseen.

7. Shareholders

Total number of shareholders was 757 on the 30th of June 2009. The following were the major shareholders who had an ownership or held more than 5 percent of Company's share capital:

Shareholders	Number of owned ordinary registered shares, pieces	Proportion of owned votes, %
Gintaras Bertasius*	6,016,506	50.40
Linas Strėlis	1,015,000	8.50
SEB clients	2,790,770	23.40
Orio Securities UAB FMI clients	1,263,971	10.60
Other small shareholders	856,753	7.10
In total	11,943,000	100.00

*Together with jointly held shares it amounts to 6503127 units of shares (54.4 %)

8. Members of the Management Bodies

Vilkyskių pieninė AB Management Board

Name, surname	Education, specialty	Position held in the Issuer	Start of cadence	End of cadence
Gintaras Bertasius	Higher education, engineer – mechanic	Chairman of the Management Board, Director General	30/01/2006	30/01/2010
Sigitas Trijonis	Higher education, engineer – mechanic	Member of the Management Board, Technical Director	30/01/2006	30/01/2010
Rimantas Jancevicius	College education, zoo-technician	Member of the Management Board, Stock Director	30/01/2006	30/01/2010
Vilija Milaseviciute	Higher education, finance and credit	Member of the Management Board , Finance Director	30/04/2009	30/01/2010
Andrej Cyba	Higher education	Member of the Management Board	18/04/2008	30/01/2010
Linas Strelis	Higher education	Member of the Management Board	18/04/2008	30/01/2010

Employees of the Administration

Name, surname	Education, specialty	Position held in the Issuer	Start of work
Gintaras Bertasius	Higher education, engineer – mechanic	Director General, Chairman of the Management Board	01/01/2006
Vilija Milaseviciute	Higher education, finance and credit	Finance Director, member of the Management Board	01/05/2000
Rimantas Jancevičius	College education, zoo-technician	Stock Director	02/01/1996
Sigitas Trijonis	Higher education, engineer - mechanic	Technical Director, member of the Management Board	11/09/1993
Arvydas Zaranka	College education, technology of dairy products	Production Director	30/07/1995
Arminas Lunia	Higher education, chemistry	Sales Director	20/08/2007
Rita Juodikiene	Higher education, engineer of informatics management	Manager of Purchase Department	23/09/2002
Mindaugas Duda	Higher education, engineer of informatic	Manager of IT Department	01/08/2008
Rasa Trybiene	Higher education, psychology	Manageress of Personnel	22/05/2009
Lina Geniene	Higher education, economist of international trade	Chief Accountant	29/09/2008
Sigita Montvilaite	College education, bookkeeping	The Deputy Chief Accountant	14/12/2006
Ligita Pudziulyte	Higher education, economist	Chief Economist	20/05/2004
Ina Baltrusiene	Higher education, law	Jurist	08/10/2007

Modest UAB administracijon and Management Board

Name	Surname	Education, specialty	Position held in the Issuer	Start of cadence	End of cadence	Start of work
Gintaras	Bertasius	Higher education, engineer - mechanic	Chairman of the Management Board	04/09/2006	04/09/2010	
Arvydas	Zaranka	College education, technology of dairy products	member of the Management Board	04/09/2006	04/09/2010	
Vilija	Milaseviciute	Higher education, finance and credit	member of the Management Board	28/04/2009	04/09/2010	
Jonas	Lengvinas	Higher education	Director	-	-	16/04/2008
Milana	Buivydiene	Higher education, economics or agriculture	Chief Accountant	-	-	04/07/2006
Jurgita	Laurinaitiene	Higher education, technology of dairy products	Production Director	-	-	01/01/2008
Albertas	Sledieris	Higher education, zooengener	Chief of Bagaslaviskis department			15/09/1994

Kelmes pienine AB administracijon and Management Board

Name	Surname	Education, specialty	Position held in the Issuer	Start of cadence	End of cadence	Start of work
Gintaras	Bertasius	Higher education, engineer - mechanic	Chairman of the Management Board	06/05/2008	05/05/2012	
Arvydas	Zaranka	College education, technology of dairy products	member of the Management Board	06/05/2008	05/05/2012	
Algirdas	Zukauskas	Higher education, zooengener	Director General, member of the Management Board	06/05/2008	05/05/2012	04/06/2008
Asta	Mikalauskiene	Higher education, finance	Finance Director			17/07/2007
Daiva	Vasiliauskiene	College education, bookkeeping	Chief Accountant			01/07/2009
Edita	Balčiūnienė	Higher education, engener technolog	Production Director			27/11/2006
Algirdas	Guntarskis	College education/ technic	Technical Director			21/02/2008

Information on participation in the activity of other companies and organizations

Name	Surname	Status of a person	Other information - shares, participation in the activity of other companies	Number of shares owned in Vilkyškių pieninė AB
Gintaras	Bertasius	Director General, Chairman of the Management Board	Shareholder of Šilgaliai ŪKB (1 share), Chairman of the Management Board of Modest UAB, Chairman of the Management Board of Kelmes pieninė AB	6,016,506
Sigitas	Trijonis	Technical Director, member of the Management Board	Has no other shares, does not participate in the activity of other companies	425,538
Rimantas	Jancevicius	Stock Director, member of the Management Board	Has no other shares, does not participate in the activity of other companies	2,054
Vilija	Milaseviciute	Finance Director, member of the Management Board	Member of the Management Board of Modest UAB, has no other shares	4 057
Arvydas	Zaranka	Production Director	Member of the Management Board of Modest UAB, Member of the Management Board of Kelmes pieninė AB, has no other shares	1,923
Lina	Geniene	Chief Accountant	Has no other shares, does not participate in the activity of other companies	-
Arminas	Lunia	Sales Director	Has no other shares, does not participate in the activity of other companies	-
Andėj	Cyba	Member of the Management Board	„Invalda“ asset management group member of the Management Board	-
Linas	Strelis	Member of the Management Board		1,015,000

9. Workers

On June 30, 2009 the number of employees working for the group of Vilkyškių pieninė AB amounted to 765.

Employee group	Number of employees	Education				Average monthly salary (LTL)
		higher	college	secondary	incomplete secondary	
Managers	14	9	5			5 608
Executive specialists	63	22	25	16		2 446
Specialists	78	29	35	14		1 878
Workers	610	15	138	420	37	1 140
	765	75	203	450	37	1 405

III. INTERIM FINANCIAL ACCOUNTABILITY OF VILKYSKIŲ PIENINĖ AB

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

10. Balance sheet

Thousand LTL

	30/06/2009	31/12/2008
Assets		
Long term tangible assets	69 257	71 740
Goodwill	23 875	23 875
Intangible assets	762	418
Deferred tax assets	0	0
Long-term amounts receivable	1 023	1 233
Total long-term assets	94 917	97 267
Resources	15 512	20 601
Trading and other amounts receivable	16 300	18 584
Advance payment of income tax	0	1 117
Cash and cash equivalents	653	195
Total short-term assets	32 465	40 497
Total assets	127 382	137 764
Equity		
Share capital	11 943	11 943
Supplements of shares	11 396	11 396
Reserves	8 564	8 523
Undistributed assets	3 002	-81
Total equity attributed to shareholders of the Company	34 905	31 781
Minority interest	82	55
Total equity	34 987	31 836
Liabilities		
Loans and financial leasing liabilities	49 382	48 946
Capital subsidies	8 682	8 894
Deferred profits tax liabilities	1 067	1 591
Total long-term liabilities	59 131	59 431
Loans and financial leasing liabilities	12 613	21 601
Profits tax payable	0	0
Trade and other amounts payable	20 651	24 896
Total short-term liabilities	33 264	46 497
Total liabilities	92 395	105 928
Total equity and liabilities	127 382	137 764

11. Profit and loss account

Thousand LTL

	2009 January-June	2008 January- June	2009 April-June	2008 April- June
Sales revenue	70 703	66 861	36 481	42 509
Cost price of sales	-59 965	-68 024	-30 048	-44 691
Gross profit (loss)	10 738	-1 163	6 433	-2 182
Other operating income, net	212	364	148	1 035
Expenditure of distribution	-3 526	-1 887	-2 215	-1 523
Administrative expenditure	-2 959	-2 980	-1 528	-1 998
Operating profit (loss)	4 465	-5 666	2 838	-4 668
Income from financial activity	133	132	82	104
Expenditure from financial activity	-2 020	-1 364	-910	-912
Net financing costs	-1 887	-1 232	-828	-808
Profit (loss) before taxes	2 578	-6 898	2 010	-5 476
Profit tax expenditure	482	-48	183	-23
Net profit (loss)	3 060	-6 946	2 194	-5 499
Attributable to:				
Shareholders of the company	3 033	-6 901	2 180	-5 474
Minority interest	27	-45	14	-25
Net profit (loss)	3 060	-6 946	2 194	-5 499
Profit (loss) per share (LTL)	0.25	-0.65		
Reduced profit (loss) per share (LTL)	-	-	-	-

12. Cash flow statement

Thousand LTL

	2009 January-June	2008 January-June
Cash flows from operating activities		
Net profit (loss)	3 060	-6 946
Adjustments:		
Depreciation of long-term tangible assets	3 126	2 678
Amortization of intangible assets	82	19
Capital subsidies recognized as income	-212	-164
Result of transfer of long-term tangible assets	0	-34
Interest expenditure, in net value	2 019	1 293
Income tax expenditure	-	-
Cash flows from ordinary activities before changes in the working capital	8 075	-3 154
Change in resources	5 089	-614
Change in amounts receivable	2 495	-3 496
Change in trading and other amounts payable	-4 245	4 057
	3 339	-3 291
Paid / received income, net value	-2 019	-1 293
Income tax paid	0	-419
Cash flows from operating activities	9 395	-4 919
Cash flows form investing activities		
Acquisition of long-term tangible assets	-643	-5 525
Acquisition of long-term intangible assets	-426	-166
Income from sale of long-term tangible assets	0	260
Transfer of short-term investments	0	4 294
Investment into daughter-enterprise, minus acquired money	0	-30 132
Net cash flows from investing activities	-1 069	-31 269
Cash flows from financing activities		
Loans received	614	24 272
Repayment of borrowings	-8 033	-512
Payment of financial lease liabilities	-661	-233
Issue of shares	0	13 986
Dividends paid	0	-2 030
Capital subsidies received	212	-
Net cash flows from financing activities	-7 868	35 483
Change in cash and cash equivalents	458	-705
Net cash and cash equivalents as on the 1 st of January	195	1 055
Net cash and cash equivalents as on the 30th of June	653	350

13. Statement on changes in equity

Equity attributable to the Group

Thousand LTL	Share capital	Supplements of shares	Revaluation reserve	Compulsory reserve	Undistributed result	In total	Minority interest	Total equity
On the 31st of December 2007	9 353	-	8 420	935	13 442	32 150	42	32 192
Net profit					-6 901	-6 901	-45	-6 946
Increase of value of long-term tangible assets*			-212		212	0		0
Transferred to reserves			31			31		31
Dividends					- 2 030	-2 030		-2 030
Other	2 590	11 396				13 986		13 986
Loss not included in loss and profit account							70	70
On the 30th of June 2008	11 943	11 396	8 239	935	4 723	37 236	67	37 303
On the 31st of December 2008	11 943	11 396	7 588	935	-81	31 781	55	31 836
Net profit					3 033	3 033	27	3 060
Transfers from reserves			-211		211			
Transfers to reserves			91			91		91
Dividends						0		0
Issue of Company's shares						0		0
Changes of the Group							0	0
On the 30th of June 2009	11 943	11 396	7 468	935	3 163	34 905	82	34 987

14. Notes to financial statements

Reports of segments

The only business segment of the Company (base of primary segment reporting format) is production of dairy 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 the geographical location of clients. Assets of segments are distributed as per geographical location of assets.

Results of segments for the 1st half-year of 2009 according to geographical segments are as follows:

In thousand LTL	Countries of the European Union	Lithuania	Russia	Other countries	Total
Income	26 955	35 754	7 227	767	70 703
Result of the segment	2 289	7 397	974	78	10 738
Undistributed expenditures					-6 273
Result from operating activities					4 465
Financial items, net value					-1 887
Result before tax					2 578
Expenditures of profits tax					482
Net result of the year					3 060
Segment receivables	2 845	12 258	1 197	0	16 300
Other assets of segments					111 082
Total assets					127 382
Undistributed liabilities					92 395
Undistributed cash flows from ordinary activities					9 395
Undistributed cash flows from investing activities					-1 069
Undistributed cash flows from financial activities					-7 868
Net cash flows					458
Undistributed acquisitions of long-term assets					-1 069

Results of segments for the 1st half-year of 2008 according to geographical segments are as follows:

In thousand LTL	Countries of the European Union	Lithuania	Russia	Other countries	Total
Income	29 329	26 744	10 742	46	66 861
Result of the segment	-2 715	1 051	498	3	-1 163
Undistributed expenditures					-4503
Result from operating activities					-5 666
Financial items, net value					-1 316
Result before tax					- 6 982
Expenditures of profits tax					-48
Net result of the year					-7 030
Segment receivables	3 582	16 263	2 042	0	21 887
Other assets of segments					116 044
Total assets					137 931
Undistributed liabilities					100 712
Undistributed cash flows from ordinary activities					-5 003
Undistributed cash flows from investing activities					-31 185
Undistributed cash flows from financial activities					35 483
Net cash flows					-705
Undistributed acquisitions of long-term assets					-5 691

Loans and other borrowings

The structure of loans and borrowings of the Company's Group as of 30/06/2009 is as follows (in thousand LTL):

Credit institution	Loan amount	Interest rate	Balance on 30/06/2009	Balance on 31/12/2008
AB SEB bankas	18 283	1 night LIBOR+2.05%	11 799	12 315
AB bankas Snoras	2 072	6 months LIBOR+1.55%	625	832
AB Snoro bankas	8 386	6 months LIBOR+1.55%	8 386	8 386
AB Snoro bankas	1 554	6 months LIBOR+2.25%	1 554	1 554
AB SEB bankas	3 459	6 months LIBOR+1.3%	3 459	3 459
AB SEB bankas faktoringas	2 141	6 months LIBOR+1.3%	393	995
AB Swedbank	6 300	6 months LIBOR+3.25%	6 131	6 290
AB Swedbank	11 999	6 months LIBOR+2%	11 999	11 999
AB Swedbank	2 000	6 months LIBOR+2%	1 930	2 000
AB Swedbank	8 300	6 months LIBOR+1.5%	1917	2 300
AB SEB bankas ES	7 078	6 months LIBOR+1.3%	2 692	4 536
AB SEB bankas credit line	7 506	1 night LIBOR+2.05%	4 924	7 007
AB Snoro Bankas	5 429	6 months LIBOR+1.3%	2 496	4 469
AB Snoro Bankas	1 300	6 months LIBOR+2.5%	1 247	1 300
Finance lease liabilities			2 443	3 105
Total liabilities	85 807		61 995	70 547
Less: short-term part			-12 613	-21 601
Total loans and borrowings repayable after the period of one year			49 382	48 946

Events after the date of balance sheet formation

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.

15. Information about the audit

Audit of accounting and financial accountability for the 1st half-year of 2009 has not been carried out.

16. Significant accounting policies**Statement of compliance with the standards**

The consolidated financial statement have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for:

- derivative financial instruments, which are stated at their fair value;
- buildings are stated at their fair value.

The consolidated financial statements have been prepared on the going concern basis.

The preparation of consolidated financial statements in conformity with IFRS as adopted by EU 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, which are in compliance with existing conditions and on the basis of which conclusion regarding balance values assets and liabilities that are not readily apparent from other sources is made. 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 revised results affect only that period, if the revised results affect both current and future periods, results are recognized during the period of revision and during future periods.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Application of accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

Functional and presentation currency

These financial statements are presented in Litas (LTL), which is the Company's functional currency. Except as indicated, the financial information presented in Litas has been rounded to the nearest thousand.

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 recognised in the income statement.

Non-derivative financial instruments

Non-derivative financial instruments include trade receivables and other receivables, cash and cash equivalents, loans, payable to suppliers and other payable amounts.

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are initially stated at fair value including all costs directly attributable to the transaction (except for instruments recognised at fair value in the income statements). After initial recognition non-derivative financial instruments are evaluated as stated further.

Financial instruments are recognised in the accounting at the date of transaction. The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Receivables are non-derivative financial assets and are not listed in an active market. They are included under current assets, except for amounts having a longer term than 12 months. Initially loans issued and amounts receivable are stated at fair value. After initial recognition the loans and receivables are stated at amortised cost applying the effective interest rate method, less impairment losses, if any. Short-term receivables are not amortised.

Loans, borrowings and other financial liabilities are accounted for at amortised cost applying the effective interest rate method. Short-term liabilities are not amortised.

Derivative financial instruments

The Group has entered into an interest rate swap transaction with a bank. The transaction is accounted for at fair value and changes in the fair value are recognised in the income statement. This financial instrument is not considered as a hedging transaction.

Financial instruments

Loans and receivables of the Group are initially recognised at fair value plus transaction costs directly related to the acquisition of the financial assets. After initial recognition loans and receivables are valued at amortised 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 recognised at cost less impairment loss, if any.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly related to acquisition of assets.

When parts of property, plant and equipment have different useful lifetimes, they are accounted for as separate items of property, plant and equipment (major compound parts).

Buildings are recorded at revaluated amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which is determined using fair value at the balance sheet date. The fair value of the buildings is determined by appraisals undertaken by certified independent appraisers. The depreciation of buildings is calculated on a straight-line basis over the estimated useful economic lives of assets. The revaluation reserve for buildings is being reduced in conformity with depreciation of certain assets.

In the case of revaluation, when the estimated fair value of an asset is lower than its carrying amount, the carrying amount of this asset is immediately reduced to the amount of fair value and such impairment is recognised as an expense. However, such impairment is deducted from the amount of increase of the previous revaluation of this asset accounted for in the revaluation reserve, to the extent it does not exceed the amount of such increase.

In the case of revaluation, when the estimated fair value of an asset is higher than its carrying amount, the carrying amount of this asset is increased to the amount of fair value and such increase is recorded in the revaluation reserve of property, plant and equipment under the capital caption. However such an increase in value is recognised as income to the extent it does not exceed the decrease of previous revaluation recorded under capital.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Land and buildings	10-40	years
Machinery and equipment	5-15	years
Other tangible non-current assets	3-7 years	

The useful lives, residual values and depreciation methods of assets are reviewed at each balance sheet date.

Intangible assets

The Company's intangible assets are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged to the income statement on a straight-line basis over the 3 years.

Goodwill is stated at cost less impairment losses.

Trade and other receivable amounts

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in

respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Dividends

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

Provisions

A provision is recognised in the balance sheet when the Group 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.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost on an effective interest rate basis.

Trade and other payables

Trade and other payables are stated at amortised cost.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Group's balance sheet.

Revenue

Revenue from sales of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and

possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfer of risks and rewards vary depending on the individual terms of the contract of sale.

Distribution and administrative costs

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

Other operating income and costs

Other operating income and charges comprise gain or loss from disposal of non-current assets, income and costs from intercompany services as well as other income and costs not related to the primary activity.

Financial and investing income and expenses

Financial income and expenses comprise interest receivable and payable, realised and unrealised exchange gains and losses regarding debtors and creditors denominated in foreign currencies.

Interest income is recognised in the income statement when earned. Financial lease interest costs are recognised in the income statement applying the effective interest rate method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except for cases when it refers to items directly stated under equity. In such cases the income tax is recognised in equity.

Current income tax is a tax payable on the taxable income using tax rates applicable on the balance sheet date and income tax adjustments related to prior years.

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 deferred tax is not calculated on temporary differences arising at the moment of initial recognition of assets and liabilities, when these differences do not affect neither tax carried in the financial reporting nor taxable profit. The deferred tax is estimated applying tax rates which will be enacted when the mentioned temporary differences will be realised using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset should only be recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax is reviewed at each balance sheet date and reduced by an amount of tax benefit which is expected not to be realised.

Earnings per share

The Group provides information on basic earnings per share and diluted earnings per share. Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the company by the weighted number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. During the financial year the Company did not issue any potential ordinary shares.

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.

Financial risk factors

In its activities the Group is exposed to various financial risks: market risk (including foreign exchange risk, interest risk, fair value and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's management pays the greatest attention to unpredictability of financial markets and aims to decrease its eventual impact on the Group's financial performance. From time to time the Group can use a derivative financial instrument in order to hedge certain risks.

The ongoing global economic crisis resulted in, among other things, a lower liquidity levels in economy, a lower level of capital market funding and lower liquidity. In addition to that, Lithuania has been experiencing economic downturn which has affected, and may continue to affect, the activities of enterprises operating in this environment. These financial statements reflect management's assessment of the impact of the Lithuanian and global business environment on the operations and the financial position of the Company. The future developments in business environment may differ from management's assessment.

a) Market risk

(i) currency exchange risk

The Group is not exposed to a significant currency exchange risk, because its sales, purchases and borrowing costs are mainly denominated in Litas and Euro (Litas is pegged to Euro at a fixed exchange rate of 3,4528 LTL / EUR).

(ii) fair value interest rate risk

In general, the Company's income and cash flows from ordinary activity are not dependent on changes in the market interest rate. The Group has issued loans with a fixed interest rate, however, the management is of the opinion that the fair value of the mentioned loans does not significantly differ from the book value as at 31 December 2008 as the applied interest rate (5-7%) is close to market interest rate.

(iii) price risk

The rates of milk and milk products vary depending on the situation in the market. The Group seeks to minimize an impact of the mentioned fluctuations by diversifying production and striving for economy of scale.

b) Credit risk

The Group has established procedures ensuring that sales are performed to clients having a proper crediting history without exceeding the limit of credit risk set by the management. The Group did not have any concentration of significant credit risk at the balance sheet date.

c) Liquidity risk

A conservative management of liquidity risk enables to maintain sufficient cash and cash equivalents or have available funding though an adequate amount of committed credit facilities.

d) Interest rate risk

The group borrowings are subject to variable interest rates, related to LIBOR and varying from LIBOR + 1.3% to LIBOR + 2.25%. The group has entered into an interest rate swap transaction with a bank. By this transaction the group partly hedges from significant interest rate fluctuations.

17. Explanatory notes

Overview of activity

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. The Company constantly increases its in-house capacities: the Company expands the assortment of cheese, in 2007 it opened a modern whey processing workshop where whey is processed into whey concentrate. At present Vilkyskiu pienine AB produces even 11 types of cheese of 56 different names.

Vilkyskiu pienine AB started expanding in June 2001 by acquiring Taurage workshop. In January 2006 it acquired Modest UAB, the activity of which was transferred to Taurage workshop. At present Vilkyskiu pienine AB controls 87 % of block of shares. In 2008, having invested LTL 3.6 million, new Mozzarella cheese production line was mounted and started operating. 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.

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, Maasdam, Memel Blue and Mozzarella. The group of companies, utilizing the assortment of fresh products of Kelmes pienine AB, enters into the market of Estonia and of other countries, and this allows the group of companies to utilize better its productive capacities.

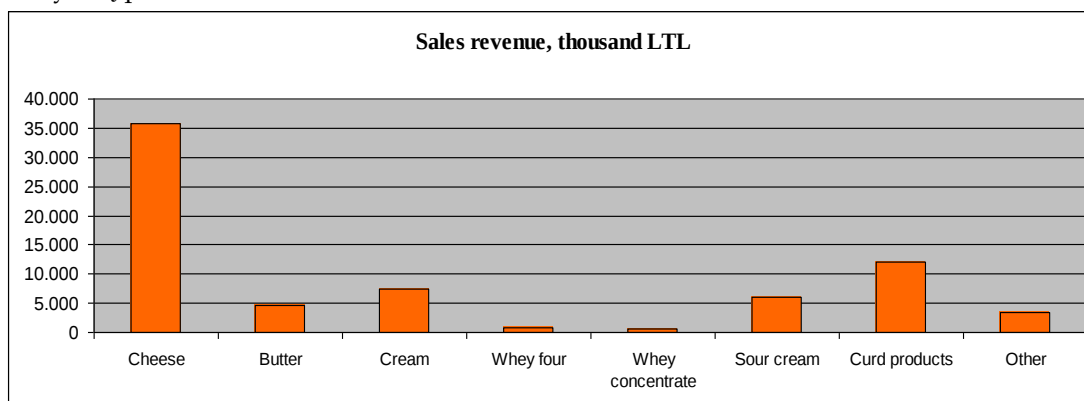
Currently, the number of employees of Vilkyskiu pienine AB is 444, and together with the employees of Modest UAB, which is owned by Vilkyskiu pienine AB, the total number of employees amounts to 765.

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.

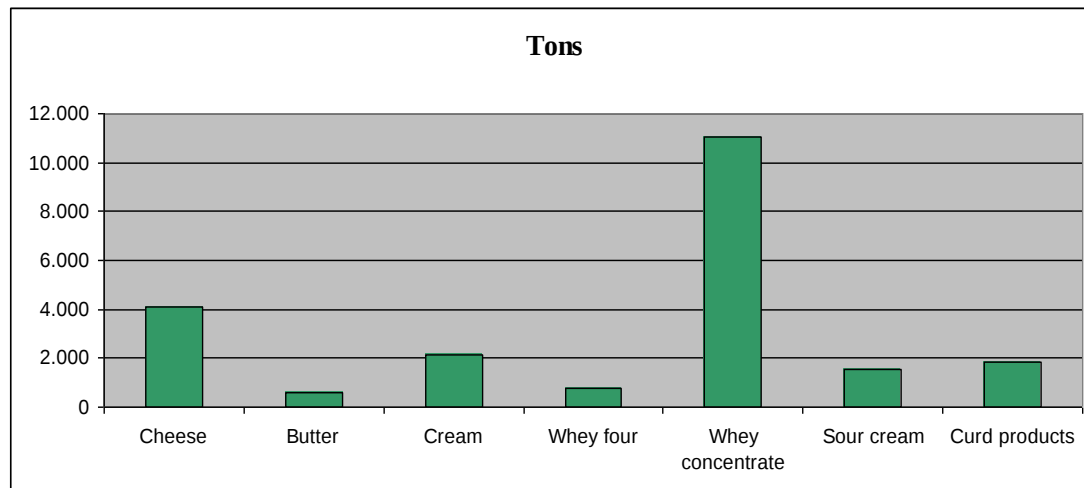
The first half-year of 2009 was profitable to Vilkyškių pieninė AB because of lower raw milk price compared with 2008, significantly reduced expenditures of production, management and administration, and because of renewed means set up by the European Commission in order to balance dairy product market: 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. However, the situation in the markets remains complicated because there is no significant increase in product price and demand. Nonetheless, the Company expects to earn a small profit during the second half-year of 2009 because the results of Company's business are positively influenced by 2.5 times amplified processing capacities of *Kelmės pieninė* AB, transition from industrial sale of cheese to the sale of cheese directly to trading chains in export markets, such as Latvian, Estonian and Russian export markets.

This year Vilkyškių pieninė AB is intensively expanding the assortment of fresh dairy products in *Kelmės pieninė* AB and the assortment of various types of cheese in Modest UAB (such as Feta, Brinza, Mascarpone, Ricotta), it actively introduces Mozzarella cheese in existing markets, and searches for new markets. In the nearest future the company plans to strengthen the department of sales, to introduce innovative means of marketing, and to search for new markets both the existing and for new products.

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



Income form sale in thousand LTL	1 st half-year of 2009
Cheese	35 696
Butter	4 716
Cream	7 390
Whey four	815
Whey concentrate	588
Sour cream	6 088
Curd products	11 990
Other	3 420



Sold production in tones	1 st half-year of 2009
Cheese	4 106
Butter	606
Cream	2 153
Whey four	766
Whey concentrate	11 057
Sour cream	1 552
Curd products	1 834

IV. MATERIAL EVENTS IN THE ACTIVITY OF THE ISSUER

18. Material events in the activity of the Issuer

The consolidated sales of the company for **January 2009** amounted to 10.4 million LTL (3.01 million EUR) - 31.15 % increase comparing to January 2008. The sales of the company for the last 12 months (February 2008 - January 2009) amounted to 159.13 million LTL (46.09 million EUR) - 18.56 % increase comparing to the same period last year (February 2007 - January 2008).

The consolidated sales of the company for **February 2009** amounted to 10.9 million LTL (3.16 million EUR) - 25% increase comparing to February 2008. The sales of the company for the last 12 months (March 2008 - February 2009) amounted to 161.3 million LTL (46.7 million EUR) - 18% increase comparing to the same period last year (March 2007 - February 2008). The sales of the company for period January - February 2009 amounted to 21.3 million LTL (6.2 million EUR) - 28% increase comparing to the same period last year.

The consolidated sales of the company for **March 2009** amounted to 12.54 million LTL (3.63 million EUR) - 64% increase comparing to March 2008. The sales of the company for the last 12 months (April 2008 - March 2009) amounted to 166.4 million LTL (48.2 million EUR) - 25% increase comparing to the same period last year (April 2007 - March 2008). The sales of the company for period January - March 2009 amounted to 34 million LTL (9.9 million EUR) - 40% increase comparing to the same period last year.

On the 30th of April 2009 in the ordinary general meeting of shareholders of *Vilkyškių 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.

The consolidated sales of the company for **April 2009** amounted to 12.07 million LTL (3.5 million EUR) -36% increase comparing to April 2008. The sales of the company for the last 12 months (May 2008 - April 2009) amounted to 164.9 million LTL (47.77 million EUR) - 21.5% increase comparing to the same period last year (May 2007 - April 2008). The sales of the company for period January - April 2009 amounted to 46.16 million LTL (13.37 million EUR) -39% increase comparing to the same period last year.

The consolidated sales of the company for **May 2009** amounted to 11.94 million LTL (3.46 million EUR) -13.1% decrease comparing to May 2008. The sales of the company for the last 12 months (June 2008 - May 2009) amounted to 163.19 million LTL (47.26 million EUR) - 17.71% increase comparing to the same period last year (June 2007 - May 2008). The sales of the company for period January - May 2009 amounted to 58.15 million LTL (16.84 million EUR) -23.88% increase comparing to the same period last year.

The consolidated sales of the company for **June 2009** amounted to 12.52 million LTL (3.63 million EUR) -35% decrease comparing to June 2008. The sales of the company for the last 12 months (July 2008 - June 2009) amounted to 156.5 million LTL (45.3 million EUR) - 7.5% increase comparing to the same period last year (July 2007 - June 2008). The sales of the company for period January - June 2009 amounted to 70.7 million LTL (20.5 million EUR) - 5.8% increase comparing to the same period last year.

19. Securities that do not signify the participation in the authorized capital

Securities, which do not signify the participation in the authorized capital and the turnover of which is regulated by the Law on the Market of Securities of the Republic of Lithuania, have not been issued.

20. Information on observance of the Company management codex

Vilkyskiu pienine AB essentially follows a recommendatory Corporate Governance Code for the Companies Listed on Vilnius stock exchange adopted in August 21, 2006. There is no Supervisory Council in company. The governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. The Board consists of six members who are elected for the term of four years. Nomination and Remuneration Committee is established by the Management Board. The members of Audit Committee and the regulations of activity of the committee is approved by General Meeting of Shareholders. Each committee of the company is composed of three members.