

**AB Vilkyškių Pieninė**

**Interim consolidated financial  
statements for the 6 months  
2011**

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## **Group details**

### **AB Vilkyškių Pieninė**

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Group code: 277160980

Registered office: LT-99254 Vilkyškiai, Pagėgiai municipality, Lithuania

## **Board**

Gintaras Bertašius (Chairman)

Sigitas Trijonis

Rimantas Jancevičius

Vilija Milaševičiūtė

Andrej Cyba

Linas Strėlis

## **Management**

Gintaras Bertašius, General Director

Vaidotas Juškys, Chief Operation Officer

Sigitas Trijonis, Technical Director

Rimantas Jancevičius, Stock Director

Arvydas Zaranka, Production Director

Vilija Milaševičiūtė, Finance Director

## **Banks**

AB SEB bankas

AB bankas „SNORAS“

“Swedbank”, AB

Nordea Bank Finland Plc

## Consolidated statement of financial position

Thousand Lit	Note	30 06 2011	31 12 2010
<b>Assets</b>			
Property, plant and equipment	10	67,584	65,674
Intangible assets	11	24,140	24,273
Long-term receivables	12	1,495	1,487
<b>Non-current assets</b>		93,219	91,434
Inventories	13	22,480	16,950
Trade and other receivables	14	16,959	12,986
Prepayments	15	2,042	1,792
Cash and cash equivalents	16	216	358
<b>Current assets</b>		41,697	32,086
<b>Total assets</b>		134,916	123,520
<b>Equity</b>			
Share capital		11,943	11,943
Share premium		11,396	11,396
Reserves		8,317	8,252
Retained earnings		19,416	18,067
<b>Total equity attributable to the shareholders of the Group</b>	17	51,072	49,658
<b>Non-controlling interest</b>		64	155
<b>Total equity</b>	17	51,136	49,813
<b>Liabilities</b>			
Interest-bearing loans and lease liabilities	18	26,865	22,279
Government grants	19	8,081	8,479
Deferred tax liabilities	20	2,434	2,739
<b>Non-current liabilities</b>		37,380	33,497
Interest-bearing loans and lease liabilities	18	17,564	18,421
Current tax liabilities		-	1
Trade and other payables, including derivatives	21	28,836	21,788
<b>Current liabilities</b>		46,400	40,210
<b>Total liabilities</b>		83,780	73,707
<b>Total equity and liabilities</b>		134,916	123,520

The notes on pages 11-55 are an integral part of these consolidated financial statements.

## Consolidated income statement

Thousand Lit	Note	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010	01 04 -2011- 30 06 2010	01 04 2010- 30 06 2010
Revenue	1	129,809	107,586	66,480	55,824
Cost of sales	2	-117,277	-99,255	-59,391	-48,960
<b>Gross profit</b>		<b>12,532</b>	<b>8,331</b>	<b>7,089</b>	<b>6,864</b>
Other operating income	3	3,089	1,797	1,207	900
Distribution expenses	5	-4,424	-3,726	-2,487	-1,741
Administrative expenses	6	-3,466	-3,210	-1,729	-1,661
Other operating costs	4	-2,833	-1,498	-1,109	-718
<b>Result from operating activities</b>		<b>4,898</b>	<b>1,694</b>	<b>2,971</b>	<b>3,644</b>
Finance income		61	2,013	21	2,003
Finance costs		-947	-1,029	-517	-509
<b>Net finance expense</b>	7	<b>-886</b>	<b>984</b>	<b>-496</b>	<b>1,494</b>
<b>Profit before income tax</b>		<b>4,012</b>	<b>2,678</b>	<b>2,475</b>	<b>5,138</b>
Income tax expense	8	270	-83	290	-315
<b>Profit for the year</b>		<b>4,282</b>	<b>2,595</b>	<b>2,765</b>	<b>4,823</b>
Attributable to:					
Shareholders of the Group		4,246	2,575	2,740	4,802
Non-controlling interest		36	20	25	21
<b>Profit for the year</b>		<b>4,282</b>	<b>2,595</b>	<b>2,765</b>	<b>4,823</b>
Basic earnings per share (Litas)	9	0.36	0.22	-	-
Diluted earnings per share (Litas)	9	-	-	-	-

\*Gain from disposal of UAB "Kelmės pieno centras", amounting to 1,967 thousand Lit, accounted for.

The notes on pages 11-55 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

Thousand Litas	Note	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010	01 04 2011- 30 06 2011	01 04 2010- 30 06 2010
<b>Profit for the year</b>		<b>4,282</b>	<b>2,595</b>	<b>2,765</b>	<b>4,822</b>
<b>Other comprehensive income</b>					
Increase (decrease) of revaluation reserve		-	-	-	-
Effect of income tax		34	32	17	50
<b>Other comprehensive income for the year, net of income tax</b>		<b>4,316</b>	<b>2,627</b>	<b>2,782</b>	<b>4,872</b>
<b>Total comprehensive income</b>					
Attributable to:					
Shareholders of the Group		4,280	2,607	2,757	4,852
Non-controlling interest		36	20	25	20
<b>Total comprehensive income</b>		<b>4,316</b>	<b>2,627</b>	<b>2,782</b>	<b>4,872</b>

The notes on pages 11-55 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

Thousand Lit	Note	Equity attributable to shareholders of the Group						Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total		
Balance at 1 January 2010		11,943	11,396	7,689	935	7,048	39,011	88	39,099
<b>Comprehensive income for the period</b>									
Profit for the period		-	-	-	-	2,575	2,575	20	2,595
<b>Other comprehensive income</b>									
Depreciation of revalued assets		-	-	-219	-	219	-	-	-
Increase of revaluation reserve, net of tax		-	-	32	-	-	32	-	32
<b>Total other comprehensive income</b>		-	-	-187	-	219	32	-	32
<b>Total comprehensive income for the period</b>		-	-	-187	-	2,794	2,607	20	2,627
<b>Contributions by and distributions to owners:</b>									
Dividends						-1,194	-1,194	-	-1,194
Total contributions by and distributions to owners		-	-	-	-	-1,194	-1,194	-	-1,194
<b>Changes in the Group without losing control</b>									
Other changes in the Group		-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
Balance at 30 June 2010	17	11,943	11,396	7,502	935	8,648	40,424	108	40,532

(continued)

The notes on pages 11-55 are an integral part of the consolidated financial statements.

## Consolidated statement of changes in equity (continued)

Thousand Lit	Note	Equity attributable to shareholders of the Group						Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total		
Balance at 1 July 2010		11,943	11,396	7,502	935	8,648	40,424	108	40,532
<b>Comprehensive income for the period</b>									
Profit for the period		-	-	-	-	9,200	9,200	47	9,247
<b>Other comprehensive income</b>									
Depreciation of revalued assets		-	-	-219	-	219	-	-	-
Increase of revaluation reserve, net of tax		-	-	34	-	-	34	-	34
<b>Total other comprehensive income</b>		-	-	-185	-	219	34	-	34
<b>Total comprehensive income for the period</b>		-	-	-185		9,419	9,234	47	9,281
<b>Contributions by and distributions to owners:</b>									
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
<b>Changes in the Group without losing control</b>									
Other changes in the Group		-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
Balance at 31 December 2010	17	11,943	11,396	7,317	935	18,067	49,658	155	49,813

(continued)

The notes on pages 11-55 are an integral part of these consolidated financial statements.



## Consolidated statement of changes in equity (continued)

Thousand Lit	Note	Equity attributable to shareholders of the Group						Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total		
Balance at 1 January 2011		11,943	11,396	7,317	935	18,067	49,658	155	49,813
<b>Comprehensive income for the period</b>									
Profit for the period		-	-	-	-	4,246	4,246	36	4,282
<b>Other comprehensive income</b>									
Depreciation of revalued assets		-	-	-228	259	-31	-	-	-
Increase of revaluation reserve, net of tax		-	-	34	-	-	34	-	34
<b>Total other comprehensive income</b>		-	-	-194	259	-31	34	-	34
<b>Total comprehensive income for the period</b>		-	-	-194	259	4,215	4,280	36	4,316
<b>Contributions by and distributions to owners:</b>									
Dividends		-	-	-	-	-2,866	-2,866	-97	-2,963
Total contributions by and distributions to owners		-	-	-	-	-2,866	-2,866	-97	-2,963
<b>Changes in the Group without losing control</b>									
Other changes in the Group		-	-	-	-	-	-	-30	-30
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
Balance at 30 June 2011		-	-	-	-	-	-	-30	-30
17		11,943	11,396	7,123	1,194	19,416	51,072	64	51,136

The notes on pages 11-55 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

Thousand Lit	Note	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010
<b>Cash flows from operating activities</b>			
Profit for the year		4,282	2,595
Adjustments:			
Depreciation of property, plant and equipment	10	3,336	3,160
Amortization of intangible assets	11	133	128
Amortization of grants	19	-398	-289
Loss on disposal of property, plant and equipment		-72	-49
Profit from disposal of investments		-	-1,967
Income tax expense		-270	83
Interest expenses, net		741	907
		<b>7,752</b>	<b>4,568</b>
Change in inventories		-5,530	5,991
Change in long-term receivables		84	139
Change in trade and other receivables and prepayments		-4,224	-4,641
Change in trade and other payables		6,623	3,764
		<b>-4,705</b>	<b>9,821</b>
Interest paid		-741	-928
Profit tax paid		-1	-
<b>Net cash from operating activities</b>		<b>3,963</b>	<b>8,893</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	10	-4,843	-2,502
Acquisition of intangible assets	11	-	-5
Proceeds from sale of property, plant and equipment		362	247
Acquisition of investment		-14	-
Loans granted		-92	-
<b>Net cash used in investing activities</b>		<b>-4,587</b>	<b>-2,260</b>

## Consolidated statement of cash flows (continued)

Thousand Lit	Note	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010
<b>Cash flows from financing activities</b>			
Loans received		12,514	1,308
Repayment of borrowings		-8,935	-6,954
Leasing payment		-478	-488
Dividends paid		-2,619	-639
<b>Net cash used in financing activities</b>		<b>482</b>	<b>-6,773</b>
<b>Increase (decrease) in cash and cash equivalents</b>			
		<b>-142</b>	<b>-140</b>
Cash and cash equivalents at 1 January		358	395
<b>Cash and cash equivalents at 30 June</b>	16	<b>216</b>	<b>255</b>

The notes on pages 11-55 are an integral part of the consolidated financial statements.

## Notes to the consolidated financial statements

### Background information

The Group (hereinafter – the Group) consists of the following companies:

- Vilkyškių Pieninė, the parent Company (hereinafter – the Parent Company or the Company)
- AB Modest, the subsidiary (hereinafter – the subsidiary AB Modest)
- AB Kelmės Pieninė, the subsidiary (hereinafter – the subsidiary AB Kelmės Pieninė).

AB Vilkyškių Pieninė was established in 1993. The Group does not have any branches or representative offices.

AB Vilkyškių Pieninė is a Lithuanian Company listed on the Vilnius Stock Exchange. As at 30 June 2011 the Company's shares were owned by the following shareholders:

Shareholder	Shares	Nominal value in Litas	Total value in Litas
Gintaras Bertašius	6,067,206	1	6,067,206
UAB FMĮ Orion securities clients	1,852,807	1	1,852,807
Linas Strėlis	1,015,000	1	1,015,000
Skandinaviska Enskilda Banken AB	1,000,036	1	1,000,036
Finasta Group	604,692	1	604,692
Other	1,403,259	1	1,403,259
<b>Total</b>	<b>11,943,000</b>	<b>1</b>	<b>11,943,000</b>

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

Operations are carried out in the main production buildings, located in Vilkyškiai, Pagėgiai region. The Parent Company also has a milk purchase and milk processing centre in Eržvilkas, Jurbarkas region.

The Parent Company has a subsidiary AB Modest, which is engaged in milk processing and production of dairy products. The Company holds 99.7% voting rights of the subsidiary. AB Modest specialises in production of cheese, cottage cheese and other cheese products.

The Parent Company has a subsidiary AB Kelmės Pieninė, which is engaged in milk processing and production of dairy products. The Company holds 99% voting rights of AB Kelmės Pieninė. AB Kelmės Pieninė specializes in production of fresh dairy products.

As at 30 June 2011 the Group had 857 employees (31 December 2010: 753).

## **Notes to the consolidated financial statements**

### **Basis for preparation**

#### **Statement of compliance**

These are consolidated financial statements (hereinafter - financial statements or consolidated financial statements) of AB Vilkyškių Pieninė Group, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Basis of measurement**

Financial statements are prepared on the historical cost basis except for:

- derivative financial instruments which are measured at fair value;
- buildings that are a part of property, plant and equipment and are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

#### **Functional and presentation currency**

The financial statements are presented in thousands Litas (tLTL). Litas (LTL) is the legal currency of Lithuania and considered to be the functional currency of the Parent Company and its subsidiaries.

#### **Foreign currency transactions**

Transactions in foreign currencies are translated into Litas at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Litas at the exchange rate ruling at that date. All transactions made in Euro have been translated to Litas at the exchange rate of 1 Euro=3.4528 Litas as fixed by the Central Bank of Lithuania.

Foreign currency exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Litas at foreign exchange rates ruling at the dates the values were determined.

#### **Basis of consolidation**

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company 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 (due to financial instruments potentially convertible into shares) are taken into account. The financial statements of subsidiaries are included in the Group consolidated financial statements from the date that control commences until the date that control ceases

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies**

#### **Property, plant and equipment**

Items of property, plant and equipment, including assets under finance lease terms, but excluding buildings, are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour costs and an appropriate proportion of production overheads.

When parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items of property, plant and equipment.

The Parent Company and subsidiaries 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 Group and the costs of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Buildings are recorded at revalued 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 statement of financial position 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 recognized 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 through other comprehensive income into the revaluation reserve of property, plant and equipment under the equity. However such an increase in value is recognized as income to the extent it does not exceed the decrease of previous revaluation recorded under capital. Depreciation is calculated on the amount which is equal to the acquisition cost/revalued amount net of residual value of the asset.

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

Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Property, plant and equipment (continued)**

Buildings	10-40 years
Machinery and equipment	5-15 years
Other assets	3-7 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that the period of depreciation and other estimates are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

#### **Leased assets**

Leases under the terms of which the Parent Company and its subsidiaries assume substantially all the risks and rewards of the ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments less accumulated depreciation and impairment losses.

#### **Intangible assets**

Intangible assets that are acquired by the Parent Company and its subsidiaries are stated at cost less accumulated amortization and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful life of 3 years.

#### **Goodwill**

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

#### **Non-controlling interest**

Non-controlling interest is the equity in a subsidiary not attributable directly or indirectly to the parent. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interest are based on a proportionate amount of the net assets of the subsidiary.

#### **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 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.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial assets and liabilities**

According to IAS 39 Financial Instruments: Recognition and Measurement financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets, as appropriate.

All purchases and sales of financial assets are recognized on the trade date, except loans, receivables and deposits which are recognized at the date they are originated. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

#### *Financial assets and financial liabilities at fair value through profit or loss*

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the economic characteristics and risks of the embedded derivative are closely related to the risk of the host contract or the embedded derivative has been separately accounted from the host financial instrument.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Related gains or losses on revaluation are charged directly to the income statement. Interest income and expense and dividends on such investments are recognized as interest income and dividend income or interest expenses, respectively.

#### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Parent Company or subsidiaries has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortized cost using an effective interest method, less any impairment losses. The effective interest method is based on estimated cash flows considering all contractual terms of the financial instrument at the date the instrument is recognized. Gains and losses are recognized in the income statement when the investments are derecognized or impaired.



## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial assets and liabilities (continued)**

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses, except impairment losses, being recognized through other comprehensive income as a separate component of equity until the investment is derecognized at which time the cumulative gain or loss previously reported in equity is included in the income statement.

##### *Fair value*

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

##### *Interest-bearing 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 using the effective interest rate method.

##### *Borrowing costs*

Borrowing costs on loans used for acquisition of property, plant and equipment are recognized as part of the asset acquisition costs and are accordingly added to the cost of property, plant and equipment.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial assets and liabilities (continued)**

##### *Trade and other payables*

Trade and other payables are recognized initially at fair value plus any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate method. The carrying value of trade and other payables approximate their fair values due to their short maturity.

##### **Derivative financial instruments**

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative, and the combined instrument is not measured at fair value though profit and loss.

Derivatives are recognized initially at fair value: attributable transaction costs are recognized in profit and loss when incurred. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

##### *Separable embedded derivatives*

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

##### *Other non-trading derivatives*

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

#### **Derecognition of financial assets and financial liabilities**

##### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Parent Company or subsidiaries has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Parent Company or subsidiaries has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company or subsidiaries continuing involvement in the asset.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial assets and liabilities (continued)**

##### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

##### **Cash and cash equivalents**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

##### **Impairment**

##### *Financial assets*

Financial assets not carried at fair value through profit or losses are reviewed for impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

For financial assets carried at amortized cost, whenever it is probable that the Parent Company and subsidiaries will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognized in the income statement. The reversal of impairment losses previously recognized is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the income statement. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

In relation to trade and other receivables impairment loss is recognized when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company and subsidiaries will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

##### *Calculation of recoverable amount*

The recoverable amount of the Group's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e.,

the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial assets and liabilities (continued)**

##### *Calculation of recoverable amount (continued)*

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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

##### *Reversal of impairment losses*

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

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 amortization, if no impairment loss has been recognized.

##### *Non-financial assets*

Non-financial assets, except for inventories and deferred tax assets, are reviewed for possible indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate possible impairment. If any such indication exists, then the assets recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the income statement as the impairment loss.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial assets and liabilities (continued)**

##### **Provisions**

A provision is recognized in the statement of financial position when the Parent Company or subsidiaries 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.

##### **Employee benefits**

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no long-term employee benefits.

##### **Finance and operating leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of specific asset or assets or the arrangement conveys a right to use the asset.

##### *The Company as a lessee*

Financial lease, which transfer to the Parent Company or subsidiaries substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant period rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Parent Company or subsidiaries will obtain ownership by the end of the lease term.

Operating lease payments are recognized as expenses in profit or loss on a straight line basis over the lease term.

##### **Dividends**

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

### **Government grants**

Grants that compensate the Parent Company or subsidiaries for expenses incurred are recognized as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Parent Company or subsidiaries for the cost of an asset are amortized over the same period as the asset for which the grant has been received. Amortization costs are included in production cost or administrative costs as well as in depreciation of property, plant and equipment for which the grant has been received.

### **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 recognized 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.

### **Cost of sales**

Cost of production comprises direct and indirect costs including depreciation and wages incurred in order to obtain the turnover for the year.

### **Distribution and administrative expenses**

Distribution and administrative expenses comprise expenses of transportation, administrative staff, management, office expenses, etc. including depreciation and amortization.

### **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.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial 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 using the effective interest method. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

#### **Income tax**

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized through other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Standard profit tax rate applied to the companies in the Republic of Lithuania is 15%, in 2009 - 20%. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15% tax rate has been established for an indefinite period starting 1 January 2010. Tax losses can be carried forward for indefinite period if the Company does not change its activities due to which these losses incurred, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred tax is provided 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 substantially enacted at the statement of financial position date.

Deferred tax assets have been recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Earnings per share**

The Parent Company 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 Parent 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 Parent 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 Parent Company did not issue any potential ordinary shares.

#### **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the General Director of the Parent Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.



## Notes to the consolidated financial statements

### Summary of significant accounting policies (continued)

#### Approved, but not yet effective standards

A number of new and revised International Financial Reporting Standards and their interpretations have been issued, which will become mandatory for the Parent Company's financial statements in accounting periods beginning after 1 January 2010. The Parent Company has decided not to apply the amendments and new standards and interpretations early. Below is the estimate of the Parent Company's management regarding the potential effect of the new and revised standards and interpretations upon their first-time application.

- Amendment to IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues" is effective for annual periods beginning on or after 1 February 2010. The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

The amendments to IAS 32 are not relevant to the Parent Company's financial statements as the Parent Company and subsidiaries has not issued such instruments at any time in the past.

- Revised IAS 24 "Related Party Disclosure" is effective for annual periods beginning on or after 1 January 2011. The amendment exempts a government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition,

such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel.

Revised IAS 24 is not expected to result in new relations requiring disclosure in the financial statements.

- Amendment to IFRIC 14 / IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" is effective for annual periods beginning on or after 1 January 2011. The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required.

The amendments to IFRIC 14 are not relevant to the Parent Company's financial statements as the Parent Company and subsidiaries does not have any defined benefit plans with minimum funding requirements.

- IFRIC 19 "Extinguishing Financial liabilities with Equity instruments" is effective for annual periods beginning on or after 1 July 2010. The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Approved, but not yet effective standards (continued)**

The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished.

The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

The Parent Company and subsidiaries did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Parent Company's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

#### **Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow or economic benefits is probable.

#### **Subsequent events**

Subsequent events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

#### **Use of judgements and estimates**

The preparation of financial statements in conformity with IFRS as adopted by the 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 that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Parent Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Use of judgements and estimates (continued)**

##### ***Impairment losses on goodwill and property, plant and equipment***

The carrying amounts of the Group's goodwill and property, plant and equipment 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

The recoverable amount of an asset or cash-generating unit 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 assessment of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value.

##### ***Valuation of buildings***

Information about assumptions and estimation uncertainties related to valuation of buildings is included in Note 10 "Property, plant and equipment".

##### ***Impairment losses on receivables***

The Parent Company and subsidiaries reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Parent Company and subsidiaries makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, national or local economic conditions that influence the Parent Company and subsidiaries of the receivables.

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

##### ***Useful lives for property, plant and equipment***

Asset useful lives are assessed annually and changed when necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilization and physical condition of the assets concerned.

#### **Financial risk management**

The Parent Company and subsidiaries has exposure to the following risks from its use of financial instruments:

- credit risk,

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial risk management (continued)**

- liquidity risk,
- market risk,
- operational risk,
- capital management risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

#### ***Risk management framework***

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group manages foreign exchange risk by minimizing the net exposure to open foreign currency position. Further exposure to foreign exchange risk is disclosed in Note 25 Financial instruments and risk management.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not have significant interest-bearing assets. As to the management, the risk related to changes in interest rates on borrowings is within acceptable parameters and the Group does not use any derivative instruments to hedge the interest rate risk.

#### **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

## **Notes to the consolidated financial statements**

### **Summary of significant accounting policies (continued)**

#### **Financial risk management (continued)**

##### **Operational risk (continued)**

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

The note "Financial instruments and risk management" presents information about the Group's exposure to each of the credit, liquidity and capital management risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are also included throughout these annual financial statements.

## Notes to the consolidated financial statements

### 1 Segment reporting

The Group has three reportable segments: AB Vilkyškių Pieninė (parent Group), AB Kelmės Pieninė (a subsidiary) and AB Modest (a subsidiary). The activity of each Group (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.

The largest segment of the Group is AB Vilkyškių Pieninė. More detailed information about segments of the separate Group AB Vilkyškių Pieninė is presented in separate financial statements.

Segment information for 6 months 2011:

Thousand Lit	AB Vilkyškių Pieninė	AB Kelmės Pieninė	AB Modest	Adjustment	Total
Revenue	129,352	36,208	48,830	-84,581	129,809
Interest income	12,956	82	88	-13,065	61
Interest expenses	-774	-216	-122	165	-947
Depreciation and amortization	2,283	837	349	-	3,469
Result before taxation	11,091	4,437	1,368	-12,884	4,012
Income tax expense	270	-	-	-	270
Profit for the year	11,361	4,437	1,368	-12,884	4,282
Other material non-cash items	-	-	-	-	-
Segment assets	112,674	28,239	20,401	-26,398	134,916
Acquisition of property, plant and equipment	4,556	258	856	-	5,670
Segment liabilities	63,531	19,915	13,768	-13,434	83,780

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

Segment information for 6 months 2011 per geographical zones:

Thousand Lit	Revenue	Assets
Lithuania	50,594	134,916
European Union	39,970	-
Russia	36,113	-
Other countries	3,132	-
	<u>129,809</u>	<u>134,916</u>

## Notes to the consolidated financial statements

### 1 Segment reporting (continued)

Segment information for 6 months 2010:

Thousand Litas	AB Vilkyškių Pieninė	AB Kelmės Pieninė	AB Modest	Adjustment	Total
Revenue	106,180	7,877	31,588	-38,059	107,586
Interest income	31	2,068	-	-86	2,013
Interest expenses	-771	-278	-66	86	-1,029
Depreciation and amortization	2,237	745	306	-	3,288
Result before taxation	950	2,254	-526	-	2,678
Income tax expense	-83	-	-	-	-83
Net profit (loss)	867	2,254	-526	-	2,595
Other material non-cash items					
Gain from disposal of UAB Kelmės pieno centras	-	1,967	-	-	1,967
Segment assets	103,936	30,730	9,662	-21,062	123,266
Acquisition of property, plant and equipment	2,005	226	297	-	2,528
Segment liabilities	65,553	18,958	12,933	-14,710	82,734

Adjustments are related to elimination of inter-Group transactions and balances as well as other consolidation adjustments.

Segment information for 6 months 2010 per geographical zones:

Thousand Litas	Revenue	Assets
Lithuania	43,090	123,266
European Union	39,292	-
Russia	23,192	-
Other countries	2,012	-
	<u>107,586</u>	<u>123,266</u>

## Notes to the consolidated financial statements

Thousand Lit	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010
<b>2 Cost of sales</b>		
Raw materials	-87,749	-61,577
Other costs	-29,528	-37,678
	<u>-117,277</u>	<u>-99,255</u>
<b>3 Other operating income</b>		
Income from sold materials	1,454	161
Income from services rendered	1,338	1,457
Other income	297	179
	<u>3,089</u>	<u>1,797</u>
<b>4 Other operating costs</b>		
Cost of services rendered	-1,423	-163
Cost of sold materials	-738	-776
Depreciation	-671	-213
Other costs	-1	-346
	<u>-2,833</u>	<u>-1,498</u>
<b>5 Distribution expenses</b>		
Logistics and transportation	-2,114	-1,586
Marketing and advertising	-954	-1,341
Staff costs	-717	-468
Other sales costs	-639	-331
	<u>-4,424</u>	<u>-3,726</u>
<b>6 Administrative expenses</b>		
Staff costs	-1,630	-1,423
Depreciation and amortisation	-326	-383
Security	-160	-168
Veterinary services	-137	-141
Fuel	-100	-81
Payments to Board members	-100	-67
Taxes except of income tax	-98	-76
Consulting	-88	-89
Bank services	-81	-75
Fines and penalties	-59	-77
Security commission services	-51	-48
Insurance	-40	-43
Repair	-36	-53
Other	-560	-486
	<u>-3,466</u>	<u>-3,210</u>



## Notes to the consolidated financial statements

Thousand Lit	01 01 2011- 30 06 2011	01 01 2010-30 06 2010
<b>7 Net financing costs</b>		
<i>Finance income</i>		
Gain from disposal of UAB Kelmės pieno centras	-	1,967
Interest	45	11
Penalties and fines	8	13
Other	8	22
Total finance income	61	2,013
<i>Finance costs</i>		
Interest	-734	-921
Loss from foreign exchange	-106	-88
Other	-107	-20
Total finance costs	-947	-1,029
	-886	984

## 8 Income tax expense

Thousand Lit	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010
<i>Recognized in the income statement</i>		
<b>Current income tax expense</b>		
Current period	-	-
<b>Deferred tax</b>		
Change in deferred tax	270	-83
	270	-83

Deferred tax liability in respect of revalued buildings, shown in equity, amounts to 1,256 thousand Lit as at 30 June 2011 (as at 31 December 2010: 1,291 thousand Lit).

## Notes to the consolidated financial statements

### 9 Earnings per share

	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010
Number of issued shares calculated based on weighted average method, in thousand units	11,943	11,943
Net profit, attributable to ordinary shareholders of the Parent Company, in thousand Lit	4,246	2,575
Basic earnings per share, in Lit	0.36	0.22

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

## Notes to the consolidated financial statements

### 10 Property, plant and equipment

Thousand Lit	Land and buildings	Machinery and equipment	Other assets	Construction in progress	Total
<b>Cost/revalued amount</b>					
Balance as at 1 January 2010	28,371	50,449	14,198	3,207	96,225
Acquisitions	73	1,691	591	4,063	6,418
Disposals	-199	-1,697	-337	-20	-2,253
Reclassification	3,202	3,128	34	-6,364	-
Balance as at 31 December 2010	31,447	53,571	14,486	886	100,390
Balance as at 1 January 2011	31,447	53,571	14,486	886	100,390
Acquisitions	-	2,553	338	2,779	5,670
Disposals	-18	-853	-170	-	-1,041
Reclassification	-382	629	354	-601	-
Balance as at 30 June 2011	31,047	55,900	15,008	3,064	105,019
<b>Depreciation and impairment</b>					
Balance as at 1 January 2010	4,904	17,629	7,444	-	29,977
Depreciation for the year	1,490	4,100	758	-	6,348
Disposals	-197	-1,232	-180	-	-1,609
Reclassification	-	-	-	-	-
Balance as at 31 December 2010	6,197	20,497	8,022	-	34,716
Balance as at 1 January 2011	6,197	20,497	8,022	-	34,716
Depreciation for the year	651	2,266	419	-	3,336
Disposals	-15	-485	-117	-	-617
Reclassification	-322	-	322	-	-
Balance as at 30 June 2011	6,511	22,278	8,646	-	37,435
<b>Carrying amounts</b>					
At 1 January 2010	23,467	32,820	6,754	3,207	66,248
At 31 December 2010	25,250	33,074	6,464	886	65,674
At 30 June 2011	24,536	33,622	6,362	3,064	67,584

Prepayments for Property, Plant and Equipment are classified as acquisitions of Property, Plant and Equipment.

#### *Pledges*

To secure bank loans, the Group has pledged its Property, Plant and Equipment with a book value of 49,669 tLTL as at 30 June 2011 (31 December 2010: 51,711 tLTL) (note 18).

Acquisition cost of fully depreciated Property, Plant and Equipment in use amounts to 14,397 tLTL as at 30 June 2011 (31 December 2010: 14,181 tLTL).

## Notes to the consolidated financial statements

### 10 Property, plant and equipment (continued)

#### *Leased property, plant and equipment*

The Group has acquired several transport vehicles, plant and equipment using finance lease arrangements. The carrying amount of the leased assets amounted to 3,846 tLTL as at 30 June 2011 (31 December 2010: 3,598 tLTL).

#### *Depreciation*

Depreciation is recorded in the following items:

Thousand Litas	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010
Cost of sales	2,415	2,479
Other operating costs	671	213
Distribution and administrative expenses	250	468
	<u>3,336</u>	<u>3,160</u>

#### *Valuation of buildings*

The Group accounts for buildings at revalued value. Carrying amount of buildings stated as revalued amount less depreciation amounts to 18,090 tLTL as at 30 June 2011 (31 December 2010: 18,579 tLTL).

The revaluation reserve is decreased by an amount of deferred tax and its net value as at 30 June 2011 amounts to 7,123 tLTL (31 December 2010: 7,317 tLTL).

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## Notes to the consolidated financial statements

### 11 Intangible assets

Thousand Lit	Goodwill	Software	Total
<b>Cost</b>			
Balance at 1 January 2010	23,875	1,537	25,412
Acquisitions	-	87	87
Disposals	-	-	-
Balance at 31 December 2010	23,875	1,624	25,499
Balance at 1 January 2011	23,875	1,624	25,499
Acquisitions	-	-	-
Disposals	-	-	-
Balance at 30 June 2011	23,875	1,624	25,499
<b>Amortization and impairment</b>			
Balance at 1 January 2010	-	929	929
Amortization for the year	-	297	297
Disposals	-	-	-
Balance at 31 December 2010	-	1,226	1,226
Balance at 1 January 2011	-	1,226	1,226
Amortization for the year	-	133	133
Disposals	-	-	-
Balance at 30 June 2011	-	1,359	1,359
<b>Carrying amounts</b>			
1 January 2010	23,875	608	24,483
31 December 2010	23,875	398	24,273
30 June 2011	23,875	265	24,140

Amortization for the year is recognized in administrative expenses.

### Impairment of cash generating units with attributed goodwill

Goodwill is attributed to the Group's cash generating units as presented below:

Thousand Lit	30 06 2011	30 06 2010
AB Kelmės Pieninė	22,842	22,842
AB Modest	1,033	1,033
	<u>23,875</u>	<u>23,875</u>

## Notes to the consolidated financial statements

### 11 Intangible assets (continued)

#### Impairment of cash generating units with attributed goodwill (continued)

These cash generating units were tested for impairment when calculating their value of use. When estimating the value in use, the calculated future cash flows have been discounted to their present value using the pre-tax average rate of the weighted average cost of capital in the industry, which was 10.04%. Calculation of the value in use performed in 2011 was as well applied for the year 2010, if not indicated otherwise.

The goodwill occurred during business combination is mainly attributable to synergy which is expected to be reached after integration of the Group companies in the Group activity related to production of dairy products.

### 12 Long-term receivables

Thousand Litas	Note	30 06 2011	31 12 2010
Prepayments to related parties	24	842	842
Loans granted to related parties, including calculated interests	24	652	560
Long-term receivables from farmers		-	84
Other long-term receivables		1	1
Long-term receivables from customers		<u>1,495</u>	<u>1,487</u>

A prepayment (842 thousand Litas) is made to a related company ŪKB Šilgaliai. An agreement was drawn up in 2007, based on which the prepayment shall be fully covered until 31 December 2012. The outstanding balance of the prepayment bears an annual fixed interest.

A loan of 351 thousand Litas, issued to a related party ŪKB Šilgaliai, matures on 31 December 2012. The outstanding balance of the loan bears an annual interest.

A loan of 92 thousand Litas, issued to a related party ŪKB Šilgaliai, matures on 30 May 2015. The outstanding balance of the loan bears an annual interest.

Interest on loans receivable from related parties includes interest receivable on the loan granted to ŪKB Šilgaliai. Amount of 80 thousand Litas should be paid until 31 December 2012, the rest amount 129 thousand Litas – until 31 December 2013.

Long term receivables from farmers include prepayments made to farmers for milk. The outstanding balance of the prepayments bears an administrative fee.

Credit and foreign currency risks, encountered by the Group, and impairment losses related to trade and other receivable amounts are disclosed in note 25.

## Notes to the consolidated financial statements

### 13 Inventories

Thousand Lit	30 06 2011	31 12 2010
Finished production	17,608	12,079
	17,608	12,079
Other auxiliary materials	1,305	377
Goods for re-sale	3,006	3,787
Raw materials	561	707
	22,480	16,950

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

As at 31 December 2010 the inventories, the carrying amount of which amounts up to 11 million LTL (as at 31 December 2010: up to 16.5 million LTL) have been pledged to financial institutions (note 18).

### 14 Trade and other receivables, net of impairment

Thousand Lit	Note	30 06 2011	31 12 2010
Trade receivables		15,076	11,410
Receivable taxes		1,483	1,381
Trade receivables from related parties	24	36	-
Other receivable amounts		364	195
		16,959	12,986

Credit and foreign currency risks, encountered by the Group, and impairment losses related to trade and other receivable amounts are disclosed in note 25.

Receivable taxes mainly comprise receivable VAT.

Trade and other receivable amounts are interest free and their settlement term is up to 30 days.

### 15 Prepayments

Thousand Lit	Note	30 06 2011	31 12 2010
Prepayments for goods and services	a)	1,399	1,478
Prepayments to related parties	24	643	314
		2,042	1,792

a) Prepayments include advance payments to entities for goods and services and to farmers for milk.

## Notes to the consolidated financial statements

### 16 Cash and cash equivalents

Thousand Lit	30 06 2011	31 12 2010
Cash at bank	152	285
Cash in hand	64	73
	<u>216</u>	<u>358</u>

All account balances as at 30 June 2011 have been pledged to secure bank loans (note 18). Furthermore, cash inflows in the bank accounts are pledged to secure bank loans (note 18).

The interest rate risk encountered by the Group, related to cash and cash equivalents, is disclosed in note 25.

### 17 Capital and reserves

Authorized capital of the Parent Company as at 30 June 2011 comprised 11,943,000 ordinary shares at par value of 1 LTL each. All shares are fully paid.

According to the Law on Companies, holders of ordinary shares have at the shareholders meeting one voting right for one share and the right to dividends, which are declared from time to time, and to participate in capital on a winding up.

#### *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 can be used only to cover retained losses.

#### *Share premium*

Share premium is the difference between issue price and nominal value of the shares.

#### *Revaluation reserve*

Revaluation reserve is related to revaluation of buildings and is stated net of deferred tax liability.



## Notes to the consolidated financial statements

### 17 Capital and reserves (continued)

#### *Revaluation reserve (continued)*

The reserve is decreased annually for the depreciation in respect to revalued buildings and disposal of revalued assets. The decrease is recognized as a transfer directly in equity.

When depreciating the revalued buildings, a transfer is made from the revaluation reserve to retained earnings. The amount for transfer is determined as a difference between depreciation, calculated from the restated value, and depreciation, calculated from the initial cost of the buildings.

The revaluation reserve can be used for an increase of authorized capital.

### 18 Interest bearing loans and borrowings

The Interest bearing loans and leasing liabilities of the Group are as follows:

Creditor	Ref.	Currency	Contractual amount, tLTL	Balance at 30 06 2011	Balance at 31 12 2010
AB bankas SNORAS	a)	EUR	5,000	3,229	2,223
AB bankas SNORAS	b)	EUR	4,829	1,456	1,664
AB bankas SNORAS	c)	EUR	2,072	-	3
AB bankas SNORAS	c)	EUR	8,386	-	5,757
AB SEB bankas	d)	EUR	18,283	6,352	7,442
AB SEB bankas (credit line))	e)	EUR	7,506	4,085	2,341
AB SEB bankas (EU)	f)	EUR	7,078	1,078	1,346
AB SEB bankas	g)	EUR	3,459	2,811	3,027
AB SEB bankas	h)	EUR	6,319	469	-
AB SEB bankas (overdraft)	i)	LTL	2,000	1,142	-
AB SEB bankas	l)	EUR	1,600	1,600	-
Swedbank, AB	j)	EUR	6,300	4,025	4,434
Swedbank, AB	k)	EUR	11,999	10,762	11,200
Nordea Bank Finland Plc	m)	EUR	6,008	6,008	-
Leasing liabilities	n)	EUR		1,412	1,263
Total liabilities				44,429	40,700
Less: current part				-17,564	-18,421
Total loans and borrowings payable after one year				26,865	22,279

a) The loan (1,448 thousand EUR) was issued to AB Vilkyškių Pieninė on 1 October 2010 for financing the project of EU Structural Funds for the period 2007-2013. Repayment of the loan started as of 20 October 2010, in equal monthly installments and ends on 3 February 2017. The loan is secured by pledging equipment. The effective interest rate is 6 months EURIBOR + margin.

b) According to the loan agreement, dated 28 February 2007, AB Modest received a loan of 4,829 thousand LTL for realization of the EU Project. The repayment of the loan in equal monthly installments, except for January and February, starts on 28 March 2009 and ends by 28 December 2013. The loan is secured by pledging the equipment. The determined interest rate on the loan is related to 6 months EURLIBOR + margin.

## **Notes to the consolidated financial statements**

### **18 Interest bearing loans and borrowings (continued)**

- c) The loans were repaid at the balance-sheet date.
- d) The loan (3,475 thousand EUR) was used to re-finance the previously received loans from AB SEB Bankas and AB Bankas Snoras as well as for working capital needs. The loan is repayable in equal monthly installments, except for January and February. The loan matures on 26 December 2011. The second part (1,820 thousand EUR) was issued on 28 April 2008 for acquisition of AB Kelmės pieninė. Repayment of the second part (1,820 thousand EUR) started on 30 June 2008, paying in equal quarterly installments. The loan shall be repaid by 27 April 2015. The determined interest rate is related to 6 months EURLIBOR + margin. The loan is secured by pledging property, plant and equipment (note 10), inventories (note 14), bank account balances and trademarks and 50 per cent of the shares of AB Kelmės pieninė.
- e) According to the agreement, dated 14 June 2006, AB Vilkyškių Pieninė was granted a credit facility of 1,426 thousand EUR for working capital needs. The liability matures on June 2012. To secure the liability the Group has pledged its real estate and equipment by secondary pledge and current and future cash balances. The effective interest rate is 1 month EURLIBOR + margin.
- f) The loan agreement was concluded on 11 February 2006. The funds received are used for acquisition of new equipment used in whey processing, production of cheese, expansion of capacities of the workshop for acceptance of milk. To secure the loan the Group pledged its property, plant and equipment by secondary pledge, new equipment by primary pledge and current and future cash balances. The loan is repayable in equal parts and matures on 20 December 2012. The effective interest rate is 6 months EURLIBOR + margin.
- g) The loan (1,002 thousand EUR) was issued to AB Vilkyškių Pieninė on 21 April 2008 for financing the project of EU Structural Funds for the period 2007-2013. Repayment of the loan started as of 31 March 2010, in equal quarterly installments and ends on 31 March 2015. The loan is secured by pledging buildings and equipment by secondary pledge and new equipment by primary pledge and current and future cash balances. The effective interest rate is 6 months EURLIBOR + margin.
- h) According to the agreement, dated 10 May 2011, AB Vilkyškių Pieninė was granted a loan of 1,830 thousand LTL for financing of investments. Repayment of the loan starts as of May 2012, in monthly installments and ends on May 2016. To secure the loan the Company pledged its property, plant and equipment by secondary pledge, new equipment by primary pledge as well as current and future cash balances. The effective interest rate is 1 month EURLIBOR + margin.
- i) According to the agreement, dated 14 June 2011, AB Vilkyškių Pieninė was granted a credit facility of 2,000 thousand LTL. The liability matures on 30 October 2011. To secure the liability AB Vilkyškių Pieninė has pledged its current and future cash balances. The effective interest rate is 1 month VILIBOR + margin.
- j) The loan was granted to AB Vilkyškių Pieninė (1,825 thousand EUR) on 28 April 2008 for acquisition of AB Kelmės Pieninė. Repayment of the loan started as of 30 September 2008 in equal monthly installments and ends on 31 May 2016. The loan is secured by pledging inventories, equipment, current and future cash inflows on account at AB Swedbank, as well as 50 per cent of the shares of AB Kelmės Pieninė. The effective interest rate is 6 months EURIBOR + margin.

## Notes to the consolidated financial statements

### 18 Interest bearing loans and borrowings (continued)

k) Loan (3,475 thousand EUR) has been issued to AB Kelmės Pieninė for acquisition of non-current assets. The repayment in quarterly installments is started in October 2009 and ends in December 2015. The loan is secured by pledging the buildings, equipment, current and future cash balances and inventories. The effective interest rate is 6 months EURLIBOR + margin.

l) According to the agreement, dated 8 June 2011, AB SEB bank granted a credit facility of 1,600 thousand LTL to AB Kelmės Pieninė. The liability matures on 8 June 2012. To secure the liability the Company has pledged its real estate, equipment, current and future cash balances and inventories. The effective interest rate is 6 months VILIBOR + margin.

m) According to the loan agreement, dated 20 January 2011, AB Modest received a loan for working capital needs. Repayment of the loan starts as of 20 January 2012, in equal quarterly installments and ends on 20 January 2016. The effective interest rate is 1 month EURIBOR + margin.

n) Leasing agreements are mainly concluded with UAB SEB Banko Lizingas and Swedbank Lizingas and are valid until October 2013.

The Group obligated to the banks to maintain certain ratios.

To AB SEB Bankas:

- 1) The ration of consolidated quarterly net financial liability and EBITDA should not exceed 3.
- 2) The ration of quarterly coverage should be not lower than 1.2.

To Swedbank AB:

- 1) The consolidated debt coverage ration within the period of the agreement should be not less than 1.1.
- 2) Within the period of the loan agreement the consolidated equity should make not less than 30 per cent of the total assets presented in the consolidated financial statements (balance sheet).
- 3) The ration of total consolidated financial liabilities of the Group and profit before interest, taxes, depreciation and amortisation within the period of the agreement should be not higher than 4.

#### *Loan repayment schedules, except for finance lease liabilities:*

Thousand Lit	30 06 2011	31 12 2010
Within one year	16,902	17,764
From 1 to 5 years	26,115	21,329
After 5 years	-	344
	<u>43,017</u>	<u>39,437</u>

## Notes to the consolidated financial statements

### 18 Interest bearing loans and borrowings (continued)

#### *Finance lease liabilities*

The finance lease payments are as follows:

Within 1 year	686	682
From 1 to 5 years	774	621
	<u>1,460</u>	<u>1,303</u>
Future interest on finance lease	-48	-40
Present value of finance lease liabilities	<u>1,412</u>	<u>1,263</u>

Finance lease agreements do not contain any contingent lease payments.

Leasing interest is variable, denominated in EUR LIBOR (6 or 12 months) + margin.

### 19 Government grants

Thousand Lit	30 06 2011	31 12 2010
Carrying amount at the beginning of the period	8,479	8,203
Grants received	-	993
Amortization recognized in the income statement	-398	-717
Written down grants due to disposal of assets	-	-
Carrying amount at the end of the period	<u>8,081</u>	<u>8,479</u>

The Group has received grants from the National Settlement Agency in respect of the Lithuanian farming development program 2004-2006. The grants were received for acquisition of property, plant and equipment.

On 28 October 2009 AB Vilkyškių Pieninė and National payment agency signed an agreement for provision of a government grant up to 6,634 thousand Lit

## Notes to the consolidated financial statements

### 20 Deferred tax liabilities

Deferred tax assets and liabilities calculated applying a 15% tax rate in 6 months 2011 (2010: 15%), are attributed to the following items:

	Assets		Liabilities		Net value	
Thousand Lit	30 06 2011	31 12 2010	30 06 2011	31 12 2010	30 06 2011	31 12 2010
Property, plant and equipment	-	-	3,379	3,222	3,379	3,222
Vacation reserve	-193	-193	-	-	-193	-193
Inventories	-10	-10	-	-	-10	-10
Capital grants	-322	-280	-	-	-322	-280
Tax losses to be carried forward	-420	-	-	-	-420	-
Deferred tax (asset) / liabilities	-945	-483	3,379	3,222	2,434	2,739

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is lost if the Group changes its activities due to which these losses incurred except when the Group does not continue its activities due to reasons which do not depend on Group itself.

Decrease in deferred tax liability by 34 tLTL, related to revaluation of buildings, was recognized by increasing the revaluation reserve in equity. The decrease in the deferred tax liability recognised in the income statement amounted to 270 tLTL.

### 21 Trade and other payable amounts, including derivatives

Thousand Lit	30 06 2011	31 12 2010
Trade payables	23,736	17,093
Employment related liabilities	3,730	3,363
Payable dividends	420	125
Prepayments received	62	550
Fair value of interest rate swap transaction	8	31
Other payable amounts and accrued costs	880	626
	<u>28,836</u>	<u>21,788</u>

The Parent Company has made an interest rate swap agreement with the SEB bank and fixed interest rate for the long-term loan of 3,330 for the period from 13 June 2006 until 7 December 2011. The Parent Company pays a fixed rate of 3.55% and receives floating rate equal to six-month EURIBOR.

Foreign currency and liquidity risks of the Group, related to trade and other payable amounts are disclosed in note 25.

## Notes to the consolidated financial statements

### 22 Contingencies

As at 30 June 2011 the Group had the following material contractual liabilities:

Thousand Litas	30 06 2011	31 12 2010
Acquisition of property, plant and equipment	2,973	3,064
Purchase of raw materials	11,609	7,866
	<u>14,582</u>	<u>10,930</u>

The following assets were pledged as at 30 June 2011 to secure the bank loans (note 18):

- Current and future cash inflows in the accounts of different banks;
- Property, plant and equipment with the carrying amount of 49,669 tLTL;
- Inventories with the market value of 11 million LTL.

### 23 Staff costs

Staff costs are included in the following items:

Thousand Litas	01 01 2011- 30 06 2011	01 01 2010- 30 06 2010
Cost of inventories	7,492	6,753
Distribution and administrative expenses	2,347	2,082
Other operating costs	174	-
	<u>10,013</u>	<u>8,835</u>

Cost of inventories is accounted for in cost of sales after the inventories are sold.

Staff costs include social security of 30.98% paid by the Group, calculated from the nominal salary of employees.

Staff costs include remuneration to the Group's management of 707 tLTL including social security contributions (6 months 2010: 661 tLTL).

## Notes to the consolidated financial statements

### 24 Transactions with related parties

Thousand Lit	Note	30 06 2011	31 12 2010
<b>Receivable amounts</b>			
<i>Prepayments</i>			
ŪKB Šilgaliai	12, 14	1,485	1,156
		1,485	1,156
<i>Loans raised with interest calculated</i>			
ŪKB Šilgaliai	12	688	560
		688	560
		<b>2,173</b>	<b>1,716</b>
		<b>01 01 2011- 30 06 2011</b>	<b>01 01 2010- 30 06 2011</b>
<b>Sale of raw materials, goods and services</b>			
ŪKB Šilgaliai (interest and administration fee)		32	31
		<b>32</b>	<b>31</b>
<b>Purchase of raw materials, goods and services</b>			
ŪKB Šilgaliai		570	264
		<b>570</b>	<b>264</b>

ŪKB Šilgaliai is a supplier of milk. The major shareholder and related persons have ownership rights to part of interests in ŪKB Šilgaliai.

Prepayments to management are accounted for in receivable amounts:

Thousand Lit	30 06 2011	31 12 2010
Other amounts receivable from management	74	18

## Notes to the consolidated financial statements

### 25 Financial instruments and risk management

#### Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Thousand Lit	Note	Carrying amount	
		30 06 2011	31 12 2010
Trade receivables	14	15,076	11,703
Other receivables	12,14	2,093	2,419
Loans raised	12	443	351
Cash and cash equivalents	16	216	358
		<u>17,828</u>	<u>14,831</u>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Carrying amount	
	30 06 2011	31 12 2010
Lithuania	9,700	8,393
Latvia	1,967	2,733
Russia	1,926	344
Estonia	140	69
Other	1,343	164
	<u>15,076</u>	<u>11,703</u>

#### Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance for impairment includes only specific loss, related to individually significant trade and other receivables.



## Notes to the consolidated financial statements

### 25 Financial instruments and risk management (continued)

#### Impairment losses (continued)

Ageing of trade and other receivables and granted loans as at the reporting date can be specified as follows:

Thousand Litas	Gross 30 June 2011	Impairment 30 June 2011	Gross 31 December 2010	Impairment 31 December 2010
<b>Related parties:</b>				
Not past due	2,153	-	1,716	-
Past due 0-30 days	-	-	-	-
Past due 31-60 days	2	-	-	-
More than 60 days	18	-	-	-
	<u>2,173</u>	<u>-</u>	<u>1,716</u>	<u>-</u>
<b>Other parties:</b>				
Not past due	17,576	-	11,653	-
Past due 0-30 days	514	-	781	-
Past due 31-60 days	6	-	20	-
More than 60 days	523	-296	599	-296
	<u>18,619</u>	<u>-296</u>	<u>13,053</u>	<u>-296</u>
	<u>20,792</u>	<u>-296</u>	<u>14,769</u>	<u>-296</u>

As at 30 June impairment in relation to trade and other receivable amounts to 296 thousand LTL (31 December 2010: 296 thousand LTL).

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Thousand Litas	Carrying amount	
	2011.06.30	2010.12.31
Balance as at 1 January	-296	-
Impairment losses recognized	-	-296
Impairment losses derecognized	-	-
Balance as at period-end	<u>-296</u>	<u>-296</u>

Recognition and reversal of the impairment loss is recorded under administrative costs (note 6).

## Notes to the consolidated financial statements

### 25 Financial instruments and risk management (continued)

#### Impairment losses (continued)

Based on payment history and extensive analysis of customers' solvency, the Management of the Group believes that the amounts which past due more than 30 days are not impaired.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group's activities generate sufficient amount of cash, therefore the main managements' responsibility is to monitor that the liquidity ratio of the Group is close to or higher than 1.

The following are the contractual maturities of financial liabilities, including the estimated interest payments:

#### 30 June 2011

Thousand Lit	Carrying amount	Contractu al cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>							
AB SEB bankas loans	17,537	(18,796)	(4,498)	(7,104)	(1,690)	(5,504)	-
AB bankas SNORAS loans	4,685	(5,151)	(696)	(1,191)	(1,655)	(1,609)	-
Swedbank, AB loans	14,787	(16,177)	(2,369)	(1,501)	(3,311)	(8,996)	-
Nordea Bank Plc	6,008	(6,898)	(99)	(794)	(1,541)	(4,464)	-
Finance lease liabilities	1,412	(1,460)	(403)	(283)	(442)	(332)	-
Trade and other payable amounts	28,836	(28,836)	(28,836)	-	-	-	-
	<u>73,265</u>	<u>(77,318)</u>	<u>(36,901)</u>	<u>(10,873)</u>	<u>(8,639)</u>	<u>(20,905)</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## Notes to the consolidated financial statements

### 25 Financial instruments and risk management (continued)

#### Liquidity risk (continued)

31 December 2010

Thousand Lit	Carrying amount	Contractu al cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>							
AB SEB bankas loans	14,156	(16,492)	(1,806)	(5,660)	(2,205)	(6,821)	-
AB bankas SNORAS loans	9,647	(11,223)	(7,407)	(767)	(2,062)	(987)	-
Swedbank, AB loans	15,634	(18,127)	(1,639)	(1,883)	(3,440)	(10,624)	(541)
Finance lease liabilities	1,263	(1,303)	(373)	(309)	(452)	(169)	-
Trade and other payable amounts	21,788	(21,788)	(21,788)				
	<u>62,488</u>	<u>(68,933)</u>	<u>(33,013)</u>	<u>(8,619)</u>	<u>(8,159)</u>	<u>(18,601)</u>	<u>(541)</u>

The following interest rates were applied to discount estimated cash flows:

	30 06 2011	31 12 2010
Loans and finance lease liabilities	3.5%	3.5

#### Currency risk

The Group's exposure to the foreign currency risk was as follows (expressed in Litass' 000), using the exchange rates, valid as at 30 June 2011:

	30 June 2011			31 December 2010		
	LTL	EUR	LVL	LTL	EUR	LVL
Long-term receivables	1,495	-	-	1,487	-	-
Trade and other receivables	11,281	4,733	945	9,347	2,933	706
Cash and cash equivalents	201	15	-	323	35	-
Interest bearing loans and finance lease liabilities	(2,742)	(41,687)	-	(1,664)	(39,036)	-
Trade and other payables	(22,874)	(5,961)	(1)	(18,222)	(3,566)	-
Net exposure	<u>(12,639)</u>	<u>(42,900)</u>	<u>944</u>	<u>(8,729)</u>	<u>(39,634)</u>	<u>706</u>

## Notes to the consolidated financial statements

### 25 Financial instruments and risk management (continued)

#### Currency risk (continued)

The following significant exchange rates for Litas were applied during the year:

	<b>Average</b>	
	<b>01 01 2011- 30 06 2011</b>	<b>01 01 2010 30 06 2010</b>
Currency exchange rates during the year were as follows:		
EUR	3.4528	3.4528
LVL	4,8836	4,8744

The following exchange rates were applied as at 31 December:

	<b>30 06 2011</b>	<b>31 12 2010</b>
EUR	3.4528	3.4528
LVL	4.8703	4.8643

#### Sensitivity analysis

A 10 percent strengthening of the Litas against the following currencies at 30 Juember would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

<b>30 June 2011</b>	Profit (loss)
Effect in Thousand Litas	
EUR	4,290
LVL	(94)
 <b>31 December 2010</b>	 Profit (loss)
Effect in Thousand Litas	
EUR	3,963
LVL	(71)

A 10 percent weakening of the Litas against the above currencies at 31 June 2011 and 31 December 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The functional currency of the Parent Company and subsidiaries is Litas (LTL). As exchange rate of LTL to EUR is fixed at 3.4528 LTL / EUR, the Group faces foreign currency risk on purchases and sales that are denominated in currencies other than EUR. The main part of the

## Notes to the consolidated financial statements

### 25 Financial instruments and risk management (continued)

#### Sensitivity analysis (continued)

Group's transactions in 6 months 2011 and 2010 year are denominated in LTL and EUR, therefore the Group is not exposed to significant foreign currency exchange risk.

#### Interest rate risk

The Group's borrowings bear variable interest rates related to EURIBOR varying from EURIBOR+margin. The average effective interest rates in 6 months 2011 were close to the actual interest rates.

The Group has entered into a several interest rate swap agreements with banks, by them it partly hedges from significant interest rate fluctuations. The fair value of the interest rate swap agreement, amounting to 8 tLTL, is recognized under trade and other payables, including derivatives caption.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

Thousand Litas	Carrying amount	
	30 06 2011	31 12 2010
<b>Variable rate financial instruments</b>		
SEB loans	17,537	14,156
Swedbank loans	14,787	15,634
AB Bankas SNORAS loans	4,685	9,647
Nordea Bank Finland Plc	6,008	-
Finance lease liabilities	1,412	1,263
	44,429	40,700
	<b>44,429</b>	<b>40,700</b>

## Notes to the consolidated financial statements

### 25 Financial instruments and risk management (continued)

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010

Effect in thousand Lit	Profit (loss)	
	100 bp increase	100 bp decrease
<b>30 June 2011</b>		
Variable rate instruments	(444)	444
<b>31 December 2010</b>		
Variable rate instruments	(407)	407

#### Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

Financial instruments stated at fair value as at 30 June 2011 comprise derivatives. The Group does not have any other financial instruments stated at fair value as of 30 June 2011 and 31 December 2010.

The management of the Group is of the opinion that book values of trade and other receivables, trade and other payables as well as borrowings approximate their fair value.

## Notes to the consolidated financial statements

### 25 Financial instruments and risk management (continued)

#### Fair value of financial instruments (continued)

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position can be summarized as follows:

Thousand Lit	30 06 2011		31 12 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term receivables	1,495	1,495	1,487	1,487
Trade and other receivables	16,959	16,959	12,986	12,986
Cash and cash equivalents	216	216	358	358
Interest bearing loans and finance lease liabilities	(44,429)	(44,429)	(40,700)	(40,700)
Trade and other payables	(28,836)	(28,836)	(21,788)	(21,788)
	<u>(54,595)</u>	<u>(54,595)</u>	<u>(47,657)</u>	<u>(47,657)</u>

Financial liabilities to banks and leasing companies are related to variable interest rate, therefore the carrying amount approximates the fair value. The management is of the opinion that the fair value risk was minimal as at 30 June 2011 as the major part of financial liabilities bear a variable interest rate.

#### Price risk

Prices of milk and dairy products vary depending on a situation in the market. The Group seeks to minimize an impact of such price fluctuations by diversifying production and markets and striving for scale economy.

#### Capital management

The Board's policy is to maintain a strong capital base, in comparison with the borrowed means, so as to maintain investor, creditor and market confidence, to sustain future development of the business and to comply with externally imposed capital requirements. Capital includes equity attributable to equity holders.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to

## **Notes to the consolidated financial statements**

### **25 Financial instruments and risk management (continued)**

#### **Capital management (continued)**

shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended as of 30 June 2011 and 31 December 2010.

The Group is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania.

The Group has externally imposed capital requirements from banks. They require that (equity – revaluation reserve) / (total assets) ratio is not less than 0.2. The management monitors that the Group is in line with the requirement. No other capital management tools are used.

### **26 Subsequent events**

The Group decided to pursue the development of cheese production plant and the long-term loan of 3.65 million Litas received from the bank for 7 years period.



## **Vilkyškių Pieninė AB** **Consolidated interim report** **for the 6 months of the year 2011**

### **Accounting period for which the interim report has been prepared**

The report has been prepared for 6 months of the year 2011.

### **Acquaintance with statement and other 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> investors.

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

### **Persons responsible for information presented in this financial statement:**

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

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

### **Key data about the Issuer**

#### **Vilkyškių Pieninė AB**

Name of the Issue	Public Limited Company Vilkyškių pieninė (hereinafter referred as to the Company or Issuer)
Authorized capital	11,943,000 LTL
Registered office	Vilkyškiai, Pagėgiai 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 <sup>th</sup> of May 1993
Date and place of re-registration	The 30 <sup>th</sup> of December 2005, Taurage Subsidiary of State Enterprise Centre of Registers
Registration No.	060018
Code in the Register of Enterprises	277160980
Internet address	<a href="http://www.cheese.lt">http://www.cheese.lt</a> ; <a href="http://www.suriai.lt">http://www.suriai.lt</a>

## Key data about the subsidiaries

### **Modest AB**

Name of the subsidiary	Public limited company Modest (hereinafter – Modest AB)
Authorized capital	5,617,118 LTL
Registered office	Gaurės str. 23, Tauragė
Telephone number	8-446 72693
Fax number	8-446 72734
E-mail address	modest@cheese.lt
Legal – organizational form	Public limited company
Date and place of registration	25 March 1992
Date and place of re-registration	31 December 2009, Taurage Subsidiary of State Enterprise Centre of Registers
Registration No.	017745
Code in the Register of Enterprises	121313693
Internet address	<a href="http://www.cheese.lt">http://www.cheese.lt</a> ; <a href="http://www.suriai.lt">http://www.suriai.lt</a>

### **Kelmės Pieninė AB**

Name of the subsidiary	Public limited company Kelmės Pieninė (hereinafter – Kelmės pieninė AB)
Authorized capital	2,494,808 LTL
Registered office	Raseinių str. 2, LT-86160 Kelmė
Telephone number	8-427 61246
Fax number	8-427 61235
E-mail address	kelme@cheese.lt
Legal – organizational form	Public limited company
Date and place of registration	3 August 1993, Siauliai Subsidiary of State Enterprise Centre of Registers
Date and place of re-registration	2007-07-04 (issue of new registration certificate)
Registration No.	110109
Code in the Register of Enterprises	162403450
Internet address	<a href="http://www.cheese.lt">http://www.cheese.lt</a> ; <a href="http://www.suriai.lt">http://www.suriai.lt</a>

## Shareholders

### Vilkyškių pieninė AB

The total number of shareholders as at 30 June 2011 was 984. The following were the major shareholders who had an ownership or held more than 5 percent of Company's share capital:

Shareholder	Shares	Nominal value (in LTL)	Part of shares, %
Gintaras Bertašius	6,067,206	1	50,8
Linas Strėlis	1,015,000	1	8,5
FMĮ Orion Securities UAB clients	1,852,807	1	15,5
Skandinaviška Enskilde Banken AB	1,000,036	1	8,4
Finasta enterprise group	604,692	1	5,1
Non-controlling interest	1,403,259	1	11,7
<b>Total capital</b>	<b>11,943,000</b>	<b>1</b>	<b>100%</b>

### Modest AB

Shareholder	Shares	Nominal value (in LTL)	Part of shares, %
Vilkyškių pieninė AB	5,601,277	1	99,7
Non-controlling interest	15,841	1	0,3
<b>Total capital</b>	<b>5,617,118</b>	<b>1</b>	<b>100%</b>

### Kelmės pieninė AB

Shareholder	Shares	Nominal value (in LTL)	Part of shares, %
Vilkyškių pieninė AB	2,476,122	1	99,3
Non-controlling interest	18,686	1	0,7
<b>Total capital</b>	<b>2,494,808</b>	<b>1</b>	<b>100%</b>

### Shareholders who have special rights of control

There are no shares which would provide the shareholders with special rights of control.

### Voting right restrictions

There are no restrictions of voting right.

### **Inter-agreements of shareholders which are known to the Issuer and due to which transfer of securities and voting right may be restricted.**

There are no inter-agreements of shareholders which are known to the Issuer and due to which transfer of securities and voting right may be restricted.

### **Basic characteristics of shares issued into public circulation of securities**

Name of securities – ordinary registered shares of Vilkyškių Pieninė AB. The number of securities: 11,943,000 units. Nominal value of one share is 1.00 LTL. In 2008 the Company's authorised capital was increased up to 11,943 tLTL.

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

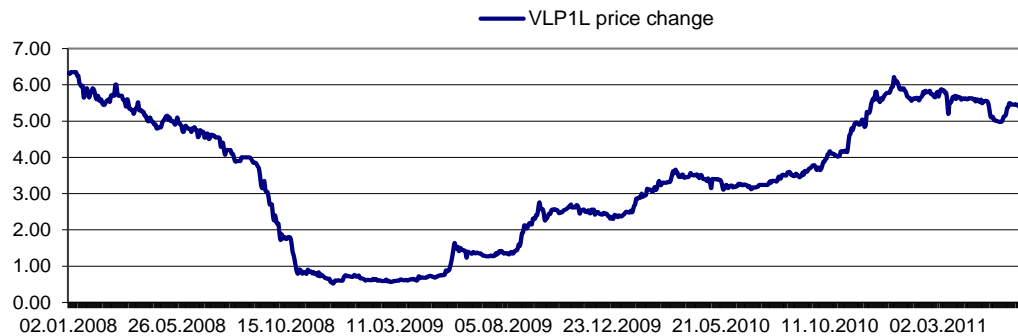
From the 1<sup>st</sup> of January 2008 shares of Vilkyškių pieninė AB have been quoted in the Official List of Vilnius Stock Exchange.

Quarter		Price (LTL)			Turnover, thou. LTL			Total turnover		Capitalization,
Beginning	End	Max.	Min.	Last	Max	Min	Last	Units	Thou. LTL	thou. LTL
2006 05 17	2007 04 20	5.82	4.60	5.65	648	0	0	531	2,821	52,844
2007 01 01	2007 03 31	5.82	5.20	5.70	126	0	0	57	312	53,312
2007 04 01	2007 06 30	5.70	5.01	5.20	381	0	20	168	931	48,636
2007 07 01	2007 09 30	6.50	4.80	5.90	3621	0	26	1,648	9,164	55,183
2007 10 01	2007 12 31	6.70	5.75	6.20	638	0	2	455	2,762	57,989
2008.01.01	2008.03.31	6.40	5.00	5.30	1507	0	12	694	3,848	49,571
2008.04.01	2008.06.30	5.52	4.51	4.70	238	0	16	245	1,210	56,132
2008.07.01	2008.09.30	4.75	2.05	2.26	325	0	3	246	913	26,991
2008.10.01	2008.12.31	2.50	0.52	0.60	70	0	0	731	696	7,166
2009.01.01	2009.03.31	0.79	0.52	0.63	242	0	1	1,040	660	7,524
2009.04.01	2009.06.30	1.69	0.60	1.35	83	0	3	531	567	16,123
2009.07.01	2009.09.30	2.86	1.25	2.32	558	0	0	1,024	1,954	27,708
2009.10.01	2009.12.31	2.75	2.27	2.40	66	0	5	197	486	28,663
2010.01.01	2010.03.31	3.70	2.32	3.52	233	0	51	560	1,775	41,084
2010.04.01	2010.06.30	3.67	2.95	3.21	74	0	2	305	1,030	37,620
2010.07.01	2010.09.30	3.78	3.12	3.68	106	0	11	256	909	44,906
2010.10.01	2010.12.31	5.94	3.87	5.87	536	0	44	561	2,667	70,929
2011.01.01	2011.03.31	6.22	5.20	5.64	150	0	14	262	1,503	66,761
2011.04.01	2011.06.30	5.64	4.98	5.46	299	0	180	374	2,027	65,149

### **Trading in the Issuer's securities on the regulated markets**

Trading in ordinary registered shares of Vilkyškių pieninė AB on Vilnius Stock Exchange:

Quarter		Price (Lt)		Turnover (Lt)	
Beginning	End	Maximum	Minimum	Maximum	Minimum
2008.01.01	2008.03.31	6.40	5.00	1,507,303	0.00
2008.04.01	2008.06.30	5.52	4.51	237,964	0.00
2008.07.01	2008.09.30	4.75	2.05	324,605	0.00
2008.10.01	2008.12.31	2.50	0.52	69,650	0.00
2009.01.01	2009.03.31	0.79	0.52	241,806	0.00
2009.04.01	2009.06.30	1.69	0.60	83,134	0.00
2009.07.01	2009.09.30	2.86	1.25	557,512	0.00
2009.10.01	2009.12.31	2.75	2.27	66,144	0.00
2010.01.01	2010.03.31	3.70	2.32	232,788	0.00
2010.04.01	2010.06.30	3.67	2.95	74,358	0.00
2010.07.01	2010.09.30	3.78	3.12	105,718	0.00
2010.10.01	2010.12.31	5.94	3.87	536,451	0.00
2011.01.01	2011.03.31	6.22	5.20	150,077	0.00
2011.04.01	2011.06.30	5.64	4.98	298,972	11.26



### **Securities that do not signify the participation in the authorized capital**

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

### **The activity of the Issuer**

The main activity of the Issuer is the production of dairy products.

Vilkyškių Pieninė AB specialises in production of fermented cheese, and also produces and sales scalded cream, processes whey and raw milk.

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

The subsidiary Kelmės Pieninė AB is engaged in milk processing and production of dairy products. The Company holds 99% voting rights of AB Kelmės Pieninė. AB Kelmės Pieninė specialises in production of fresh dairy products.

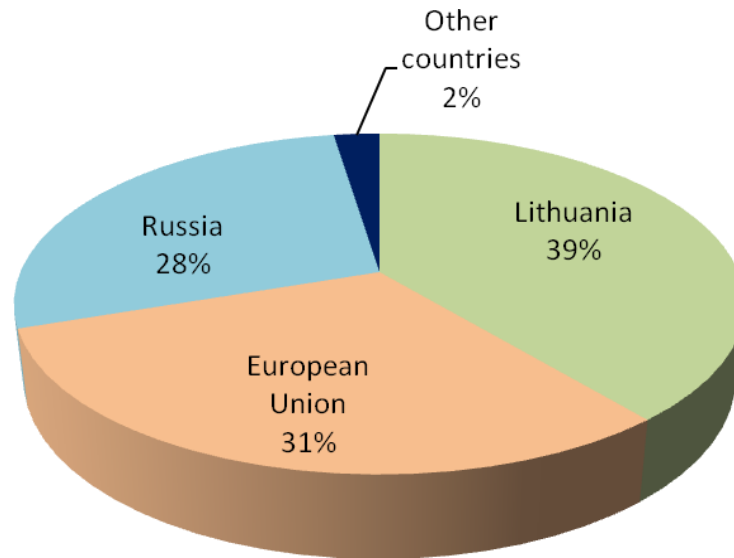
The whole assortment of goods of Vilkyškių Pieninė AB Group comprises even 13 types of cheese having 56 different names of products, also 13 types of butter and butter mixtures, 5 types of sour cream and 17 types of curd products.

Tables bellow summarizes key consolidated indicators of the Issuer.

The quantities of purchased milk were as follows:

<b>Purchased raw milk (recalculated into base fatness)</b>	<b>6 months of 2009</b>	<b>6 months of 2010</b>	<b>6 months of 2011</b>
Purchased milk, in tons	61,422	78,917	86,470
Amount of purchased milk, in tLTL	29,440	57,744	77,690
Price of purchased milk, in LTL/t	479.3	731.7	898.5

Structure of consolidated sales income for the six month of 2011, expressed in LTL thousand and percents



**Sales income according to the geographical segments, expressed in LTL thousand**

Market	6 months of 2009	6 months of 2010	6 months of 2011
European Union	23,427	39,292	39,970
Lithuania	39,670	43,090	50,594
Russia	6,844	23,192	36,113
Other countries	762	2,012	3,132
<b>Total</b>	<b>70,703</b>	<b>107,586</b>	<b>129,809</b>

Sales income for the first half of the current year has increased by more than 20% and the profit has increased 7 times (after elimination of financial income amounting to 1.9 million LTL), compared with the same period of the previous year.

An increase in revenue and net profit occurred due to full exhaustion of production capacities in the parent company AB Vilkyškių Pieninė during the winter time as well as due to significantly increased prices for exported goods since the beginning of the year. The profit has been earned from export markets

### **Main investments of Vilkyškių pieninė AB for the last 6 month**

At 28<sup>th</sup> of October 2009 Vilkyškių pieninė AB and ir National Paying Agency under the ministry of Agriculture signed an agreement for 6,634 thousand LTL support to project “Improving competitiveness of dairy processing”. The total value of the project is 33,171 thousand LTL.

Realisation of the project reached 4.2 million LTL by 31 December 2010 and included acquisition and installation of refrigerating equipment for cheese ripening workshop, equipment for a boiler house and a liquid gas site, module transformer-type equipment, cream pasteurising and separating as well as cheese packing equipment.

During the six months period realization of the project amounted to 2.2 million LTL due to acquisition and installation of the cheese cutting equipment, capacities for dairy products and forms for cheese production.

AB Modest has realized a project by the value of 0.9 million LTL “Installation of new technologies for improvement of product quality”. The company has acquired and installed milk pasteurising, cream homogenizing and refrigerating equipment.

### **Dividends paid**

Vilkyškių pieninė AB has no preferred shares, thus dividends are paid only for ordinary registered shares.

Payment of dividends of AB Vilkyškių Pieninė within the last 5 years is as follows:

<b>Dividends</b>	<b>2007 (for 2006)</b>	<b>2008 (for 2007)</b>	<b>2009 (for 2008)</b>	<b>2010 (for 2009)</b>	<b>2011 (for 2010)</b>
Dividends (LTL)	2,057,660	2,030,310	0	1,194,300	2,866,320
Dividends per share (LTL)	0.22	0.17	0	0.10	0.24
Number of shares	9,353,000	11,943,000	11,943,000	11,943,000	11,943,000

Payment of dividends of AB Kelmės Pieninė is as follows:

<b>Dividends</b>	<b>2007 (for 2006)</b>	<b>2008 (for 2007)</b>	<b>2009 (for 2008)</b>	<b>2010 (for 2009)</b>	<b>2011 (for 2010)</b>
Dividends (LTL)	-	-	0	0	12,907,020
Dividends per share (LTL)	-	-	0	0	5,21
Number of shares	-	-	2,476,122	2,476,122	2,476,122

## Management Bodies of the Issuer

### Board:

Name, surname	Education, speciality	Position held in the Issuer	Start of tenure
Gintaras Bertašius	Higher education, engineer - mechanic	Chairman of the Board, Director General	30/04/2010
Sigitas Trijonis	Higher education, engineer - mechanic	Member of the Board, Technical Director	30/04/2010
Rimantas Jancevičius	Further education, zoo- technician	Member of the Board, Stock Director	30/04/2010
Vilija Milaševičiūtė	Higher education, Finance and credit	Member of the Board, Finance Director	30/04/2010
Andrej Cyba	Higher education	Member of the Board	30/04/2010
Linas Strėlis	Higher education	Member of the Board	30/04/2010

### Key administration staff of Vilkyškių Pieninė AB:

Name, surname	Education, speciality	Position held in the Issuer	Beginning of service*
Gintaras Bertašius	Higher education, engineer - mechanic	Chairman of the Board, Director General	01/01/2006**
Vaidotas Juškys	Higher education, IT engineer	Chief operation officer (COO)	17/05/2010
Vilija Milaševičiūtė	Higher education, Finance and credit	Member of the Board, Finance Director	01/05/2000
Rimantas Jancevičius	Further education, zoo-technician	Member of the Board, Stock Director	02/01/1996
Sigitas Trijonis	Higher education, engineer - mechanic	Member of the Board, Technical Director	01/09/1993
Arvydas Zaranka	Further education, Technologist of dairy products	Production Director	30/07/1995
Alvydas Eičas	Higher education, teacher	Sales manager for the Baltic States	14/09/2004
Elena Šilovaitė	Higher education, Business Management and Administration	Head of Marketing Department	19/07/2010
Jolita Valantinienė	Higher education, Business Management and Administration	Head of Quality Department	01/09/2010
Rasa Tamaliūnaitė	Higher education, finance and accounting	Chief Accountant	28/06/2010
Ligita Pudžiuvelytė	Higher education, Economist	Senior Economist	20/05/2004
Rita Juodikienė	Higher education, Business Management and Administration	Head of Purchase Department	23/09/2002
Rasa Trybienė	Higher education, Psychologist	Head of Personnel	22/05/2009
Marius Beišys	Higher education, IT engineer	Head of IT Department	03/05/2011

\* None of the labour contracts with the members of the Management Bodies is terminable.

\*\* He has been appointed newly after the reorganization of the Issuer into public company, despite he has been working as a Director of the Issuer since 10/05/1993.



### Key administration staff and management board of Modest AB

Name	Surname	Education, speciality	Position held in the Issuer	Start of cadence	Start of service in the company
Gintaras	Bertašius	Higher education, engineer - mechanic	Chairman of the Board	11/12/2009	
Arvydas	Zaranka	Further education, technology of dairy products	Member of the Board	11/12/2009	
Vilija	Milaševičiutė	Higher education, Finance and credit	Member of the Board, Finance Director	11/12/2009	
Kęstutis	Keršys	Higher education, economist	Director	-	12/07/2010
Milana	Buivydienė	Higher education, Economics and organisation of agricultural production	Chief accountant	-	04/07/2006
Dalia	Ivaščenko	Higher education, Technology of food products	Head of production	-	23/09/2008

### Key administration staff and management board of Kelmės Pieninė AB

Name	Surname	Education, speciality	Position held in the Issuer	Start of cadence	Start of service in the company
Gintaras	Bertašius	Higher education, engineer - mechanic	Chairman of the Board	06/05/2008	
Arvydas	Zaranka	Further education, technology of dairy products	Member of Board	06/05/2008	
Algirdas	Žukauskas	Higher education, zoo-engineer	General Director, member of the board	06/05/2008	04/06/2008
Asta	Mikalauskienė	Higher education Economist, Finance and Banking	Finance director		17/07/2007
Daiva	Vasiliauskienė	Further education, Bookkeeping	Chief Accountant		01/07/2009
Edita	Balčiūnienė	Higher education Engineer technologist	Production Director		27/11/2006

## Employees

### Average salary per staff groups:

On 30<sup>th</sup> of June 2011 the number of employees working for the group of Vilkyškių pieninė AB amounted to 857.

Employee group	Number of employees	Education				Average monthly salary (LTL)
		higher	college	secondary	incomplete secondary	
Managers	11	9	2			8,399
Executive specialists	81	40	33	8		2,816
Specialists	84	33	36	15		1,954
Workers	681	41	298	277	65	1,248
	<b>857</b>	<b>123</b>	<b>369</b>	<b>300</b>	<b>65</b>	<b>1,663</b>

On 30<sup>th</sup> of June 2010 the number of employees working for the group of Vilkyškių pieninė AB amounted to 753.

Employee group	Number of employees	Education				Average monthly salary (LTL)
		higher	college	secondary	incomplete secondary	
Managers	13	10	3			6,980
Executive specialists	61	27	24	10		2,932
Specialists	87	20	47	20		2,045
Workers	592	20	267	258	47	1,340
	<b>753</b>	<b>77</b>	<b>341</b>	<b>288</b>	<b>47</b>	<b>1,635</b>

- **Information about following Corporate Governance Code**

Vilkyškių pieninė AB essentially follows Corporate Governance Code for the Companies Listed on Vilnius stock exchange. 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.