

Vilkyškių Pieninė

Ticker: VL.VLP1L

Target: LTL 6,10
Price: LTL 5,40

August 22nd, 2007

Vilkyškių Pieninė

Sector: Consumer Staples
Industry: Food Products
Market cap.: 51
Recommendation: BUY
Risk: MEDIUM

LTLm	2006	2007E	2008E
Revenues	116	137	150
EBITDA	9	12	14
EBIT	6	9	10
EPS (LTL)	0,42	0,64	0,74

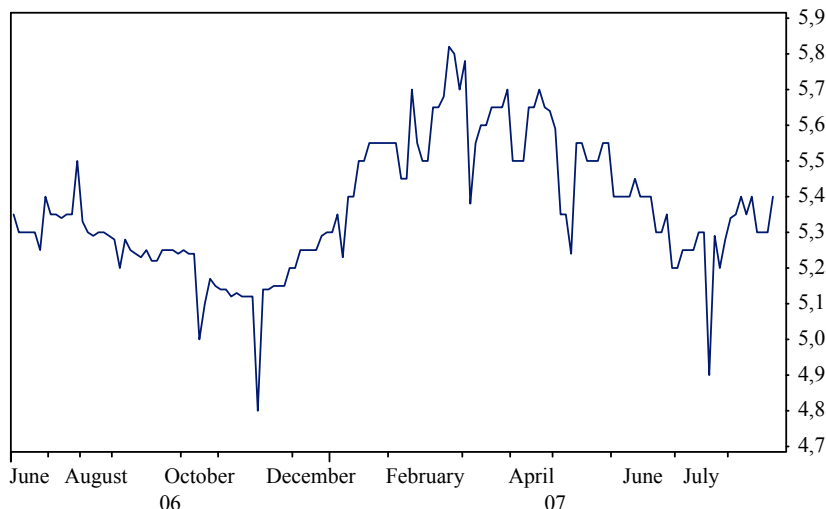
Ratios	2006	2007E	2008E
P/E	12,5	8,4	7,3
EV/NOPLAT	15,0	11,2	10,4
EV/EBITDA	8,0	6,5	6,2
EV/EBIT	12,2	9,2	8,8
P/B	2,1	1,8	1,6
P/Sales	0,4	0,4	0,3

All key figures adjusted for non-recurring items
Book value does not include goodwill

Analyst

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Please see disclosures at the end of this report



Expected further increase in products pricing

- Vilkyškių Pieninė has reported Q2 revenues of LTL 28,7m, which was in line with our estimate of LTL 27,4m. Operating profit landed at LTL 1,6m versus our expectations of LTL 0,8m. Such a discrepancy was due to a stronger than anticipated profitability from the new whey line and cream sales as well.
- Positive trends in the dairy pricing strengthen our belief that the company should manage to maintain its strong organic growth on a revenue side and deliver a margin improvement going forward.
- Witnessing rising prices for dairy products on the global base, we increase our turnover estimates from LTL135m to LTL 137m and from LTL 143m to LTL 150m for 2007 and 2008 respectively. We also expect that the marginal rise in a farmgate milk price in Lithuania and expected healthy SG&A cost level, combined with an anticipated strong growth in the top line, should deliver stronger EBITDA margin for 2007 and beyond than it was previously estimated by us. Thus, our EBITDA margin is lifted up from 8% to 9% for 2007 and 2008 as well.
- Our valuation base is switched from the year 2007 to 2008 to reflect forward six-month period. Because of the recent fall in global indexes, our peer group multiples have also decreased. Thus, our SOTP valuation indicates a slight decrease in the target price from LTL 6,20 to LTL 6,10 per share. This, however, still implies our previous Buy recommendation.

Q2 results (LTLm)	Reported	Orion
Revenues	28,7	27,4
EBITDA	2,6	1,6
Operating profit	1,6	0,8
Pretax profit	1,3	0,5
EPS adjusted (LTL)	0,11	0,05

Conclusion

Vilkyškių Pieninė has delivered better than expected Q2 operating margin. Our estimates are revised slightly upwards, but, considering the recent fall in the peer group, the target price has decreased to LTL 6,10 per share. However, this still implies our previous Buy.

Q2 results

Better Q2 operating profit

Vilkyškių Pieninė has reported Q2 revenues of LTL 28,7m, which was in line with our estimate of LTL 27,4m. Operating profit landed at LTL 1,6m versus our expectations of LTL 0,8m. Such a discrepancy was due to a stronger than anticipated profitability from the new whey line and cream sales as well.

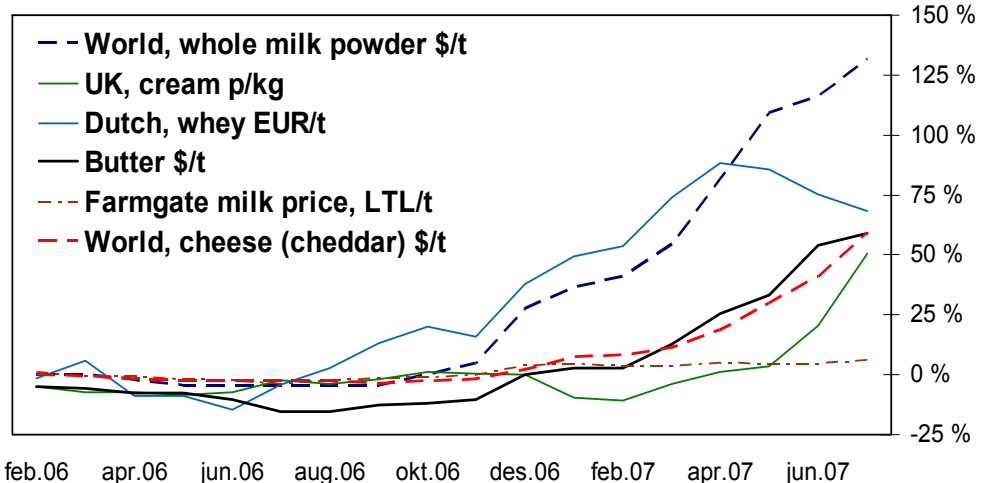
Dairy product prices still rising

Cheese pricing is up

According to the Dairy Industry Newsletter (DIN), currently, the European spot market for butter remains tight, with cream prices still at a record-high level and further price rises expected as fresh butter fall seasonally. Within two months, cheese market prices have risen from a very low base. Further growth in cheese pricing is expected with sellers reluctant to enter into the usual 6- or 12-month contracts. We think that a strong dairy pricing should also be supported by the current unfavourable climate conditions in Oceania and expected quite low output from the local dairy companies in the season to come. Such positive trends in a dairy pricing strengthen our belief that the company should manage to maintain its strong organic growth on the revenue side and deliver margin improvement going forward.

Below you can find relative monthly development for some dairy products on the global base. It is obvious that farmgate milk price in Lithuania is currently significantly lagging behind the rise in dairy product's export prices, and a large spread between them has triggered a strong Q2 operating margin. We expect this spread to shrink starting from the late autumn, 2007.

Relative performance



Source: DIN, Vilkyškių Pieninė

Valuation

Estimates are slightly revised upwards

Witnessing rising prices for dairy products on the global base, we increase our sales estimates from LTL135m to LTL 137m and from LTL 143m to LTL 150m for 2007 and 2008 respectively. We also expect that the marginal rise in a farmgate milk price in Lithuania and expected healthy SG&A cost level combined with an anticipated strong growth in the top line, should deliver stronger margins for 2007 and beyond than it was previously estimated by us. Thus, our EBITDA margin is lifted up from 8% to 9% for 2007 and 2008 as well.

New valuation base

Our valuation base is switched from the year 2007 to 2008 to reflect forward six-month period. Because of the recent fall in global indexes, our peer group multiples have also decreased. Thus, our SOTP valuation indicates a slight decrease in the target price from LTL 6,20 to LTL 6,10 per share. This, however, still implies our previous Buy recommendation.

Liquidity should rise

The main shareholders in the company are going to place an additional stake of roughly 20% shares of a total number of shares in Vilnius Stock Exchange at the end of 2007. This might result in an increased liquidity in the Vilkyškių Pieninė share and the discount on our valuation should also decrease.

Conclusion

Buy reiterated

Vilkyškių Pieninė has delivered better than expected Q2 operating margin. Our estimates are slightly revised upwards, but, considering the recent fall in the peer group, the target price has decreased to LTL 6,10 per share. However, this still implies our previous Buy.

Estimate changes

LTLm	2007e			2008e			2009e		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenues	135	137	1 %	143	150	5 %	151	158	4 %
EBITDA	11	12	11 %	12	14	14 %	13	14	10 %
EBITDA margin, %	8%	9%	1%p	8%	9%	1%p	9%	9%	0%p
EBIT	8	9	8 %	9	10	6 %	9	10	10 %
EBIT margin, %	6%	6%	0%p	6 %	6 %	0%p	6 %	6 %	0%p
EPS (LTL)	0,55	0,64	17 %	0,68	0,74	9 %	0,71	0,77	8 %

Recent insider trades

Date	Name	Position	Action	Price, LTL	Value, MLTL	Share	Comment
-	-	-	-	-	-	-	There were no insider trades

SOTP of Vilkyškių Pieninė

Number of Vilkyškių Pieninė shares (mill): 9,353

Divisions:	Value, LTLm	Value per share, LTL	Comment
Company's operations	97	10,34	Valued applying EV/EBIT 10,1x 2007
EU subsidy	4	0,37	EU subsidy for the whey project
Net debt	33	3,57	As of the end of 2008
Sum of the parts	67	7,15	
Last price		5,40	
Present discount		32,4 %	
20% discount		1,43	
Fair value (20% discount)		5,72	
15% discount		1,07	
Fair value (15% discount)		6,08	
10% discount		0,71	
Fair value (10% discount)		6,43	

EURm	Source	EV	EV/Sales		EV/EBITDA		EV/EBIT		P/E		Market Cap
			2007e	2008e	2007e	2008e	2007e	2008e	2007e	2008e	
Vilkyškių Pieninė	Orion	21	0,5	0,6	6,0	6,1	8,5	8,8	8,3	7,1	15
Small and medium cap. European peers											
Parmalat S.P.A	Consensus*	4 179	1,1	1,0	11,0	9,8	11,1	14,7	17,3	21,1	4 009
Bongrain SA	Consensus*	1 729	0,5	0,5	6,8	6,5	11,0	10,4	13,6	12,2	1 307
Glanbia	Consensus*	1 351	0,7	0,7	10,1	9,9	12,4	11,8	14,8	13,0	1 126
Central Del Latte Di Torino	Consensus*	36	0,4	0,3	3,4	2,9	6,2	5,0	20,5	18,3	46
Median			0,6	0,6	8,5	8,1	11,1	11,1	16,1	15,7	
Lithuanian peers											
Rokiškio Sūris	Orion	96	0,5	0,5	5,4	5,1	9,4	8,8	10,2	9,3	78
Pieno Žvaigždės	Orion	124	0,7	0,6	5,8	5,3	11,4	10,1	11,7	9,8	85
Median			0,6	0,6	5,8	5,3	11,1	10,1	11,7	9,8	
Norwegian peers											
Synnove Finden	Orion	77	0,7	0,6	13,8	6,1	25,5	7,6	54,5	9,1	58
Median for all peers			0,7	0,6	6,8	6,1	11,1	10,1	14,8	12,2	

*Infinancials

Description of the company

Vilkyškių Pieninė is now established as number 2 player within the Lithuania market for cheese.

The company was established in 1993 on the base of the former dairy, which was built in 1934. In the former dairy production had taken place until 1985.

The company comprises of three branches:

- Vilkyškiai cheese making plant
- Tauragė dairy
- Modest cheese making plant

Company data

Chief Executive Officer:
Chief Financial Officer:

Gintaras Bertašius
Vilija Milaševičiūtė

Web:
Telephone:
Address

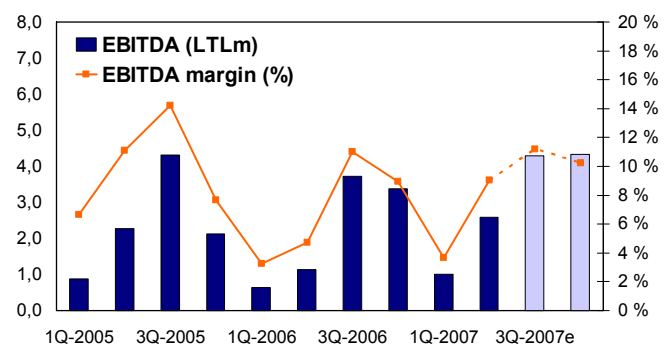
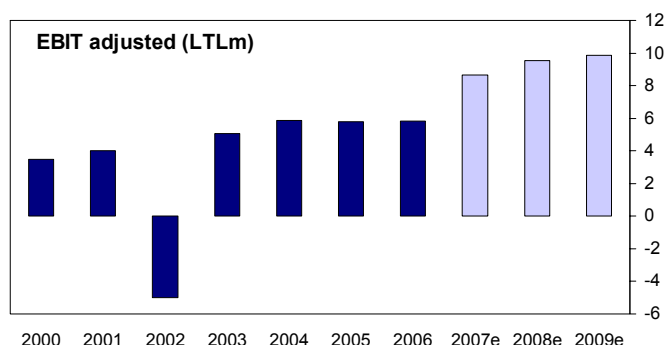
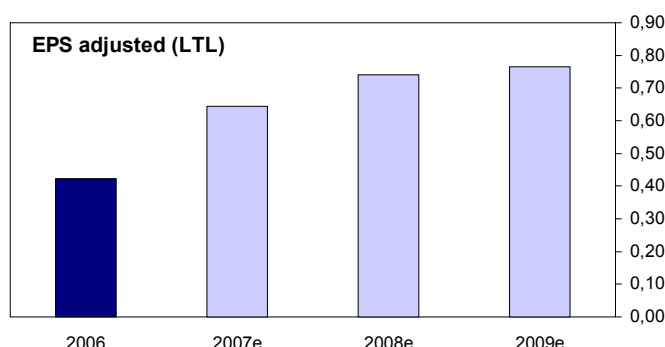
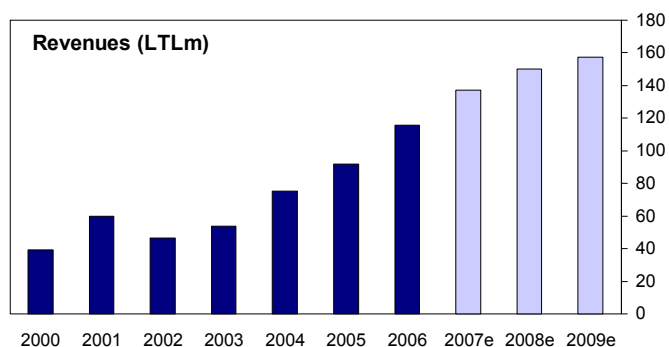
www.cheese.lt
+370 441 55330
Vilkyškiai, Pagėgių sav.
LT-99254
Lithuania

Listing:
Number of shares:

Vilnius Stock Exchange
9 353 000

News flow

Date	Event
10.09.2007	August sales announcement
10.10.2007	September sales announcement
10.11.2007	October sales announcement
15.11.2007	Q3 report



PROFIT & LOSS											
(LTLm)	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Sales	na	39	60	47	54	75	92	116	137	150	158
COGS	na	-33	-53	-45	-43	-60	-77	-99	-116	-128	-134
Gross profit	na	7	7	1	11	15	15	17	21	22	23
Sales & general administration costs	na	0	0	0	-3	-6	-5	-8	-8	-9	-9
EBITDA	na	7	7	1	9	9	10	9	12	14	14
Depreciation & amortisation	na	-3	-3	-6	-3	-3	-4	-3	-4	-4	-4
EBIT adjusted	na	3	4	-5	5	6	6	6	9	10	10
Non-recurring items	na	0	0	0	0	0	0	0	0	0	0
Goodwill amortisation/write-ups/-downs	na	0	0	0	0	0	0	0	0	0	0
EBIT	na	4	4	-5	5	6	6	6	9	10	10
Net financial items	na	-1	-4	0	-2	-1	-1	-1	-1	-1	-1
Equity earnings	na	0	0	0	0	0	0	0	0	0	0
Pretax profit	na	2	-1	-5	4	5	5	5	7	8	8
Tax	na	0	0	0	0	-1	-1	-1	-1	-1	-1
Tax rate	na	0%	0%	0%	0%	12%	18%	21%	19%	15%	15%
Profit after taxes	na	2	-1	-5	4	5	4	4	6	7	7
Minority interest	na	0	0	0	0	0	0	0	0	0	0
Net profit	na	2	-1	-5	4	5	4	4	6	7	7

BALANCE SHEET											
(LTLm)	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Goodwill	na	0	0	0	0	0	0	0	0	0	0
Intangible assets	na	0	0	0	0	0	0	1	1	1	1
Tangible assets	na	15	19	19	18	21	22	38	49	55	59
Financial assets	na	0	0	0	0	0	0	0	0	0	0
Inventories	na	8	13	9	7	6	8	14	8	12	12
Accounts receivable	na	6	3	3	4	4	7	11	16	19	20
Cash	na	0	0	1	1	0	1	1	8	3	5
Total assets	na	28	36	32	29	31	38	65	82	91	98
Shareholders' equity	na	10	9	4	7	11	14	24	28	32	39
Minority interest	na	0	0	0	0	0	0	0	0	0	0
Pension provisions	na	0	0	0	0	0	0	0	0	0	0
Interest-bearing debt	na	19	27	28	22	12	16	22	31	37	36
Non-interest-bearing debt	na	0	0	0	0	8	9	18	23	22	22
Equity and liabilities	na	28	36	32	29	31	38	65	82	91	98

KEY FIGURES											
(*LTL)	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Sales per share*	na	na	na	na	na	na	na	12,38	14,65	16,04	16,84
Cash flow per share*	na	na	na	na	na	na	na	0,74	1,02	1,20	1,24
EPS*	na	na	na	na	na	na	na	0,41	0,64	0,76	0,77
EPS* (adjusted)	na	na	na	na	na	na	na	0,42	0,65	0,76	0,77
Dividends per share*	na	na	na	na	na	na	na	0,22	0,32	0,37	0,43
Book value per share*	na	na	na	na	na	na	na	2,57	2,99	3,43	4,20
Net debt (cash) per share*	na	na	na	na	na	na	na	2,29	2,43	3,57	3,41
P/E	na	na	na	na	na	na	na	12,8	8,4	7,1	7,0
P/E (adjusted)	na	na	na	na	na	na	na	12,5	8,3	7,1	7,0
P/CF	na	na	na	na	na	na	na	7,1	5,3	4,5	4,3
P/Sales	na	na	na	na	na	na	na	0,4	0,4	0,3	0,3
P/Book value	na	na	na	na	na	na	na	2,1	1,8	1,6	1,3
Dividend yield	na	na	na	na	na	na	na	4%	6%	7%	8%
EV/EBITDA**	na	na	na	na	na	na	na	8,0	6,0	6,1	5,8
EV/EBIT**	na	na	na	na	na	na	na	12,2	8,5	8,8	8,3
EV/NOPLAT**	na	na	na	na	na	na	na	15,0	10,3	10,3	9,8
EV/Sales	na	na	na	na	na	na	na	0,6	0,5	0,6	0,5
Gross margin	na	17%	11%	3%	21%	20%	16%	14%	15%	15%	15%
EBITDA margin	na	17%	11%	3%	16%	12%	10%	8%	9%	9%	9%
EBIT** margin	na	9%	7%	-11%	9%	8%	6%	5%	6%	6%	6%
Growth of Sales	na	nm	53%	-22%	16%	39%	22%	26%	18%	9%	5%
Growth of EBITDA	na	nm	3%	-80%	517%	7%	4%	-7%	38%	12%	5%
EPS** growth	na	na	na	na	na	na	na	nm	54%	16%	1%
Share price*	na	na	na	na	na	na	na	5,3	5,4	5,4	5,4
No. shares year-end	na	na	na	na	na	na	na	9,4	9,4	9,4	9,4
Market capitalisation*	na	na	na	na	na	na	na	49,6	50,5	50,5	50,5
Net debt*	na	19	26	27	21	14	16	21	23	33	32
Enterprise value*	na	na	na	na	na	na	na	71	73	84	82
Book value of equity*	na	10	9	4	7	10	14	24	28	32	39
Equity percentage	na	35%	25%	12%	25%	33%	36%	37%	34%	35%	40%
Net debt/EBITDA	na	3	4	20	3	1	2	2	2	2	2

Book Value does not include goodwill. **Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs

PROFIT & LOSS (LTLm)	3Q-2005	4Q-2005	1Q-2006	2Q-2006	3Q-2006	4Q-2006	1Q-2007	2Q-2007	3Q-2007e	4Q-2007e	1Q-2008e
Sales	32,1	25,9	20,1	24,1	33,9	37,7	27,6	28,7	38,4	42,3	28,5
COGS	-26,3	-22,5	-18,3	-21,1	-28,3	-31,5	-24,7	-24,3	-32,1	-35,4	-25,5
Gross profit	4,0	5,2	1,8	3,0	5,6	6,1	2,9	4,4	6,3	6,9	3,0
Sales & general administration costs	-1,5	-1,3	-1,2	-1,9	-1,8	-2,8	-1,9	-1,8	-2,0	-2,6	-2,0
EBITDA	4,3	2,1	0,7	1,1	3,7	3,4	1,0	2,6	4,3	4,3	1,0
Depreciation & amortisation	-0,9	-1,1	-0,5	-0,7	-0,8	-0,9	-0,7	-1,0	-1,0	-1,0	-1,0
EBIT adjusted	3,4	1,1	0,1	0,4	2,9	2,4	0,3	1,6	3,3	3,4	0,0
Non-recurring items	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Goodwill amortisation/write-ups/-downs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	3,4	1,1	0,1	0,4	2,9	2,4	0,3	1,6	3,3	3,4	0,0
Net financial items	-0,2	-0,2	-0,1	-0,2	-0,3	-0,4	-0,3	-0,3	-0,3	-0,3	-0,3
Equity earnings	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Pretax profit	3,2	0,9	0,0	0,2	2,6	2,1	0,0	1,3	3,0	3,1	-0,3
Tax	0,4	-0,9	-0,1	-0,1	-0,6	-0,2	0,0	-0,3	-0,5	-0,6	0,0
Tax rate		102 %	1650 %	52 %	23 %	12 %	-57 %	25 %	18 %	18 %	15 %
Profit after taxes	3,6	0,0	-0,1	0,1	2,0	1,8	0,0	1,0	2,5	2,5	-0,2
Minority interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net profit	3,6	0,0	-0,1	0,1	2,0	1,8	0,0	1,0	2,5	2,5	-0,2

BALANCE SHEET (LTLm)	3Q-2005	4Q-2005	1Q-2006	2Q-2006	3Q-2006	4Q-2006	1Q-2007	2Q-2007	3Q-2007e	4Q-2007e	1Q-2008e
Goodwill	0	0	0	0	0	0	0	0	0	0	0
Intangible assets	0	0	0	0	0	1	1	1	1	1	1
Tangible assets	21	22	24	25	24	38	43	44	49	49	51
Financial assets	0	0	1	1	1	0	0	0	0	0	0
Inventories	10	8	7	9	14	14	7	8	7	8	5
Accounts receivable	6	7	8	11	15	11	12	11	15	16	13
Cash	3	1	1	1	0	1	1	0	7	8	7
Total assets	40	38	41	47	55	65	64	64	79	82	77
Shareholders' equity	14	14	11	11	13	24	24	23	25	28	28
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Interest-bearing debt	15	16	18	21	25	22	26	26	31	31	30
Non-interest-bearing debt	10	9	12	15	16	18	13	15	22	23	19
Equity and liabilities	40	38	41	47	55	65	64	64	79	82	77

KEY FIGURES (*LTL)	3Q-2005	4Q-2005	1Q-2006	2Q-2006	3Q-2006	4Q-2006	1Q-2007	2Q-2007	3Q-2007e	4Q-2007e	1Q-2008e
EPS*	na	na	-0,01	0,01	0,22	0,20	0,00	0,10	0,27	0,27	-0,02
EPS* (adjusted)	na	na	0,00	0,02	0,23	0,18	0,00	0,11	0,27	0,27	-0,02
Gross margin	13 %	19 %	9 %	13 %	16 %	16 %	11 %	15 %	16 %	16 %	11 %
EBITDA margin	14 %	8 %	3 %	5 %	11 %	9 %	4 %	9 %	11 %	10 %	3 %
EBIT** margin	11 %	4 %	1 %	2 %	9 %	7 %	1 %	6 %	9 %	8 %	0 %
Growth of Sales (Q/Q)	48 %	-8 %	-27 %	20 %	41 %	11 %	-27 %	4 %	34 %	10 %	-33 %
Growth of EBITDA (Q/Q)	90 %	-51 %	-69 %	76 %	226 %	-10 %	-70 %	155 %	66 %	1 %	-77 %
EPS** growth (Q/Q)	na	na	nm	4900 %	1214 %	-21 %	-100 %	18229 %	138 %	1 %	nm
Growth of Sales (Y/Y)	nm	-63 %	51 %	18 %	12 %	36 %	37 %	19 %	13 %	13 %	3 %
Growth of EBITDA (Y/Y)	nm	-77 %	-26 %	-50 %	-13 %	59 %	56 %	126 %	15 %	29 %	-2 %
EPS** growth (Y/Y)	na	na	nm	nm	nm	nm	78 %	553 %	18 %	51 %	nm
Share price*	na	na	5,4	5,4	5,2	5,3	5,7	5,6	5,4	5,4	5,4
No. shares quarter-end	na	na	9,4	9,4	9,4	9,4	9,4	9,4	9,4	9,4	9,4
Market capitalisation*	na	na	50,5	50,5	49,0	49,6	53,3	51,9	50,5	50,5	50,5
Net debt*	12,9	16,0	16,6	19,7	23,8	21,4	25,3	25,3	24,5	22,7	23,1
Enterprise value*	na	na	67,1	70,2	72,8	71,0	78,6	77,2	75,0	73,2	73,6
Book value of equity*	14,5	13,8	11,3	11,4	13,4	24,0	24,0	23,0	25,5	28,0	27,8
Equity percentage	37 %	36 %	28 %	24 %	25 %	37 %	38 %	36 %	32 %	34 %	36 %

Book Value does not include goodwill. **Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs

TOP 5 INVESTORS		17.05.2007		—	
No.	Investor	Ownership*	No. of shares	Ownership*	No. of shares
1	Gintaras Bertašius	64,30 %	6 016 506	—	—
2	Martynas Bertašius	10,00 %	935 000	—	—
3	Gabrielė Bertašiūtė	10,00 %	935 000	—	—
4	Sigitas Trijonis	4,55 %	425 538	—	—
5	Rita Domeikiene	1,13 %	105 656	—	—

*Based on data from the company.

Vilkyškių Pieninė											VL.VLP	
Price	LTL	5,40		Risk: <i>Medium</i>				Last report		30.06.2007		
Capitalisation	LTL	51		Investment potential: <i>Average</i>				Last update		22.08.2007		
		1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008e	2009e
Sales	LTL	na	39	60	47	54	75	92	116	137	150	158
Gross profit	LTL	na	7	7	1	11	15	15	17	21	22	23
EBITDA	LTL	na	7	7	1	9	9	10	9	12	14	14
EBIT adjusted	LTL	na	3	4	-5	5	6	6	6	9	10	10
Operating earnings (EBIT)	LTL	na	4	4	-5	5	6	6	6	9	10	10
Pretax profits (EBT)	LTL	na	2	-1	-5	4	5	5	5	7	8	8
Net profit	LTL	na	2	-1	-5	4	5	4	4	6	7	7
Net debt (cash)	LTL	na	19	26	27	21	14	16	21	23	33	32
Enterprise value	LTL	na	na	na	na	na	na	na	71	73	84	82
Book value of equity	LTL	na	10	9	4	7	10	14	24	28	32	39
Equity percentage		na	35 %	25 %	12 %	25 %	33 %	36 %	37 %	34 %	35 %	40 %
Sales per share	LTL	na	na	na	na	na	na	na	12,38	14,65	16,04	16,84
Cash flow per share	LTL	na	na	na	na	na	na	na	0,74	1,02	1,20	1,24
EPS	LTL	na	na	na	na	na	na	na	0,41	0,64	0,76	0,77
EPS (adjusted)	LTL	na	na	na	na	na	na	na	0,42	0,65	0,76	0,77
Dividends per share	LTL	na	na	na	na	na	na	na	0,22	0,32	0,37	0,43
Book value per share	LTL	na	na	na	na	na	na	na	2,57	2,99	3,43	4,20
Net debt (cash) per share	LTL	na	na	na	na	na	na	na	2,29	2,43	3,57	3,41
P/E		na	na	na	na	na	na	na	12,8	8,4	7,1	7,0
P/E (adjusted)		na	na	na	na	na	na	na	12,5	8,3	7,1	7,0
P/CF		na	na	na	na	na	na	na	7,1	5,3	4,5	4,3
P/Sales		na	na	na	na	na	na	na	0,4	0,4	0,3	0,3
P/Book value		na	na	na	na	na	na	na	2,1	1,8	1,6	1,3
Dividend yield		na	na	na	na	na	na	na	4 %	6 %	7 %	8 %
EV/EBITDA*		na	na	na	na	na	na	na	8,0	6,0	6,1	5,8
EV/EBIT*		na	na	na	na	na	na	na	12,2	8,5	8,8	8,3
EV/NOPLAT*		na	na	na	na	na	na	na	15,0	10,3	10,3	9,8
EV/Sales		na	na	na	na	na	na	na	0,6	0,5	0,6	0,5
Gross margin		na	17 %	11 %	3 %	21 %	20 %	16 %	14 %	15 %	15 %	15 %
EBITDA* margin		na	17 %	11 %	3 %	16 %	12 %	10 %	8 %	9 %	9 %	9 %
EBIT* margin		na	9 %	7 %	-11 %	9 %	8 %	6 %	5 %	6 %	6 %	6 %
Growth of Sales		na	nm	53 %	-22 %	16 %	39 %	22 %	26 %	18 %	9 %	5 %
Growth of EBITDA*		na	nm	3 %	-80 %	517 %	7 %	4 %	-7 %	38 %	12 %	5 %
EPS* growth		na	na	na	na	na	na	na	nm	54 %	16 %	1 %

*Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs
Book value does not include goodwill

Disclosures

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Recommendation history for VL.VLP1L

Date	Recommendation	Target price (LTL)
22.08.2007	BUY	6,10
22.05.2007	BUY	6,20
07.02.2007	HOLD	5,90
05.12.2006	HOLD	5,50

The table above shows current and previous recommendations given in company reports.

Planned updates

Orion Securities plans to update the recommendation on the company: 1) when new accounting figures are released, 2) if any material news on the company or industry is released, 3) other important instances.

Was the company report presented to the issuer?

The company report was not presented to the issuer before dissemination.

Price target methodology and risks

The price target is calculated by applying SOTP valuation. The main risks to the target price are sharp changes in a farmgate milk price, as well as export volumes.

Critical assumptions

Critical assumptions in our model are margins, as well as expected increase in a cheese market pricing. We also assume that an increase in a dairy production pricing should be stronger compared to the expected rise in a farmgate milk price.

Information sources

Quarterly and annual report from the company, Reuters, Agriculture and Food Market Information System, Infionals, Dairy Industry Newsletter.

Potential conflict of interest

Investors should assume that Orion Securities is seeking or will seek Corporate Finance or other business relationships with the company in this report. Responsible analyst has not provided investment banking services for the company during the last 12 months. Orion Securities has corporate relationship with the company. Complete lists of corporate clients and updated share positions are available at www.analyse.no.

Share positions in the Company:

Responsible analyst(s)	0
Employees	0
Orion Securities	0

Analysts never hold shares in companies they analyze. Positions of employees are based on lists gathered at the end of each week. Holdings as part of Orion Securities' investment services activity such as market making are not included.

Recommendation structure and risk classification

Orion Securities' recommendations are based on a six month time horizon and are based on absolute performance adjusted for risk. Near term dividends are included into return. The table below shows our general guidelines for determining recommendations:

Risk	Strong buy	Buy	Hold	Reduce	Sell
Low	>15%	5%-15%	2%-4%	1% - -10%	<-10%
Medium	>20%	8%-20%	4%-7%	3% - -8%	<-8%
High	>25%	13%-25%	5%-12%	4% - -5%	<-5%

The percentages are defined as upside to our price target plus eventual dividends within six months. Our risk assessments range from high risk to medium risk and low risk and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in share, 3) strength of balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Recommendation distribution as of May 23

Børsblikk	Buy	Hold	Sell
Total	78	53	67
Per cent of total	31%	27%	34%
Corporate clients	6	13	1
Per cent of total	30%	65%	5%

The recommendation distribution above is based on Orion-rating in Børsblikk. Orion-rating above +1 is defined as buy. Orion-rating below -1 is defined as sell and everything in between (-1, 0 and +1) as hold. We have recently increased number of investment recommendations from three to five grades, so that statistics covering the current number of recommendations (strong buy, buy, hold, reduce, sell) is not yet available.

Recommendation distribution as of May 23

Company reports	Buy	Hold	Sell
Total	79	33	52
Per cent of total	48%	20%	32%
Corporate clients	9	1	3
Per cent of total	69%	8%	23%

The table above shows recommendation distribution for all company reports issued during the last three months. We have recently increased number of investment recommendations from three to five grades, so that statistics covering the current number of recommendations (strong buy, buy, hold, reduce, sell) is not yet available.

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