



## Pieno Žvaigždės, AB Confirmation of the Management

2007 11 30  
Vilnius

### Financial Statements for the First quarter 2007

We hereby confirm that to the best of our knowledge, the attached not audited Pieno žvaigždės, AB Interim Financial Statements for the nine months 2007 prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit of Pieno žvaigždės, AB.

Pieno Žvaigždės, AB  
CEO

Aleksandr Smagin

Pieno Žvaigždės, AB  
CFO

Audrius Statulevičius



# **PIENO ŽVAIGŽDĖS, AB**

## **INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS OF 2007**

**VILNIUS, NOVEMBER 2007**



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Financial statements prepared according IFRS, not audited

## 1. Balance sheet

Thousand Litas	2007.09.30	2006.12.31
<b>Assets</b>		
Property, plant and equipment	215 032	187 474
Intangible assets	1 438	1 811
Investments available for sale	275	275
Long-term receivables	7 311	350
Deferred tax	1 429	1 429
<b>Total non-current assets</b>	<b>225 485</b>	<b>191 339</b>
Inventories	62 833	51 206
Receivables	65 010	76 062
Cash and cash equivalents	3 859	1 407
<b>Total current assets</b>	<b>131 702</b>	<b>128 675</b>
<b>Total assets</b>	<b>357 187</b>	<b>320 014</b>
<b>Equity</b>		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	-1 108	(1 108)
Reserves	12 722	12 641
Retained earnings	44 932	30 376
<b>Total equity</b>	<b>137 997</b>	<b>123 360</b>
<b>Liabilities</b>		
Government grants	1 543	3 073
Interest-bearing loans and borrowings	151 563	119 817
<b>Total non-current liabilities</b>	<b>153 106</b>	<b>122 890</b>
Interest-bearing loans and borrowings	8 498	23 953
Income tax payable	2 391	94
Trade and other amounts payable	55 195	49 717
<b>Total current liabilities</b>	<b>66 084</b>	<b>73 764</b>
<b>Total liabilities</b>	<b>219 190</b>	<b>196 654</b>
<b>Total equity and liabilities</b>	<b>357 187</b>	<b>320 014</b>



## 2. Income statement

Thousand Litas	2007.09.30	2006.09.30
Revenue	501 600	392 735
Cost of sales	(396 720)	(316 107)
<b>Gross profit</b>	104 880	76 628
Other operating income, net	851	993
Sales and administrative expenses	(68 305)	(55 551)
<b>Operating profit before finance costs</b>	37 426	22 070
Finance income	248	257
Finance expenses	(6 679)	(3 787)
<b>Finance income/expenses, net</b>	(6 431)	(3 530)
<b>Profit before tax</b>	30 995	18 540
Corporate income tax	(5 579)	(3 520)
<b>Profit for the year</b>	25 416	15 020
Earnings per share (Litas)	0,47	0,28



### 3. Cash flow statement

Thousand Litas	2007.09.30	2006.09.30
<b>Cash flows from operating activities</b>		
Profit before tax	30 995	18 540
Adjustments:		
Depreciation and amortisation	29 209	26 022
Amortisation of government grants	(1 530)	(1 532)
Unrealised gain/loss on foreign currency exchange	161	141
Interest income/expenses, net	6 270	3 389
<b>Cash flows from ordinary activities before changes in the working capital</b>	65 105	46 560
Change in inventories	(11 627)	(16 739)
Change in receivables	3 930	(5 404)
Change in trade and other payable amounts	2 197	5 550
<b>Cash flows from operating activities</b>	59 605	29 967
Interest paid	(6 270)	(3 389)
Profit tax paid	0	(2 412)
<b>Net cash flow from operating activities</b>	53 335	24 166
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(57 636)	(19 546)
Acquisition of intangible assets	(230)	(196)
Proceeds on sale of property	1472	756
Proceeds on disposal of investments held for sale	0	75
<b>Net cash flow used in investing activities</b>	(56 394)	(18 911)
<b>Cash flows from financing activities</b>		
Loans received	21 246	9 781
Repayment of borrowings	(22 143)	(3 972)
Issue (redemption) of shares	0	0
Dividends paid	(10 780)	(9 432)
Payment of finance lease liabilities	17 188	(4 663)
Government grants received		
<b>Net cash from/(used in) financing activities</b>	5 511	(8 286)
Change in cash and cash equivalents	2 452	(3 031)
Cash and cash equivalents at 1 January	1 407	4 844
<b>Cash and cash equivalents at 30 September</b>	3 859	1 813

**4. Statement on changes in equity**

Thousand Lit	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2005	54.205	27.246	(108)	4.842	4.066	12.291	5.521	108.063
Profit allocation				578		(800)	222	0
Dividends							(8.115)	(8.115)
Depreciation of revaluated part					(172)		197	25
Acquisition of own shares			(1.000)					(1.000)
Net profit for 2005							15.294	15.294
As at 31 December 2005	54.205	27.246	(1.108)	5.420	3.894	11.491	13.119	114.267
As at 1 January 2006	54.205	27.246	(1.108)	5.420	3.894	11.491	13.119	114.267
Profit allocation						(7.991)	7.991	
Dividends							(9.432)	(9.432)
Depreciation of revaluated part					(173)		206	33
Net profit for 2006							18.492	18.492
As at 31 December 2006	54.205	27.246	(1.108)	5.420	3.721	3.500	30.376	123.360
As at 1 January 2007	54.205	27.246	(1.108)	5.420	3.721	3.500	30.376	123.360
Profit allocation								0
Dividends							(10.780)	(10.780)
Depreciation of revaluated part					(119)		119	0
Used reserves						200	(200)	0
Net profit for 2007							25.416	25.416
As at 30 September 2007	54.205	27.246	(1.108)	5.420	3.602	3.700	44.931	137.996



## 5. Notes to financial statements

The head office of AB Pieno Žvaigždės (“the Company”) is located in Vilnius, Lithuania. AB Pieno Žvaigždės was established by way of merger of stock companies Mažeikių Pieninė, Pasvalio Sūrinė and Kauno Pienas.

As at 31 December 2003 the Company owned 64,2% shares of the subsidiary AB Panevėžio Pienas. During the year 2004 the Company acquired the remaining shares of AB Panevėžio Pienas. As of 30 November 2004 AB Panevėžio Pienas was merged to AB Pieno Žvaigždės and acquired the status of a branch.

The main office of the Company is located in Vilnius and the branches – in Mažeikiai, Pasvalys, Kaunas and Panevėžys.

Ordinary shares of the Company are quoted in the Vilnius Stock Exchange.

The Company is engaged in production and sales of milk products to retail stores directly and through distributors.

### Statement of compliance

These are the financial statements of a separate company AB Pieno Žvaigždės, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

### Key figures of Pieno Zvaigzdes, AB

Key figures	2007 09 30	2006 09 30
Sales, thousand. LTL	501 600	392 735
Gross profit, thousand. LTL	104 880	76 628
EBITDA	65 105	46 560
Current ratio	2,0	1,7
Book value per share (Litas)	2,55	2,28
Earnings per share (Litas)	0,47	0,28

### Inventories

Inventories, thousand LTL	2007 09 30	2006 12 31
Raw materials	15 102	16 957
Stored production	47 549	34 049
Goods for resale	182	200
	<b>62 833</b>	<b>51 206</b>

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of 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.



**Segment reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Company sales production mainly in domestic market, Russia, Eastern Europe. All company's assets located in Lithuania.

**Post balance sheet events**

There were no significant events after the balance sheet date.