



Pieno Žvaigždės, AB Confirmation of the Management

2008 02 28
Vilnius

Interim Financial Statements For The Twelve Months Of 2007

We hereby confirm that to the best of our knowledge, the attached not audited Pieno žvaigždės, AB Interim Financial Statements for the twelve 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 TWELVE MONTHS OF 2007

VILNIUS, FEBRUARY 2008



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Financial statements prepared according IFRS, not audited

1. Balance sheet

Thousand Litas	2007.12.31	2006.12.31
Assets		
Property, plant and equipment	239 047	187 474
Intangible assets	1 724	1 811
Investments available for sale	275	275
Long-term receivables	6 314	350
Deferred tax	-	1 429
Total non-current assets	247 360	191 339
Inventories	75 758	51 206
Receivables	50 809	76 062
Cash and cash equivalents	2 702	1 407
Total current assets	129 269	128 675
Total assets	376 629	320 014
Equity		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	(4 108)	(1 108)
Reserves	28 294	12 641
Retained earnings	52 875	30 376
Total equity	158 512	123 360
Liabilities		
Government grants	2 083	3 073
Interest-bearing loans and borrowings	99 366	119 817
Deferred tax	1 050	-
Total non-current liabilities	102 499	122 890
Provisions	870	-
Interest-bearing loans and borrowings	60 071	23 953
Income tax payable	3 790	94
Trade and other amounts payable	50 887	49 717
Total current liabilities	115 618	73 764
Total liabilities	218 117	196 654
Total equity and liabilities	376 629	320 014



2. Income statement

Thousand Litas	2007.12.31	2006.12.31
Revenue	663 379	545 033
Cost of sales	(517 203)	(441 667)
Gross profit	146 176	103 366
Other operating income, net	1 151	1 220
Sales and administrative expenses	(97 572)	(76 203)
Operating profit before finance costs	49 755	28 383
Finance income	188	273
Finance expenses	(9 039)	(5 353)
Finance income/expenses, net	(8 851)	(5 080)
Profit before tax	40 904	23 303
Corporate income tax	(7 599)	(4 811)
Profit for the year	33 305	18 492
Earnings per share (Litas)	0.61	0.34



3. Cash flow statement

Thousand Lit	2007.12.31	2006.12.31
Cash flows from operating activities		
Profit before tax	40 904	23 303
Adjustments:		
Depreciation and amortisation	40 111	34 997
Amortisation of government grants	(2 033)	(2 093)
Unrealised gain/loss on foreign currency exchange	(736)	(368)
Change in impairment loss of non-current assets	(1 801)	(1 375)
Impairment loss of receivables	73	650
Change in vacation reserve	1 056	26
Change provisions	870	-
Change in inventories	3 544	-
Interest income/expenses, net	8 660	5 171
Cash flows from ordinary activities before changes in the working capital	90 648	60 311
Change in inventories	(28 096)	(12 153)
Change in receivables	19 216	(20 917)
Change in trade and other payable amounts	1 353	13 200
Cash flows from operating activities	83 121	40 441
Interest paid	(8 819)	(4 970)
Profit tax paid	(4 179)	(5 259)
Net cash flow from operating activities	70 123	30 212
Cash flows from investing activities		
Acquisition of property, plant and equipment	(44 335)	(41 372)
Acquisition of intangible assets	(782)	(525)
Proceeds on sale of property	4 294	867
Proceeds on disposal of investments held for sale	-	75
Interest received	159	53
Net cash flow used in investing activities	(40 664)	(40 902)
Cash flows from financing activities		
Loans received	29 081	46 608
Repayment of borrowings	(29 036)	(19 262)
Issue (redemption) of shares	(3 000)	-
Dividends paid	(10 779)	(9 432)
Payment of finance lease liabilities	(15 473)	(10 711)
Government grants received	1 043	50
Net cash from/(used in) financing activities	(28 164)	7 253
Change in cash and cash equivalents	1 295	(3 437)
Cash and cash equivalents at 1 January	1 407	4 844
Cash and cash equivalents at 30 September	2 702	1 407



4. Statement on changes in equity

Thousand Litas	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
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						200	(200)	
Dividends							(10 779)	(10 779)
Buy back own shares			(3 000)					(3 000)
Revaluation of non-current assets					15 626			15 626
Depreciation of revaluated part					(173)		173	
Net profit for 2007							33 305	33 305
As at 31 December 2007	54 205	27 246	(4 108)	5 420	19 174	3 700	52 875	158 512



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 12 31	2006 12 31
Sales, thousand. LTL	663 379	545 033
Gross profit, thousand. LTL	146 176	103 366
EBITDA	88 021	61 560
Current ratio	1,1	1,7
Book value per share (Litas)	2,92	2,28
Earnings per share (Litas)	0,61	0,34

Inventories

Thousand. LTL	2007	2006
Raw materials	17 408	16 957
Unfinished production	42 467	25 923
Stored production	15 690	8 126
Goods for resale	193	200
	75 758	51 206

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.

In respect of the Company's geographical segments, segment income is recognised according to geographical location of clients. Segment assets are divided as to geographical location of the assets.

Results as to geographical segments for 2007 are as follows:

Thousand Litas	Lithuania	Russia	Latvia	Germany	Other countries	Total
Revenue from external customers	339 503	207 237	18 242	44 714	53 682	663 378
Segment result	73 778	40 714	4 007	11 937	15 740	146 176
Segment receivables	29 196	17 574	1 643	424	1 972	50 809
Other assets	325 820					325 820
Total assets						376 629
Acquisitions of property, plant and equipment	73 903					73 903

Results as to geographical segments for 2006 are as follows:

Thousand Litas	Lithuania	Russia	Latvia	Germany	Other countries	Total
Revenue from external customers	295 207	195 649	16 425	15 976	21 776	545 033
Segment result	59 893	36 615	2 873	1 021	2 964	103 366
Segment receivables	52 650	22 094	980	60	278	76 062
Other assets	243 952					243 952
Total assets						320 014
Acquisitions of property, plant and equipment	44 881					44 881

Post balance sheet events

On 28th February 2008 Competition council decided to give 866 thousand litas penalty to Pieno žvaigždės AB. There were no other significant events after the balance sheet date.