



**Pieno Žvaigždės, AB
Confirmation of the Management**

2011 02 28
Vilnius

Interim Financial Statements for the twelve months 2010

We hereby confirm that to the best of our knowledge, the attached not audited Pieno žvaigždės, AB Interim Financial Statements for the twelve months 2010 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

sveikam gyvenimui

PIENO ŽVAIGŽDĖS, AB

**INTERIM FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS OF 2010**

VILNIUS, FEBRURAY 2011



TABLE OF CONTENT

1. Statement of financial position.....	3
2. Statement of comprehensive income	4
3. Cash flows statement	5
4. Statement on changes in equity.....	6
5. Notes to the financial statements.....	7



Financial statements prepared according IFRS, not audited

1. Statement of financial position

Thousand Lit	2010.12.31	2009.12.31
Assets		
Property, plant and equipment	191 762	218 337
Intangible assets	1 199	895
Investments available for sale	275	275
Long-term receivables	1 108	1 001
Deferred tax		
Total non-current assets	194 344	220 508
Inventories	60 322	39 239
Receivables	67 587	69 339
Cash and cash equivalents	3 582	6 136
Total current assets	131 491	114 714
Total assets	325 835	335 222
Equity		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	(14 349)	(6 108)
Reserves	36 884	27 093
Retained earnings	43 058	46 376
Total equity	147 044	148 812
Liabilities		
Government grants	4 859	3 394
Interest-bearing loans and borrowings	41 610	32 311
Deferred tax	2 010	2 160
Total non-current liabilities	48 479	37 865
Provisions	-	-
Interest-bearing loans and borrowings	71 591	95 451
Income tax payable	2 368	4 384
Trade and other amounts payable	56 353	48 710
Total current liabilities	130 312	148 545
Total liabilities	178 791	186 410
Total equity and liabilities	325 835	335 222

**2. Statement of comprehensive income**

Thousand Litas	2010.01.01 - 2010.12.31	2009.01.01 - 2009.12.31
Revenue	620 255	622 467
Cost of sales	(500 740)	(497 305)
Gross profit	119 515	125 162
Other operating income, net	457	677
Sales and administrative expenses	(95 063)	(99 083)
Operating profit before finance costs	24 909	26 756
Finance income	215	956
Finance expenses	(3 310)	(8 043)
Finance income/expenses, net	(3 095)	(7 087)
Profit before tax	21 814	19 669
Corporate income tax	(3 244)	(5 104)
Profit for the year	18 570	14 565
Earnings per share (Litas)	0,34	0,27

Thousand Litas	2010.10.01 - 2010.12.31	2009.10.01 - 2009.12.31
Revenue	166 625	161 483
Cost of sales	(133 274)	(131 063)
Gross profit	33 351	30 420
Other operating income, net	77	299
Sales and administrative expenses	(22 811)	(22 951)
Operating profit before finance costs	10 617	7 768
Finance income	(89)	160
Finance expenses	(648)	(1 372)
Finance income/expenses, net	(737)	(1 212)
Profit before tax	9 880	6 556
Corporate income tax	(1 079)	(1 904)
Profit for the year	8 801	4 652
Earnings per share (Litas)	0,16	0,09



3. Cash flows statement

Thousand Lit	2010.12.31	2009.12.31
Cash flows from operating activities		
Net profit	18 570	14 565
Adjustments:		
Depreciation and amortisation	39 798	42 575
Amortisation of government grants	(696)	(509)
Result of disposal of property, plant and equipment	139	940
Impairment loss of receivables	1 982	1 049
Change in vacation reserve	165	(1 157)
Change in impairment loss of inventories	-	(2 373)
Income tax	3 244	5 103
Interest income/expenses, net	3 055	7 497
Cash flows from ordinary activities before changes in the working capital	66 257	67 690
Change in inventories	(21 083)	44 975
Change in receivables	(1 247)	5 688
Change in trade and other payable amounts	7 203	(9 411)
Cash flows from operating activities	51 130	108 942
Interest paid	(2 992)	(7 497)
Income tax paid	(4 500)	(200)
Net cash flow from operating activities	43 638	101 245
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12 775)	(28 923)
Acquisition of intangible assets	(652)	(96)
Proceeds on sale of property, plant and equipment	418	1 107
Net cash flow used in investing activities	(13 009)	(27 912)
Cash flows from financing activities		
Loans received	44 140	26 948
Repayment of borrowings	(43 301)	(72 524)
Issue (redemption) of shares	(8 241)	(2 000)
Dividends paid	(12 097)	(5 901)
Payment of finance lease liabilities	(15 845)	(16 755)
Government grants received	2 161	1 128
Net cash from/(used in) financing activities	(33 183)	(69 104)
Change in cash and cash equivalents	(2 554)	4 229
Beginning cash	6 136	1 907
Ending cash	3 582	6 136



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 2009	54 205	27 246	(4 108)	5 420	16 538	6 800	36 063	142 164
Profit allocation						(550)	550	0
Dividends							(5 917)	(5 917)
Acquisition of own shares			(2 000)					(2 000)
Revaluation of fixed assets					(836)		836	0
Depreciation of revaluated part								0
Net profit for 2009							9 913	9 913
As at 30 September 2009	54 205	27 246	(6 108)	5 420	15 702	6 250	41 445	144 160
As at 1 October 2009	54 205	27 246	(6 108)	5 420	15 702	6 250	41 445	144 160
Profit allocation								0
Dividends								0
Acquisition of own shares								0
Revaluation of fixed assets					(279)		279	0
Depreciation of revaluated part								0
Net profit for 2009							4 652	4 652
As at 31 December 2009	54 205	27 246	(6 108)	5 420	15 423	6 250	46 376	148 812
As at 1 January 2010	54 205	27 246	(6 108)	5 420	15 423	6 250	46 376	148 812
Profit allocation						10 120	(10 120)	0
Dividends							(12 098)	(12 098)
Acquisition of own shares			(6 000)					(6 000)
Revaluation of fixed assets								0
Depreciation of revaluated part					(247)		247	0
Net profit for 2010							9 769	9 769
As at 30 September 2010	54 205	27 246	(12 108)	5 420	15 176	16 370	34 174	140 483
As at 1 October 2010	54 205	27 246	(12 108)	5 420	15 176	16 370	34 174	140 483
Profit allocation								0
Dividends								0
Acquisition of own shares			(2 241)					(2 241)
Revaluation of fixed assets								0
Depreciation of revaluated part					(83)		83	0
Net profit for 2010							8 801	8 801
As at 31 December 2010	54 205	27 246	(14 349)	5 420	15 093	16 370	43 058	147 043



5. Notes to the financial statements

AB Pieno Žvaigždės was established by way of merger of stock companies Mažeikių Pieninė, Pasvalio Sūrinė, Kauno Pienas and Panevėžio pienas.

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 NASDAQ OMX 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).

Main indicators of the Company's' performance

Ratios	2010.01.01 - 2010.12.31	2009.01.01 - 2009.12.31
Sales, Thousand Litas	620 255	622 467
Gross profit, Thousand Litas	119 515	125 162
EBITDA, Thousand Litas	64 011	68 823
Current ratio (at the end of period)	1,0	0,8
Book value per share (at the end of period), LTL	2,71	2,75
Net profit per share	0,34	0,27

Ratios	2010.10.01 - 2010.12.31	2009.10.01 - 2009.12.31
Sales, Thousand Litas	166 625	161 483
Gross profit, Thousand Litas	33 351	30 420
EBITDA, Thousand Litas	20 036	18 308
Current ratio (at the end of period)	1,0	0,8
Book value per share (at the end of period), LTL	2,71	2,75
Net profit per share	0,16	0,09



Inventories

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

The cost of 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.

Inventories, Thousand Litas

	2010.12.31	2009.12.31
Raw materials	17 140	14 298
Stored production	43 027	24 775
Goods for resale	155	166
Total:	60 322	39 239

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, EU.

Sales, Thousand Litas

	2010.01.01 - 2010.12.31	2009.01.01 - 2009.12.31
Lithuania	300 922	301 016
Russia	236 494	225 507
EU, other countries	82 839	95 944
Total:	620 255	622 467

**Sales, Thousand Lit**

	2010.10.01 - 2010.12.31	2009.10.01 - 2009.12.31
Lithuania	71 587	67 735
Russia	75 221	66 927
EU, other countries	19 817	26 821
Total:	166 625	161 483

Post balance sheet events

There were no significant events after the balance sheet date.