



PIENO ŽVAIGŽDĖS, AB

FINANCIAL STATEMENTS

And

REPORT

For the 6 months 2007

VILNIUS, AUGUST 2007



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1. Accounting Period for which the present Report has been Prepared

The present Report has been prepared for the 6 months 2007.

2. Key Data on the Issuer

Company name	Public Limited Liability Company “Pieno žvaigždės”
Registration date and time	The company was reregistered on 23 December 1998
Company code	1246 65536
VAT payer code	LT 246655314
Authorized capital	54 205 031 Litas, divided into 54 205 031 one litas nominal value shares.
Address	Laisvės ave. 125, LT-06120 Vilnius, Lithuania
Telephone	(+370 5) 246 14 14
Fax	(+370 5) 246 14 15
E-mail	info@pienozvaigzdes.lt
Internet website	www.pienozvaigzdes.lt

3. Type of the Issuer’s main activities

The Company’s main activity is manufacturing of Milk products.

4. The Issuer’s authorized capital

The authorized capital registered in the Register Center is 54 205 031 LTL. The authorized capital divided into 54 205 031 ordinary shares (nominal value 1 LTL). All ordinary registered shares of AB Pieno Zvaigzdes are fully paid up.

5. Agreements with intermediaries of public trading in securities

The company has signed agreements with the financial brokerage company AB Finasta (Konstitucijos Ave. 23, Vilnius, tel. (+370~5) 278 6833, fax (+370~5) 278 6838) concerning management of securities accounting.

6. Shareholders

The Company had 4.214 shareholders.

The shareholders holding by the right of ownership or in trust more than 5 per cent of the Company’s authorized capital:

Names of shareholders	Number shares, units	Share of the capital %	Share of votes %	Share of votes with related persons %
SKANDINAVISKA ENSKILDA BANKEN CLIENTS, code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	9 860 014	18.19	18.29	-



UAB "Agrolitas Imeks Lesma" Laisvės pr.125, Vilnius, įm.k. 2191855	6 139 495	11,33	11,39	-
SWEDFUND INTERNATIONAL Sveavagen 24-26, Box 3286, SE-103 65 Stockholm, Sweden	4 700 000	8,67	8,72	-
ŽŪKB "Smilgelė" J.Tumo Vaižganto 8/27-3. Vilnius, įm.k. 2490652	4 147 441	7,65	7,70	-
Kvaraciejienė Regina	2 143 480	3,95	3,98	29,67
Kvaraciejus Julius	5 686 382	10,49	10,55	29,67
Jankauskas Virginijus	1 140 431	2,10	2,12	29,67
Klovas Voldemaras	2 170 248	4,00	4,03	29,67
Klovienė Danutė	1 091 691	2,01	2,03	29,67
Mileiko Kristina	382 815	0,71	0,71	29,67
Paura Valentinas	82 431	0,15	0,15	29,67
Paurienė Ligita	66 463	0,12	0,12	29,67
Rakštienė Laima	672 319	1,24	1,25	29,67
Smagin Aleksandr	2 547 123	4,7	4,73	29,67

7. Securities admitted to the trading lists of the stock exchanges

7.1. The ordinary registered shares of AB Pieno Zvaigzdes were admitted to the Official List of the Vilnius Stock Exchange (hereinafter – the VSE).

Type of shares – Ordinary registered shares;

Number of shares – 54 205 031;

Total nominal value – 54 205 031 Lt;

ISIN code – LT0000111676;

7.2. AB Pieno Zvaigzdes bonds issue of total nominal value 20.000.000 litas are included in the VSE list of debt securities. Main characteristics of the debt securities issued for public trading:

Type of debt securities	Coupon bonds
Number of bonds	200 000
Total nominal value of the issue	20 000 000 Litas
Nominal value per bond	100 (one hundred) Litas
Annul interest rate	4,96%
Issued at	October 2, 2006
Duration	1096 days
Coupon payments	2007 10 02, 2008 10 02, 2009 10 02
Redemption date	October 2, 2009
Redemption price (per bond)	100 (one hundred) Litas
Issue currency	Lithuanian Litas
Risk	Issuer's risk
Type of the distribution	Public distribution
Public trading	VSE list of the debt securities

7.3. The company has bought 307 511 own shares.



8. Staff

	2007 06 30	2006 12 31
Average number of employees	2.718	2.642
With university education	330	311
With further education	881	865
With secondary education	1.215	1.114
With not completed secondary education	292	352

	Average payroll, litas	
	2007 06 30	2006 12 31
Managers	6.079	5.291
Specialists	2.057	1.790
Workers	1.638	1.310

9. Change of the issuer's Articles of Association

Pursuing the Articles of Association of the Company, the Articles may be exclusively changed by the general meeting of shareholders, according to the Law of the Republic of Lithuania.

10. Management:

The managing bodies of the company are as follows: General shareholders' meeting, the Management Board and the Chief Executive Officer.

The Management Board is a collegial management body comprised of 10 (ten) members. The Board members are elected for the 4 years period.

The competence and procedure of announcement of the shareholders' meeting complies with the competence and procedure of announcement of the shareholders' meeting established by the Law on Joint Stock Companies.

Management Board

Name, surname	Official duties	From	Untill
Julius Kvaraciejus	Chairman	2004 11 29	2009 11 29
Virginijus Jankauskas	Member	2004 11 29	2009 11 29
Klovas Voldemaras	Member	2004 11 29	2009 11 29
Aleksandr Smagin	Member	2004 11 29	2009 11 29
Valentinas Paura	Member	2004 11 29	2009 11 29
Kristina Mileiko	Member	2004 11 29	2009 11 29
Regina Kvaraciejienė	Member	2004 11 29	2009 11 29
Kjell Lennart Carlsson	Member	2004 11 29	2009 11 29
Hans Mideus	Member	2004 11 29	2009 11 29
Paul Bergqvist	Member	2005 12 08	2009 11 29



Administration

<u>Name, surname</u>	<u>Official duties</u>
Aleksandr Smagin	CEO
Audrius Statulevičius	CFO

11. Additional notes about financial statements

The financial statements prepared according to the IFRS. Financial statements for the 6 months 2007 are not audited.

12. Significant up-to-date developments in the issuer's performance

2007-02-28

Call for an Annual General Meeting of Shareholders of Pieno Zvaigzdes

The Annual General Meeting of Shareholders of Pieno Zvaigzdes (Company code 124665536, address Laisves pr.125, Vilnius) is called at 11:00 on 27 April 2007 at the initiative and decision by the Board. The Meeting will take place at corporate headquarters at Laisves pr. 125, Vilnius. Registration starts at 10:00.

Agenda of the Meeting:

1. Company's Annual report.
2. Audit report of the Company's financial accounts and the Annual Report.
3. Approval of the financial accounts of the Company.
4. Approval of the profit distribution.
5. Acquisition of the Company's shares.
6. Approval of the Audit Company.

20 April 2007 is the account date of the Annual General Meeting of Shareholders held on 27 April 20067.

2007-02-28

Not audited financial results for the year 2006

Revenues for year 2006 reached 545.0 million LTL (157.8 million EUR) and have increased by 22% compare to the revenues of 446.3 million LTL (129.3 million EUR) a year ago.

EBITDA for the year 2006 reached 60.9 million LTL (17.6 million EUR) and have increased by 21% compare to 50.5 million LTL (14.6 million EUR) a year ago.

Profit before profit tax (EBT) for the year 2006 reached 22.9 million LTL (6.6 million EUR) and have increased by 24% compare to 18.4 million LTL (5.3 million EUR) a year ago.

Net profit for the year 2006 was 18.4 million LTL (5.3 million EUR) and has increased by 20% compare to 15.3 million LTL (4.4 million EUR) a year ago.

2007-02-28

Dividends for the year 2006



The Board of AB “Pieno zvaigzdes” decided to propose a dividend of LTL 0.20 per common share to be approved by the Shareholders Meeting.

2007-04-27

Decisions of the Annual general meeting

Decisions of the annual general shareholders meeting of Pieno Zvaigzdes, AB which was held on 27 April 2007 at 11:00 am (registration started at 10:00 am) at Hotel Le Meridien Villon, highway A2, Vilnius-Ryga, LT-03005 Vilnius-9, Lithuania:

1. Company's Annual report.

Taken for the information.

2. Information of the Company's auditors.

Taken for the information.

3. Approval of the Company's annual financial statements for the year 2006.

Decision:

1. To approve audited Company's annual financial statements for the year 2006, prepared according to the International Financial Reporting Standards.

4. Allocation of 2006 Company's profit.

Decision:

To allocate the Company's profit of the year 2006 according the draft of profit allocation presented for Annual General Meeting of Shareholders:

The Board proposes for the Annual General Meeting to allocate from the Company's distributable profit LTL 10.779.504 (EUR 3.121.960) for the dividend payment for the year 2006 or LTL 0.20 (EUR 0.058) dividend per share. To transfer to the own shares acquisition reserve LTL 3.000.000 (EUR 868.860). To allocate LTL 200.000 (EUR 57.924) for the annual payments to the members of the Board for the year 2006. To transfer to the social activities reserve LTL 300.000 (EUR 86.886).

5. Acquisition of the Company's shares.

Decision:

Purchase the shares of Pieno Zvaigzdes AB through a non-obligatory official offers following the legal procedures of the securities' market.

a) purpose of acquiring shares is to stabilize share market price, increase liquidity and avoid losses due to decrease in share price;

b) par values of all purchased shares shall not exceed 10% of statutory capital;

c) the Company may execute purchase of its shares within 18 calendar months;

d) the lowest and the highest purchase price shall not exceed 30% of the arithmetic average of the last week's trade at the central market of Vilnius Stock Exchange;

e) the lowest sales price of purchased shares shall not exceed 2/3 of the purchase price. The shares shall be sold in the central securities market or through an auction in order to ensure the equal possibilities to all shareholders. All shareholders shall be informed of the auction by registered mail or through public announcement.

As per this resolution by the General Shareholders Meeting and as per Act 54 of the Company Law of Republic of Lithuania the Board of the company is authorized to take all decisions



relating to time and price to purchase shares as well as to time, price and manner to sell shares and decide on other issues that are not foreseen in this resolution.

6. Approval of the audit company.

Decision:

Approve KPMG Baltic as company auditor for the 2007 and 2008 financial year.

2007-05-03

Pieno zvaigzdes AB, not audited financial results for the I quarter 2007

Revenues for the I quarter 2007 reached 141.9 million LTL (41.1 million EUR) and have increased by 24% compare to the revenues of 114.1 million LTL (33.0 million EUR) a year ago.

EBITDA for the I quarter 2007 reached 13.8 million LTL (4.0 million EUR) and have increased by 11.3% compare to 12.4 million LTL (3.6 million EUR) a year ago.

Profit before profit tax (EBT) for the I quarter 2007 reached 3.2 million LTL (0.9 million EUR) and have decreased compare to 3.4 million LTL (1.0 million EUR) a year ago.

Net profit for the I quarter 2007 was 2.6 million LTL (0.75 million EUR) and has decreased compare to 2.7 million LTL (0.78 million EUR) a year ago.

2007-08-06

Pieno zvaigzdes AB, not audited financial results for the 6 months 2007

Revenues for the 6 months 2007 reached 309.7 million LTL (89.7 million EUR) and have increased by 24.5% compare to the revenues of 248.7 million LTL (72.0 million EUR) a year ago.

EBITDA for the 6 months 2007 reached 33.6 million LTL (9.7 million EUR) and have increased by 22.9% compare to 27.3 million LTL (7.9 million EUR) a year ago.

Profit before profit tax (EBT) for the 6 months 2007 reached 11.6 million LTL (3.4 million EUR) and have increased by 29.4% compare to 9.0 million LTL (2.6 million EUR) a year ago.

Net profit for the 6 months 2007 was 9.5 million LTL (2.7 million EUR) and has increased by 31.0% compare to 7.3 million LTL (2.1 million EUR) a year ago.

13. Future plans

AB Pieno Zvaigzdes have set the followings goals for the 2007:

- To reach the turnover of 594 million LTL;
- To achieve net profitability of 4%;
- To reach EBITDA of 72 million LTL;



14. FINANCIAL STATEMENTS

Prepared according to IFRS, not audited

14.1. Balance sheet

Thousand Lit	2007.06.30	2006.06.30
Assets		
Property, plant and equipment	211.677	171.838
Intangible assets	1.523	1.813
Investments available for sale	275	275
Long-term receivables	2.304	1.261
Deferred tax	1.429	1.670
Total non-current assets	217.208	176.857
Inventories	60.287	41.812
Receivables	71.663	55.958
Cash and cash equivalents	3.413	7.880
Total current assets	135.363	105.650
Total assets	352.571	282.507
Equity		
Share capital	54.205	54.205
Share premium	27.246	27.246
Own shares	-1.108	-1.108
Reserves	12.754	12.727
Retained earnings	28.999	19.028
Total equity	122.096	112.098
Liabilities		
Government grants	2.053	4.095
Interest-bearing loans and borrowings	155.836	110.268
Total non-current liabilities	157.889	114.363
Interest-bearing loans and borrowings	18.134	11.259
Income tax payable	94	816
Trade and other amounts payable	54.358	43.971
Total current liabilities	72.586	56.046
Total liabilities	230.475	170.409
Total equity and liabilities	352.571	282.507



14.2. Income statement

Thousand Litas	2007.06.30	2006.06.30
Revenue	309.712	248.686
Cost of sales	(249.963)	(201.854)
Gross profit	59.749	46.832
Other operating income, net	397	623
Sales and administrative expenses	(44.463)	(36.293)
Operating profit before finance costs	15.683	11.162
Finance income	162	182
Finance expenses	(4.241)	(2.377)
Finance income/expenses, net	(4.079)	(2.195)
Profit before tax	11.604	8.967
Corporate income tax	(2.089)	(1.704)
Profit for the year	9.515	7.263
Earnings per share (Litas)	0,18	0,13



14.3. Cash flows statement

Thousand Lit	2007.06.30	2006.06.30
Cash flows from operating activities		
Profit before tax	11.604	8.967
Adjustments:		
Depreciation and amortization	18.932	16.179
Amortization of government grants	(1.020)	
Unrealised gain/loss on foreign currency exchange	103	54
Interest income/expenses, net	3.976	2.142
Cash flows from ordinary activities before changes in the working capital	33.595	27.342
Change in inventories	(9.081)	(2.758)
Change in receivables	2.342	(1.128)
Change in trade and other payable amounts	2.553	4.732
Cash flows from operating activities	29.409	28.188
Interest paid	(3.976)	(2.142)
Income tax paid	0	(1.704)
Net cash flow from operating activities	25.433	24.342
Cash flows from investing activities		
Acquisition of property, plant and equipment	(44.205)	(12.438)
Acquisition of intangible assets	(114)	(130)
Proceeds on sale of intangible assets	1.472	242
Proceeds on disposal of investments	0	75
Net cash flow used in investing activities	(42.847)	(12.251)
Cash flows from financing activities		
Loans received	21.246	3.900
Repayment of borrowings	(7.231)	(1.660)
Issue (redemption) of shares	0	0
Dividends paid	(10.780)	(9.432)
Payment of finance lease liabilities	16.185	(1.863)
Government grants received		
Net cash from/(used in) financing activities	19.420	(9.055)
Change in cash and cash equivalents	2.006	3.036
Beginning Cash	1.407	4.844
Ending Cash	3.413	7.880

**14.4. 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 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					(87)		87	0
Net profit for 2007							9.515	9.515
As at 30 June 2007	54.205	27.246	(1.108)	5.420	3.634	3.500	29.198	122.095



14.5. 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 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	2007.06.30	2006.06.30
Sales, Thousand Lit	309.712	248.686
Gross profit, Thousand Lit	59.749	46.832
EBITDA, Thousand Lit	33.595	27.341
Current ratio	1,9	1,9
Book value per share	2,25	2,07
Net profit per share	0,18	0,13

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 Lit	2007.06.30	2006.06.30
Raw materials	19.421	15.030
Stored production	40.676	26.612
Goods for resale	190	170
Total:	60.287	41.812



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. All company's assets located in Lithuania.

Sales, Thousand Litas	2007.06.30	2006.06.30
Lithuania	163.915	137.328
Russia	111.353	84.450
EU, other countries	34.444	26.908
Total:	309.712	248.686

Post balance sheet events

There were no significant events after the balance sheet date.