



PIENO ŽVAIGŽDĖS, AB

FINANCIAL STATEMENTS FOR THE FIRST QUARTER 2007

VILNIUS, MAY 2007



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Financial statements prepared according IFRS, not audited

1. Balance sheet

Thousand Litas	2007.03.31	2006.03.31
Assets		
Property, plant and equipment	200.930	176.181
Intangible assets	1.642	2.025
Investments available for sale	275	350
Long-term receivables	1.358	740
Deferred tax	1.429	1.670
Total non-current assets	205.634	180.966
Inventories	61.385	43.494
Receivables	68.972	52.313
Cash and cash equivalents	2.209	4.842
Total current assets	132.566	100.649
Total assets	338.200	281.615
Equity		
Share capital	54.205	54.205
Share premium	27.246	27.246
Own shares	-1.108	-1.108
Reserves	12.598	20.762
Retained earnings	33.030	15.861
Total equity	125.971	116.966
Liabilities		
Government grants	2.563	4.608
Interest-bearing loans and borrowings	135.299	107.217
Total non-current liabilities	137.862	111.825
Interest-bearing loans and borrowings	19.825	16.090
Income tax payable	94	1.459
Trade and other amounts payable	54.448	35.275
Total current liabilities	74.367	52.824
Total liabilities	212.229	164.649
Total equity and liabilities	338.200	281.615



2. Income statement

Thousand Litas	2007.03.31	2006.03.31
Revenue	141.963	114.093
Cost of sales	(115.636)	(92.400)
Gross profit	26.327	21.693
Other operating income, net	192	122
Sales and administrative expenses	(21.483)	(17.398)
Operating profit before finance costs	5.036	4.417
Finance income	88	80
Finance expenses	(1.940)	(1.121)
Finance income/expenses, net	(1.852)	(1.041)
Profit before tax	3.184	3.376
Corporate income tax	(573)	(641)
Profit for the year	2.611	2.735
Earnings per share (Litas)	0,05	0,05



3. Cash flow statement

Thousand Litas	2007.03.31	2006.03.31
Cash flows from operating activities		
Profit before tax	3.184	3.376
Adjustments:		
Depreciation and amortisation	9.267	8.493
Amortisation of government grants	(510)	(508)
Unrealised gain/loss on foreign currency exchange	11	10
Interest income/expenses, net	1.841	1.031
Cash flows from ordinary activities before changes in the working capital	13.793	12.402
Change in inventories	(10.179)	(3.779)
Change in receivables	6.071	2.421
Change in trade and other payable amounts	4.158	(3.955)
Cash flows from operating activities	13.843	7.089
Interest paid	(1.841)	(1.031)
Net cash flow from operating activities	12.002	6.058
Cash flows from investing activities		
Acquisition of property, plant and equipment	(22.513)	(8.127)
Acquisition of intangible assets	(41)	(90)
Net cash flow used in investing activities	(22.554)	(8.217)
Cash flows from financing activities		
Loans received	1.027	2.994
Repayment of borrowings	(4.394)	0
Issue (redemption) of shares	0	0
Dividends paid	0	0
Payment of finance lease liabilities	14.721	(837)
Government grants received	0	-
Net cash from/(used in) financing activities	11.354	2.157
Change in cash and cash equivalents	802	(2)
Cash and cash equivalents at 1 January	1.407	4.844
Cash and cash equivalents at 31 December	2.209	4.842



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								0
Depreciation of revaluated part					(43)		43	0
Net profit for 2007							2.611	2.611
As at 31 March 2007	54.205	27.246	(1.108)	5.420	3.678	3.500	33.030	125.971



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 03 31	2006 03 31
Sales, thousand. LTL	141.963	114.093
Gross profit, thousand. LTL	26.327	21.693
EBITDA	13.793	12.392
Current ratio	1,8	1,9
Book value per share (Litas)	2,32	2,16
Earnings per share (Litas)	0,05	0,05

Inventories

Inventories, thousand LTL	2007 03 31	2006 03 31
Raw materials	17.179	13.119
Stored production	44.003	30.206
Goods for resale	203	169
	61.385	43.494

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

The Annual Shareholders Meeting held on 27 April 2007 approved the dividend of 0,20 LTL per share to be paid in 2007. The amount of dividends has not been included as a liability in these financial statements.



Pieno Žvaigždės, AB Confirmation of the Management

2007 05 22
Vilnius

Financial Statements for the First quarter 2007

Persons responsible for the information in the financial statements confirm, that information contained in these financial statements is true and there are no suppressed facts which could influence investors' decisions on buying or selling Company's securities.

Pieno Žvaigždės, AB
CEO

Aleksandr Smagin

Pieno Žvaigždės, AB
CFO

Audrius Statulevičius