

Pieno Žvaigždės, AB Confirmation of the Management

2009 02 27 Vilnius

Interim Financial Statements for the twelve months 2008

We hereby confirm that to the best of our knowledge, the attached not audited Pieno žvaigždes, AB Interim Financial Statements for the twelve months 2008 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 Aleksandr Smagin CEO

Pieno Žvaigždės, AB CFO

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Audrius Statulevičius





PIENO ŽVAIGŽDĖS, AB

INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS OF 2008

VILNIUS, FEBRUARY 2009



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Financial statements prepared according IFRS, not audited

1. Balance sheet

Thousand Litas	2008.12.31	2007.12.31
Assets		
Property, plant and equipment	235 152	239 047
Intangible assets	1 071	1 724
Investments available for sale	275	275
Long-term receivables	4 453	6 314
Deferred tax	-	-
Total non-current assets	240 951	247 360
Inventories	81 841	75 758
Receivables	76 709	50 809
Cash and cash equivalents	1 907	2 702
Total current assets	160 457	129 269
Total assets	401 408	376 629
Equity		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	(4 108)	(4 108)
Reserves	28 759	28 294
Retained earnings	36 063	52 875
Total equity	142 165	158 512
Liabilities		
Government grants	2 775	2 083
Interest-bearing loans and borrowings	77 568	99 366
Deferred tax	1 930	1 050
Total non-current liabilities	82 273	102 499
Provisions	-	870
Interest-bearing loans and borrowings	112 525	60 071
Income tax payable	1 930	3 790
Trade and other amounts payable	62 515	50 887
Total current liabilities	176 970	115 618
Total liabilities	259 243	218 117
Total equity and liabilities	401 408	376 629



2. Income statement

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Thousand Litas	2008.01.01 - 2008.12.31	2007.01.01 - 2007.12.31
Revenue	666 289	663 379
Cost of sales	(562 582)	(517 202)
Gross profit	103 707	146 176
Other operating income, net	7 027	1 151
Sales and administrative expenses	(102 915)	(97 572)
Operating profit before finance costs	7 819	49 756
Finance income	1 005	357
Finance expenses	(11 912)	(9 208)
Finance income/expenses, net	(10 907)	(8 851)
Profit before tax	(3 088)	40 904
Corporate income tax	(1 244)	(7 599)
Profit for the year	(4 332)	33 305
Earnings per share (Litas)	- 0,08	0,61
Thousand Litas	2008.10.01 - 2008.12.31	2007.10.01 - 2007.12.31
Revenue	160 545 (136 558)	161 779
Cost of sales Gross profit	(136,228)	(120, 402)
	23 987	(120 483) 41 296
-	23 987	41 296
Other operating income, net	23 987 354	41 296 300
Other operating income, net Sales and administrative expenses	23 987 354 (24 570)	41 296 300 (29 266)
Other operating income, net	23 987 354	41 296 300
Other operating income, net Sales and administrative expenses	23 987 354 (24 570)	41 296 300 (29 266)
Other operating income, net Sales and administrative expenses Operating profit before finance costs	23 987 354 (24 570) (229)	41 296 300 (29 266) 12 330
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Other operating income, net Sales and administrative expenses Operating profit before finance costs Finance income Finance expenses	23 987 354 (24 570) (229) 606 (3 605)	41 296 300 (29 266) 12 330 108 (2 529) (2 421)
Other operating income, net Sales and administrative expenses Operating profit before finance costs Finance income Finance expenses Finance income/expenses, net	23 987 354 (24 570) (229) 606 (3 605) (2 999)	41 296 300 (29 266) 12 330 108 (2 529) (2 421)
Other operating income, net Sales and administrative expenses Operating profit before finance costs Finance income Finance expenses Finance income/expenses, net Profit before tax	23 987 354 (24 570) (229) 606 (3 605) (2 999) (3 228)	41 296 300 (29 266) 12 330 108 (2 529) (2 421) 9 909



3. Cash flow statement

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Thousand Litas	2008.12.31	2007.12.31
Cash flows from operating activities	(2,000)	40.004
Profit before tax	(3.088)	40.904
Adjustments:	43.105	40 111
Depreciation and amortisation		40.111
Amortisation of government grants	(1.819)	(2.033)
Result of disposal of property, plant and equipment	(6.478)	(736)
Change in impairment loss of non-current assets	-	(714)
Impairment loss of receivables	137	73
Change in vacation reserve	32	1.056
Change in provision	(1.220)	870
Change in impairment loss of inventories	(1.229)	3.544
Interest income/expenses, net	10.615	8.660
Cash flows from ordinary activities before changes	41.275	91.735
in the working capital		
	(4.954)	(20 , 00)
Change in inventories	(4.854)	(28.096)
Change in receivables	(24.176)	19.216
Change in trade and other payable amounts	12.249	1.353
Cash flows from operating activities	24.494	84.208
T , , 1	(11.110)	(0.010)
Interest paid	(11.118)	(8.819)
Income tax paid	(4.451)	(4.179)
Net cash flow from operating activities	8.925	71.210
Cash flame from increation a disting		
Cash flows from investing activities	(42,100)	(74, 100)
Acquisition of property, plant and equipment	(43.189)	(74.122)
Acquisition of intangible assets	(44)	(782)
Proceeds on sale of property, plant and equipment	11.857	4.294
Proceeds on disposal of investments held for sale Interest received		-
	503	(70,451)
Net cash flow used in investing activities	(30.873)	(70.451)
Cash flows from financing activities		
Cash flows from financing activities Loans received	70.480	57.781
	(21.194)	(29.036)
Repayment of borrowings	(21.194)	
Issue (redemption) of shares	(12.014)	(3.000)
Dividends paid	(12.014)	(10.779) (15.472)
Payment of finance lease liabilities	(18.630)	(15.473)
Government grants received	2.511	1.043
Net cash from/(used in) financing activities	21.153	536
Change in each and each equivalents	(795)	1.295
Change in cash and cash equivalents	2.702	
Cash and cash equivalents at 1 January		1.407
Cash and cash equivalents at 31 December	1.907	2.702



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4. Statement on changes in equity

As at 1 January 2007 54 205 27 246 (1 108) 5 420 3 721 3 500 30 376 123 360 Profit allocation Dividends 200 (200) 0 0 (10 780) 10 780) Depreciation of revaluated part (119) 119 0 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 16 254 26 272 246 10 800 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Thousand Litas	Share capital	Share premiu m	Own shares	Compul sory reserve	Revalu a-tion reserve	Other reserve s	Retained earnings	Total equity	
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						(277)				
		54 205	27 246	(4 108)	5 420	16 539	6 800			



5. Notes to 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	2008.01.01 - 2008.12.31	2007.01.01 - 2007.12.31
Sales, Thousand Litas	666.289	663.379
Gross profit, Thousand Litas	103 707	146 176
EBITDA, Thousand Litas	49.105	87.834
Current ratio (at the end of period)	0,91	1,12
Book value per share (at the end of		
period)	2,62	2,92
Net profit per share	- 0,08	0,61

Ratios	2008.10.01 - 2008.12.31	2007.10.01 - 2007.12.31
Sales, Thousand Litas	160.545	161.779
Gross profit, Thousand Litas	23 987	41 296
EBITDA, Thousand Litas	9.743	22.729
Current ratio (at the end of period)	0,91	1,12
Book value per share (at the end of		
period)	2,62	2,92
Net profit per share	- 0,08	0,15

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	2008.12.31	2007 12 31
Raw materials	18.458	17.408
Stored production	63.266	58.156
Goods for resale	117	194
Total:	81.841	75.758

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 products mainly in domestic market, Russia, EU. All company's assets located in Lithuania.

Sales, Thousand Litas	2008.01.01 - 2008.12.31	2007.01.01 - 2007.12.31
Lithuania	349.371	339.503
Russia	236.349	207.237
EU, other countries	80.569	116.638
Total:	666.289	663.379

Sales, Thousand Litas	2008.10.01 - 2008.12.31	2007.10.01 - 2007.12.31
Lithuania	80.438	86.801
Russia	66.033	55.124
EU, other countries	14.074	19.853
Total:	160.545	161.779

Post balance sheet events

There were no significant events after the balance sheet date.