



Pieno Žvaigždės, AB
Confirmation of the Management

2009 08 31
Vilnius

Financial statements and the Report for the 6 months 2009

We, Aleksandr Smagin, Chief Executive Officer and Audrius Statulevičius, Chief Financial Officer, hereby confirm that, to the best of our knowledge, Interim Report for the six months of 2009 includes a fair review of the development and performance of the business.

We, Aleksandr Smagin, Chief Executive Officer and Audrius Statulevičius, Chief Financial Officer, hereby confirm that, to the best of our knowledge, Interim Financial Statements of the six months of 2009 prepared in accordance with IFRS, give true and fair view of the assets, liabilities, financial position and profit or loss of AB “Pieno žvaigždės”.

Pieno Žvaigždės, AB
CEO

Aleksandr Smagin

Pieno Žvaigždės, AB
CFO

Audrius Statulevičius



PIENO ŽVAIGŽDĖS, AB

INTERIM FINANCIAL STATEMENTS

And

INTERIM REPORT

For the 6 months 2009

VILNIUS, AUGUST 2009



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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 2009.

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 Centre 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 4.239 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 AB FINNISH CLIENTS. SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN, STOCKHOLM	8.712.325	16,07%	16,56%	16,56%



UAB "AGROLITAS IMEKS LESMA" LAISVĖS PR.125, VILNIUS, į.k. 2191855	7.294.167	13,46%	13,87%	13,87%
SWEDFUND INTERNATIONAL SVEAVAGEN 24- 26, BOX 3286, SE-103 65 STOCKHOLM, SWEDEN	4.700.000	8,67%	8,94%	8,94%
ŽŪKB "SMILGELĖ" J.TUMO VAIŽGANTO 8/27-3. VILNIUS, į.k. 2490652	6.199.408	11,44%	11,79%	11,79%
KVARACIEJUS JULIUS	10.391.092	19,17%	19,76%	32,68%
KLOVAS VOLDEMARAS	4.249.873	7,84%	8,08%	32,68%
SMAGIN ALEKSANDR	2.547.123	4,70%	4,84%	32,68%
SASNAUSKAS LINAS	125	0,00%	0,00%	32,68%

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
Annual 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 1 607 511 own shares.



8. Staff

	2008 12 31	2009 06 30
Average number of employees	2 602	2 475
With university education	410	419
With further education	816	761
With secondary education	1 157	1 093
With not completed secondary education	219	202
	Average payroll, litas	
	2008 12 31	2009 06 30
Managers	6 767	6 063
Specialists	2 669	2 732
Workers	2 131	2 153

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 6 (six) 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	Number shares, units	Share of the capital %	From	Until
Paul Bergqvist	chairman	-	-	2008 12 02	2012 12 02
Lars Ojefors	member	-	-	2008 12 02	2012 12 02
Julius Kvaraciejus	member	10.391.092	19,17%	2008 12 02	2012 12 02
Voldemaras Klovas	member	4.249.873	7,84%	2008 12 02	2012 12 02
Aleksandr Smagin	member	2.547.123	7,6%	2008 12 02	2012 12 02
Linas Sasnauskas	member	125	0,0%	2008 12 02	2012 12 02

**Administration**

Name, surname	Official duties	Number shares, units	Share of the capital %
Aleksandr Smagin	CEO	2 547 123	4,70
Audrius Statulevičius	CFO	-	-

11. Additional notes about financial statements

The financial statements prepared according to the IFRS. Financial statements for the 6 months 2009 are not audited. All additional information about financial statements is presented in the notes to the financial statements.

12. Information on the major related parties' transactions

No significant or unrepresentative agreements or transactions were concluded between related parties in the first 6 months of 2009.

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

All the publicly disclosed information available on the company's web site www.pienozvaigzdes.lt

30.07.2009 Pieno Zvaigzdes AB, updated forecast for the entire year 2009

With respect to financial results reported for the 6 months of 2009, Pieno Zvaigzdes AB is giving a new forecast for the entire year 2009 as follows:

Sales by the year end 2009 are expected LTL 639.0 million (EUR 185.0 million), lower compared to initially budgeted LTL 689.1 million (EUR 199.6 million). Net profitability margin expected at 3.0%, lower compared to initially budgeted 3.5%.

30.07.2009 Pieno zvaigzdes AB, not audited financial results for the 6 months 2009

Revenues for the first 6 months 2009 reached 299.9 million LTL (86.9 million EUR) and have decreased by 10.0% compare to the revenues of 333.3 million LTL (96.6 million EUR) a year ago.

EBITDA for the first six months 2009 reached 34.3 million LTL (9.9 million EUR) and have increased more than twice compare to 15.9 million LTL (4.6 million EUR) a year ago.

Net profit for the first six months 2009 was 6.6 million LTL (1.9 million EUR) compare to the net loss of -10.3 million LTL (-3.0 million EUR) a year ago.



23.04.2009 Pieno žvaigždės AB, not audited financial results for the I quarter 2009

Revenues for the first quarter 2009 reached 143.6 million LTL (41.6 million EUR) and have decreased by 4.4% compare to the revenues of 150.2 million LTL (43.5 million EUR) a year ago.

EBITDA for the first quarter 2009 reached 17.9 million LTL (5.2 million EUR) and have increased more than four times compare to 4.1 million LTL (1.2 million EUR) a year ago.

Net profit for the first quarter 2009 was 3.9 million LTL (1.1 million EUR) compare to the net loss of -8.8 million LTL (-2.5 million EUR) a year ago.

23.04.2009 Decisions of the annual general shareholders meeting

Annual General Meeting of Shareholders of Pieno Zvaigzdes was hold on 23 April 2009 at 11:00 am.

Agenda:

1. Annual report
2. Audit report of the Company's financial accounts and Annual report.
3. Approval of Company's financial accounts for the full financial year 2008.
4. Profit distribution.
5. Acquisition of the Company's shares.
6. Establishment of the Audit committee and approval of the Audit committee regulation.
7. Election of the new members to the Audit committee.
8. Election of the Audit firm.

16 April 2009 is the account date of the AGM of Shareholders held on 23 April 2009.

RESOLUTIONS:

1. Annual report.
Taken for the information.
2. Audit report of the Company's financial accounts and the Annual report.
Taken for the information.
3. Company's financial accounts.

Decision:

Approve the Company's financial accounts for the full financial year 2008.

4. Profit distribution.

Decision:

Approve profit distribution for the full financial year 2008 as follows:

To dividend LTL 5.917.221 (EUR 1.713.746) at LTL 0,1125 (EUR 0,0326) per share;

Form a reserve of LTL 6.000.000 (EUR 1.737.720) to acquire company's shares.



Form a reserve of LTL 250.000 (EUR 72.405) to donations and charity.

5. Acquisition of the Company's shares

Decision:

5.1. Buy Pieno Zvaigzdes AB shares back through the submarket of official proposal of NASDAQ OMX AB Vilnius, in accordance to the rules, governing this market, do not approving the circular at Securities Commission.

a) The purpose of shares acquisition - to stabilize the Company's share price, increase shares liquidity and avoid of a loss because of the Company's share price decreasing;

b) The maximum number of shares to be purchased - the nominal value of own shares to be purchased together with other already existing own shares may not exceed 1/10 of share capital;

c) the period during which the joint stock company may acquire its own shares - 18 months;

d) the minimum price of the shares to be acquired - 30% lower than last week's weighted arithmetic average of Company's share price at NASDAQ OMX Stock Exchange Vilnius Central Market. The maximum price for the shares to be acquired - 30% higher than last week's weighted arithmetic average of Company's share price at NASDAQ OMX Stock Exchange Vilnius Central Market.

e) The order of own shares selling and the minimum selling price. The minimum shares selling price is not less than 2/3 of the share purchasing price. In order to ensure equal opportunities for all shareholders to acquire shares that were bought back, shares will be sold at Stock Exchange Central Market or at auction, informing all shareholders about auction time and about the order by registered letter or in public press.

5.2. According to the decision of the present general meeting of shareholders and to Article No. 54 of Joint Stock Companies Law of Republic of Lithuania, the Board is delegated to take all decisions, related to time of shares buying of, price fixing, as well as decisions on time of selling own shares that were acquired, price and proceed fixing, also to solve any other issues, which are not covered by this decision.

6. Establishment of the Audit Committee of Pieno Zvaigzdes AB and approval of the operating rules.

Decision:

Establish the Audit Committee of Pieno Zvaigzdes AB and approve the operating rules.

7. Election of members of the Audit Committee of Pieno Zvaigzdes AB.

Decision:

Elect to the Audit Committee of Pieno Zvaigzdes AB to a term of one year two members: Independent member - Ričardas Bagdonas, another member - company's internal auditor Violeta Liutkuvienė.

8. Election of the Audit firm and setting of payment conditions for the audit services.

Decision:

8.1. KPMG Baltic was elected to audit the company for the 2009 and 2010 financial years.

8.2. CEO of the Company is authorized to identify the specific payment for audit services and other terms and conditions, as well to conclude a contract with the auditor.



19.03.2009 Pieno zvaigzdes AB, Notice to convene annual general meeting

Annual General Meeting of Shareholders of Pieno Zvaigzdes will be held on 23 April 2009 at 11:00 am (registration starts at 10:00 am) at Reval Hotel Lietuva, Konstitucijos ave 20, Vilnius, Lithuania.

Draft agenda:

1. Annual report
2. Audit report of the Company's financial accounts and Annual report.
3. Approval of Company's financial accounts for the full financial year 2008.
4. Profit distribution.
5. Acquisition of the Company's shares.
6. Establishment of the Audit committee and approval of the Audit committee regulation.
7. Election of the new members to the Audit committee.

16 April 2009 is the account date of the AGM of Shareholders held on 23 April 2008.

01.03.2009 Pieno zvaigzdes AB, not audited financial results for the year 2008

Revenues for the year 2008 reached 666.3 million LTL (193.0 million EUR) and have increased by 0.4% compare to the revenues of 663.4 million LTL (192.1 million EUR) a year ago.

EBITDA for the year 2008 reached 49.1 million LTL (14.2 million EUR) and have decreased by 44.1% compare to 87.8 million LTL (25.4 million EUR) a year ago.

Net loss for the year 2008 was -4.3 million LTL (-1.3 million EUR) compare to the net profit of 33.3 million LTL (9.6 million EUR) a year ago.

Decreased gross margin on export sales had core impact on total profitability, which was less than initially planned.

03.02.2009 Notification of the issuer on the acquisition of own shares

Pieno Zvaigzdes AB, code 124665536, address: Laisves ave. 125, Vilnius, Lithuania, Information about bought own shares

Shares ISIN code LT000011676

Share capital, LTL 54 205 031

Total number of shares, units 54 205 031

Nominal value of one share, LTL 1

Total number of acquired own shares, units 1 607 511

Total number of issuer's voting rights 52 597 520

08.01.2009 Share buy back



On 7 January 2009 the Board of Pieno Zvaigzdes AB took decision to buy back 800,000 common shares at par value LTL 1 per share. The buy back will be executed at Vilnius stock exchange through an official offer starting 13 January 2009 through 26 January 2009. Share buy back term 14 days, share buy back price LTL 2.50 per share. Share sale offers are accumulated through entire share buy back term. In case number of shares offered oversteps the number of declared buy back, the offered number of shares will be decreased in proportion to all sellers.

14. Future plans

AB Pieno Zvaigzdes have set the followings goals for the 2009:

- To reach the turnover of 639 million LTL;
- To achieve net profitability of 3%;



15. FINANCIAL STATEMENTS

Prepared according to IFRS, not audited

15.1. Balance sheet

Thousand Lit	2009.06.30	2008.12.31
Assets		
Property, plant and equipment	236 724	235 152
Intangible assets	982	1 071
Investments available for sale	275	275
Long-term receivables	4 651	4 453
Deferred tax	-	-
Total non-current assets	242 632	240 951
Inventories	65 976	81 841
Receivables	76 735	76 709
Cash and cash equivalents	3 072	1 907
Total current assets	145 783	160 457
Total assets	388 415	401 408
Equity		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	(6 108)	(4 108)
Reserves	27 651	28 759
Retained earnings	37 874	36 063
Total equity	140 868	142 165
Liabilities		
Government grants	2 572	2 775
Interest-bearing loans and borrowings	81 289	77 568
Deferred tax	1 930	1 930
Total non-current liabilities	85 791	82 273
Provisions	-	-
Interest-bearing loans and borrowings	97 246	112 525
Income tax payable	2 164	1 930
Trade and other amounts payable	62 346	62 515
Total current liabilities	161 756	176 970
Total liabilities	247 547	259 243
Total equity and liabilities	388 415	401 408

**15.2. Income statement**

Thousand Litas	2009.01.01 - 2009.06.30	2008.01.01 - 2008.06.30
Revenue	299 891	333 299
Cost of sales	(236 636)	(284 138)
Gross profit	63 255	49 161
Other operating income, net	265	441
Sales and administrative expenses	(50 394)	(54 647)
Operating profit before finance costs	13 126	(5 045)
Finance income	616	224
Finance expenses	(4 958)	(5 468)
Finance income/expenses, net	(4 342)	(5 244)
Profit before tax	8 784	(10 289)
Corporate income tax	(2 164)	-
Profit for the year	6 620	(10 289)
Earnings per share (Litas)	0,12	(0,18)

Thousand Litas	2009.04.01 - 2009.06.30	2008.04.01 - 2008.06.30
Revenue	156 284	183 146
Cost of sales	(123 499)	(157 641)
Gross profit	32 785	25 505
Other operating income, net	125	72
Sales and administrative expenses	(27 125)	(24 380)
Operating profit before finance costs	5 785	1 197
Finance income	315	118
Finance expenses	(2 233)	(2 792)
Finance income/expenses, net	(1 918)	(2 674)
Profit before tax	3 867	(1 477)
Corporate income tax	(1 180)	-
Profit for the year	2 687	(1 477)
Earnings per share (Litas)	0,05	(0,03)

**15.3. Cash flows statement**

Thousand Lit	2009.06.30	2008.06.30
Cash flows from operating activities		
Net profit	6.620	(10.289)
Adjustments:		
Depreciation and amortisation	21.370	21.570
Amortisation of government grants	(203)	(673)
Result of disposal of property, plant and equipment	88	-
Change in vacation reserve	235	-
Change in impairment loss of inventories	2.034	-
Interest income/expenses, net	4.135	5.090
Cash flows from ordinary activities before changes in the working capital	34.279	15.698
Change in inventories	13.830	17.410
Change in receivables	132	(15.592)
Change in trade and other payable amounts	(808)	(2.680)
Cash flows from operating activities	47.433	14.836
Interest paid	(4.589)	(5.090)
Income tax paid	(100)	-
Net cash flow from operating activities	42.744	9.746
Cash flows from investing activities		
Acquisition of property, plant and equipment	(23.019)	(16.806)
Acquisition of intangible assets	(50)	(29)
Proceeds on sale of property, plant and equipment	511	717
Interest received	454	-
Net cash flow used in investing activities	(22.104)	(16.118)
Cash flows from financing activities		
Loans received	9.223	30.272
Repayment of borrowings	(12.998)	(5.874)
Issue (redemption) of shares	(2.000)	-
Dividends paid	(5.917)	(12.014)
Payment of finance lease liabilities	(7.783)	(4.658)
Government grants received	-	2.511
Net cash from/(used in) financing activities	(19.475)	10.237
Change in cash and cash equivalents	1.165	3.865
Beginning cash	1.907	2.702
Ending cash	3.072	6.567

**15.4. Statement on changes in equity**

000 LTL	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2008	54 205	27 246	(4 108)	5 420	19 174	3 700	52 875	158 512
Profit allocation						3 100	(3 100)	0
Dividends							(12 014)	(12 014)
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(569)		460	(109)
Net profit for 2008							(10 289)	(10 289)
As at 30 June 2008	54 205	27 246	(4 108)	5 420	18 605	6 800	27 932	136 100
As at 1 July 2008	54 205	27 246	(4 108)	5 420	18 605	6 800	27 932	136 100
Profit allocation								0
Dividends								0
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(2 067)		2 176	109
Net profit for 2008							5 955	5 955
As at 31 December 2008	54 205	27 246	(4 108)	5 420	16 538	6 800	36 063	142 164
As at 1 January 2009	54 205	27 246	(4 108)	5 420	16 538	6 800	36 063	142 164
Profit allocation								0
Dividends							(5 917)	(5 917)
Acquisition of own shares			(2 000)					(2 000)
Revaluation of fixed assets					(558)		558	0
Depreciation of revaluated part								0
Net profit for 2009							6 620	6 620
As at 30 June 2009	54 205	27 246	(6 108)	5 420	15 980	6 800	37 324	140 867



15.5. 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	2009.01.01 - 2009.06.30	2008.01.01 - 2008.06.30
Sales, Thousand Lit	299 891	333 299
Gross profit, Thousand Lit	63 255	49 161
EBITDA, Thousand Lit	34 293	15 853
Current ratio (at the end of period)	0,9	1,8
Book value per share (at the end of period)	2,60	2,51
Net profit per share	0,12	(0,18)

Ratios	2009.04.01 - 2009.06.30	2008.04.01 - 2008.06.30
Sales, Thousand Lit	156 284	183 146
Gross profit, Thousand Lit	32 785	25 504
EBITDA, Thousand Lit	16 435	11 760
Current ratio (at the end of period)	0,9	1,8
Book value per share (at the end of period)	2,60	2,51
Net profit per share	0,05	(0,03)

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	2009.06.30	2008.12.31
Raw materials	15 220	18 458
Stored production	50 615	63 266
Goods for resale	141	117
Total:	65 976	81 841

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 Lit	2009.01.01 - 2009.06.30	2008.01.01 - 2008.06.30
Lithuania	149 638	177 743
Russia	113 398	108 203
EU, other countries	36 855	47 353
Total:	299 891	333 299

Sales, Thousand Lit	2009.04.01 - 2009.06.30	2008.04.01 - 2008.06.30
Lithuania	77 559	92 027
Russia	57 899	61 514
EU, other countries	20 826	29 605
Total:	156 284	183 146

Post balance sheet events

There were no significant events after the balance sheet date.