



## 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 žvaigždės, 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  
CEO

Aleksandr Smagin

Pieno Žvaigždės, AB  
CFO

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 Lit	2008.12.31	2007.12.31
<b>Assets</b>		
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	-	-
<b>Total non-current assets</b>	<b>240 951</b>	<b>247 360</b>
Inventories	81 841	75 758
Receivables	76 709	50 809
Cash and cash equivalents	1 907	2 702
<b>Total current assets</b>	<b>160 457</b>	<b>129 269</b>
<b>Total assets</b>	<b>401 408</b>	<b>376 629</b>
<b>Equity</b>		
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
<b>Total equity</b>	<b>142 165</b>	<b>158 512</b>
<b>Liabilities</b>		
Government grants	2 775	2 083
Interest-bearing loans and borrowings	77 568	99 366
Deferred tax	1 930	1 050
<b>Total non-current liabilities</b>	<b>82 273</b>	<b>102 499</b>
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
<b>Total current liabilities</b>	<b>176 970</b>	<b>115 618</b>
<b>Total liabilities</b>	<b>259 243</b>	<b>218 117</b>
<b>Total equity and liabilities</b>	<b>401 408</b>	<b>376 629</b>



## 2. Income statement

Thousand Lit	2008.01.01 - 2008.12.31	2007.01.01 - 2007.12.31
Revenue	666 289	663 379
Cost of sales	(562 582)	(517 202)
<b>Gross profit</b>	103 707	146 176
Other operating income, net	7 027	1 151
Sales and administrative expenses	(102 915)	(97 572)
<b>Operating profit before finance costs</b>	7 819	49 756
Finance income	1 005	357
Finance expenses	(11 912)	(9 208)
<b>Finance income/expenses, net</b>	(10 907)	(8 851)
<b>Profit before tax</b>	(3 088)	40 904
Corporate income tax	(1 244)	(7 599)
<b>Profit for the year</b>	(4 332)	33 305
Earnings per share (Litas)	- 0,08	0,61

Thousand Lit	2008.10.01 - 2008.12.31	2007.10.01 - 2007.12.31
Revenue	160 545	161 779
Cost of sales	(136 558)	(120 483)
<b>Gross profit</b>	23 987	41 296
Other operating income, net	354	300
Sales and administrative expenses	(24 570)	(29 266)
<b>Operating profit before finance costs</b>	( 229)	12 330
Finance income	606	108
Finance expenses	(3 605)	(2 529)
<b>Finance income/expenses, net</b>	(2 999)	(2 421)
<b>Profit before tax</b>	(3 228)	9 909
Corporate income tax	(1 223)	(1 710)
<b>Profit for the year</b>	(4 451)	8 199
Earnings per share (Litas)	- 0,08	0,15



### 3. Cash flow statement

Thousand Lit	2008.12.31	2007.12.31
<b>Cash flows from operating activities</b>		
Profit before tax	(3.088)	40.904
Adjustments:		
Depreciation and amortisation	43.105	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	-	870
Change in impairment loss of inventories	(1.229)	3.544
Interest income/expenses, net	10.615	8.660
<b>Cash flows from ordinary activities before changes in the working capital</b>	<b>41.275</b>	<b>91.735</b>
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
<b>Cash flows from operating activities</b>	<b>24.494</b>	<b>84.208</b>
Interest paid	(11.118)	(8.819)
Income tax paid	(4.451)	(4.179)
<b>Net cash flow from operating activities</b>	<b>8.925</b>	<b>71.210</b>
<b>Cash flows from investing activities</b>		
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	159
<b>Net cash flow used in investing activities</b>	<b>(30.873)</b>	<b>(70.451)</b>
<b>Cash flows from financing activities</b>		
Loans received	70.480	57.781
Repayment of borrowings	(21.194)	(29.036)
Issue (redemption) of shares	-	(3.000)
Dividends paid	(12.014)	(10.779)
Payment of finance lease liabilities	(18.630)	(15.473)
Government grants received	2.511	1.043
<b>Net cash from/(used in) financing activities</b>	<b>21.153</b>	<b>536</b>
Change in cash and cash equivalents	(795)	1.295
Cash and cash equivalents at 1 January	2.702	1.407
<b>Cash and cash equivalents at 31 December</b>	<b>1.907</b>	<b>2.702</b>

**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 2007	54 205	27 246	(1 108)	5 420	3 721	3 500	30 376	123 360
Profit allocation						200	( 200)	0
Dividends							(10 780)	(10 780)
Depreciation of revaluated part					( 119)		119	0
Net profit for 2007							25 416	25 416
As at 30 September 2007	<b>54 205</b>	<b>27 246</b>	<b>(1 108)</b>	<b>5 420</b>	<b>3 602</b>	<b>3 700</b>	<b>44 931</b>	<b>137 996</b>
As at 1 October 2007	54 205	27 246	(1 108)	5 420	3 602	3 700	44 931	137 996
Profit allocation								0
Dividends								0
Acquisition of own shares			(3 000)					(3 000)
Revaluation of fixed assets					15 626			15 626
Depreciation of revaluated part					( 54)		54	0
Net profit for 2007							7 890	7 890
As at 31 December 2007	<b>54 205</b>	<b>27 246</b>	<b>(4 108)</b>	<b>5 420</b>	<b>19 174</b>	<b>3 700</b>	<b>52 875</b>	<b>158 512</b>
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					(2 358)		2 358	0
Net profit for 2008							119	119
As at 30 September 2008	<b>54 205</b>	<b>27 246</b>	<b>(4 108)</b>	<b>5 420</b>	<b>16 816</b>	<b>6 800</b>	<b>40 238</b>	<b>146 617</b>
As at 1 October 2008	54 205	27 246	(4 108)	5 420	16 816	6 800	40 238	146 617
Profit allocation								0
Dividends								0
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					( 277)		277	0
Net profit for 2008							(4 451)	(4 451)
As at 31 December 2008	<b>54 205</b>	<b>27 246</b>	<b>(4 108)</b>	<b>5 420</b>	<b>16 539</b>	<b>6 800</b>	<b>36 064</b>	<b>142 166</b>



## 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

<b>Ratios</b>	<b>2008.01.01 - 2008.12.31</b>	<b>2007.01.01 - 2007.12.31</b>
Sales, Thousand Litass	666.289	663.379
Gross profit, Thousand Litass	103 707	146 176
EBITDA, Thousand Litass	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

<b>Ratios</b>	<b>2008.10.01 - 2008.12.31</b>	<b>2007.10.01 - 2007.12.31</b>
Sales, Thousand Litass	160.545	161.779
Gross profit, Thousand Litass	23 987	41 296
EBITDA, Thousand Litass	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.





<b>Inventories, Thousand Litas</b>	<b>2008.12.31</b>	<b>2007 12 31</b>
Raw materials	18.458	17.408
Stored production	63.266	58.156
Goods for resale	117	194
<b>Total:</b>	<b>81.841</b>	<b>75.758</b>

### 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.

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

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

### Post balance sheet events

There were no significant events after the balance sheet date.