



Pieno Žvaigždės, AB Confirmation of the Management

2008 11 28
Vilnius

Interim Financial Statements for the nine months 2008

We hereby confirm that to the best of our knowledge, the attached not audited Pieno žvaigždės, AB Interim Financial Statements for the nine 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 NINE MONTHS OF 2008

VILNIUS, NOVEMBER 2008



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Financial statements prepared according IFRS, not audited

1. Balance sheet

Thousand Lit	2008.09.30	2007.12.31
Assets		
Property, plant and equipment	234 680	239 047
Intangible assets	1 218	1 724
Investments available for sale	275	275
Long-term receivables	10 358	6 314
Deferred tax	-	-
Total non-current assets	246 531	247 360
Inventories	69 431	75 758
Receivables	62 851	50 809
Cash and cash equivalents	2 612	2 702
Total current assets	134 894	129 269
Total assets	381 425	376 629
Equity		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	(4 108)	(4 108)
Reserves	29 037	28 294
Retained earnings	40 128	52 875
Total equity	146 508	158 512
Liabilities		
Government grants	3 101	2 083
Interest-bearing loans and borrowings	165 012	99 366
Deferred tax	1 050	1 050
Total non-current liabilities	169 163	102 499
Provisions	-	870
Interest-bearing loans and borrowings	11 068	60 071
Income tax payable	0	3 790
Trade and other amounts payable	54 686	50 887
Total current liabilities	65 754	115 618
Total liabilities	234 917	218 117
Total equity and liabilities	381 425	376 629



2. Income statement

Thousand Litas	2008.01.01 - 2008.09.30	2007.01.01 - 2007.09.30
Revenue	505 744	501 600
Cost of sales	(426 024)	(396 720)
Gross profit	79 720	104 880
Other operating income, net	6 673	851
Sales and administrative expenses	(78 345)	(68 305)
Operating profit before finance costs	8 048	37 426
Finance income	399	248
Finance expenses	(8 307)	(6 679)
Finance income/expenses, net	(7 908)	(6 431)
Profit before tax	140	30 995
Corporate income tax	(21)	(5 579)
Profit for the year	119	25 416
Earnings per share (Litas)	0,00	0,47

Thousand Litas	2008.07.01 - 2008.09.30	2007.07.01 2007.09.30
Revenue	172 445	191 888
Cost of sales	(141 886)	(146 757)
Gross profit	30 559	45 131
Other operating income, net	6 231	454
Sales and administrative expenses	(23 698)	(23 842)
Operating profit before finance costs	13 092	21 743
Finance income	176	86
Finance expenses	(2 839)	(2 438)
Finance income/expenses, net	(2 663)	(2 352)
Profit before tax	10 429	19 391
Corporate income tax	(21)	(3 684)
Profit for the year	10 408	15 707
Earnings per share (Litas)	0,19	0,29



3. Cash flow statement

Thousand Litas	2008.09.30	2007.09.30
Cash flows from operating activities		
Profit before tax	140	30 995
Adjustments:		
Depreciation and amortisation	32 806	29 209
Amortisation of government grants	(1 493)	(1 530)
Unrealised gain/loss on foreign currency exchange	205	161
Interest income/expenses, net	7 703	6 270
Cash flows from ordinary activities before changes in the working capital	39 361	65 105
Change in inventories	6 327	(11 627)
Change in receivables	(16 291)	3 930
Change in trade and other payable amounts	(1 002)	2 197
Cash flows from operating activities	28 395	59 605
Interest paid	(7 703)	(6 270)
Profit tax paid		0
Net cash flow from operating activities	20 692	53 335
Cash flows from investing activities		
Acquisition of property, plant and equipment	(33 465)	(57 636)
Acquisition of intangible assets	(46)	(230)
Proceeds on sale of property	5 578	1 472
Proceeds on disposal of investments held for sale		0
Net cash flow used in investing activities	(27 933)	(56 394)
Cash flows from financing activities		
Loans received	24 845	21 246
Repayment of borrowings	(12 263)	(22 143)
Issue (redemption) of shares	-	0
Dividends paid	(12 014)	(10 780)
Payment of finance lease liabilities	4 062	17 188
Government grants received	2 511	
Net cash from/(used in) financing activities	7 141	5 511
Change in cash and cash equivalents	(100)	2 452
Cash and cash equivalents at 1 January	2 702	1 407
Cash and cash equivalents at 30 September	2 602	3 859

**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 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						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	54 205	27 246	(1 108)	5 420	3 602	3 700	44 931	137 996
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	54 205	27 246	(4 108)	5 420	19 174	3 700	52 875	158 512
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)		2 249	(109)
Net profit for 2008							119	119
As at 30 September 2008	54 205	27 246	(4 108)	5 420	16 816	6 800	40 129	146 508



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 - 2008.09.30	2007.01.01 - 2007.09.30
Sales, Thousand Litas	505 744	501 600
Gross profit, Thousand Litas	79 720	104 880
EBITDA, Thousand Litas	39 362	65 105
Current ratio (at the end of period)	2,02	1,99
Book value per share (at the end of period)	2,70	2,55
Net profit per share	0,00	0,47

Ratios	2008.07.01 - 2008.09.30	2007.07.01 - 2007.09.30
Sales, Thousand Litas	172 445	191 888
Gross profit, Thousand Litas	30 559	45 131
EBITDA, Thousand Litas	23 509	31 510
Current ratio (at the end of period)	2,02	1,99
Book value per share (at the end of period)	2,70	2,55
Net profit per share		

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	2008.09.30	2007 12 31
Raw materials	18 109	17 408
Stored production	51 184	58 156
Goods for resale	138	194
Total:	69 431	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 - 2008.09.30	2007.01.01 - 2007.09.30
Lithuania	268 933	252 702
Russia	170 316	152 113
EU, other countries	66 495	96 785
Total:	505 744	501 600

Sales, Thousand Litas	2008.07.01 - 2008.09.30	2007.07.01 - 2007.09.30
Lithuania	91 190	88 787
Russia	62 113	40 760
EU, other countries	19 142	62 341
Total:	172 445	191 888

Post balance sheet events

There were no significant events after the balance sheet date.