



**Pieno Žvaigždės, AB
Confirmation of the Management**

Vilnius, August 2010

Financial statements and the Report for the 6 months 2010

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 2010 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 2010 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 2010

VILNIUS, AUGUST 2010

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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 2010.

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	Perkūnkiemio str. 3, LT-12127 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 agreement with the financial brokerage company AB Finasta (Maironio str. 11, Vilnius, telephone 1813, telephone number from abroad +370 5 203 2233, fax +370 5 203 2244 e-mail info@finasta.com) concerning management of securities accounting.

6. Shareholders

The Company had 4.322 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 SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	9 249 248	17,06	17,58
UAB "AGROLITAS IMEKS LESMA" LAISVĖS PR.125, VILNIUS, ĮM.K. 2191855	8 008 067	14,77	15,22
SWEDFUND INTERNATIONAL SVEAVAGEN 24-26, BOX 3286, SE-103 65 STOCKHOLM, SWEDEN	4 700 000	8,67	8,93
ŽŪKB "SMILGELĖ" J.TUMO VAIŽGANTO 8/27-3. VILNIUS, ĮM.K. 2490652	5 733 908	10,58	10,90
Kvaraciejus Julius	7 081 907	13,06	13,46/29,38
Kvaraciejienė Regina	2 246 959	4,14	4,27/29,38
Klovas Voldemaras	2 170 248	4,00	4,13/29,38
Smagin Aleksandr	2 547 123	4,7	4,84/29,38

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 NASDAQ OMX Vilnius Stock Exchange.

Type of shares – Ordinary registered shares;

Number of shares – 54 205 031;

Total nominal value – 54 205 031 Lt;

ISIN code – LT0000111676;

7.2. Currently the Company has no debt securities issues.

7.3. By the end of the six months of 2010 the company had 1 607 511 own shares. On the 7th July 2010 the company additionally bought 1.500.00 shares. After this share buy back the company has 3.107.511 own shares.

8. Staff

	2010 06 30	2009 06 30
Average number of employees	2.235	2 475
With university education	426	419
With further education	680	761
With secondary education	943	1 093
With not completed secondary education	186	202
Average payroll, litas	2010 06 30	2009 06 30
Managers	5.597	6 063
Specialists	2.581	2 732
Workers	2.031	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	7 081 907	13,06%	2008 12 02	2012 12 02
Voldemaras Klovas	member	2 170 248	4,00%	2008 12 02	2012 12 02
Aleksandr Smagin	member	2.547.123	4,70%	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 2010 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 2010.

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

03.08.2010 Pieno Zvaigzdes AB, unaudited financial results for the first 6 months of 2010

Based on preliminary unaudited results Company's sales over first half year 2010 accounted to LTL 273.4 million (EUR 79.2 million), 9% less compared to a year ago. Sales resulted in LTL 299.9 million (EUR 86.9 million) over I half year 2009. High raw milk price and vague export markets had the major impact on Company's financial results. Export sales decreased by 16% compared to a year ago to LTL 127 million (EUR 36.8 million) and accounted to 46% of total proceeds over the period.

Over first half of the year Company's EBITDA accounted to LTL 20.8 million (EUR 6.0 million), operating cash flows accounted to LTL 37.5 million (EUR 10.9 million), the Company reported a loss of LTL 0.8 million (EUR 0.2 million) compared to net profit of LTL 6.6 million (EUR 1.9 million) earned over I half year 2009.

However the II quarter of 2010 generated a profit of LTL 4.4 million (EUR 1.3 million).

The Company's Board is positive of financial result reached in I half year 2010 taking into account difficult start of the year, untypically high raw milk price, lower export proceeds balanced by implementation of cost optimisation program and maintained stable level of financial debt.

With respect to financial results reported in I half year 2010 and expected market trends in II half year 2010 the Company's management is staying with the initial forecast for year end 2010



results: expected sales of LTL 625 million (EUR 181 million), expected net margin between 2 - 3%.

30.06.2010 Pieno Zvaigzdes AB, share buy back

Pieno Zvaigzdes AB finished the share buy back through a way of official offer at NASDAQ OMX Vilnius.

Share buy back started: 7 June 2010.

Share buy back ended: 30 June 2010.

Share buy back price: LTL 4.00 per share.

Max quantity of shares to be bought back: 1,500,000.

Actual quantity of bought back shares: 1,500,000.

20.04.2010 Resolutions of Annual General Shareholders' meeting of Pieno zvaigzdes AB

Annual General Shareholders' Meeting of Pieno Zvaigzdes AB (registered address Perkunkiemio 3, company code 1246 65536, VAT No. LT 246655314) took place on 20 April 2010 at 11:00 am at Perkunkiemio 3 in Vilnius.

Agenda of the Meeting:

1. Annual Report.
2. Audit report on the company's financial accounts and the Annual Report.
3. Approval of the IAS accounts 2009.
4. Profit distribution.
5. Share buy back.
6. Regulations of the Audit Committee.
7. Election of the members to the Audit Committee.

Resolutions by the Annual General Meeting of Shareholders on 20 April 2010:

1. Listened to the Annual Report.
2. Listened to the Audit report on the company's financial accounts and the Annual Report.
3. Approved IAS accounts for 2009.
4. Approved Profit distribution:

Profit distribution:

- dividends 12.097.429,60 LTL (3.503.657,78 EUR)
- shares buy back reserve 6.000.000 LTL (1.737.720 EUR)
- management board bonus 330.000 LTL (95.575 EUR)
- social activities reserve 370.000 LTL (107.159 EUR)

Profit carried forward 32.713.403 LTL (9.474.456 EUR)

5. Approved share buy back decision:

5.1 Buy back the shares of Pieno Zvaigzdes AB through the submarket of official proposal at NASDAQ OMX AB Vilnius, in accordance to the rules governing this market, without approving the circular at Securities Commission.

a) The purpose of share buy back- to stabilize the Company's share price, increase liquidity of shares and avoid losses due to decreased share price;

b) The maximum number of shares to be purchased - the nominal value of shares to be purchased altogether with already purchased shares shall not exceed 1/10 of nominal 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 purchased - 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 purchased - 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 selling own shares and the minimum selling price: the minimum 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 such auction timing and the order by registered letter or through public announcement.

5.2 According to the decision of this Annual General Shareholders' Meeting and Article No. 54 of Joint Stock Companies Law of Republic of Lithuania, the CEO is authorised to take all decisions, related to share buy back timing, determining price as well as decisions on acquired shares selling time, price and order as well as to solve any other issues, which are not covered by this authorisation.

6. Approved Rules and Regulations of the Audit Committee.

7. Violeta Liutkuviene and Ricardas Bagdonas elected to the Audit Committee for the one year term.

20.04.2010 Pieno Zvaigzdes AB, unaudited financial results for the first 3 months of 2010

Restrictions in export markets resulted in lower performance

Based on preliminary unaudited results Company's sales over first three months in 2010 reached LTL 124.4 million (EUR 36.0 million), 13% less compared to a year ago (Sales resulted in LTL 143.6 million (EUR 41.6 million) in I quarter 2009). Temporary restrictions in export markets (restricted exports of dairy products to Russian Federation in January, February 2010), high raw milk price and lower product prices had the major impact on Company's financial results. Export sales decreased by 25% compared to a year ago to LTL 53.8 million (EUR 15.6 million) and accounted to 43% of total proceeds over the period.

I quarter 2010 Company's EBITDA accounted to LTL 6.2 million (EUR 1.8 million), operating cash flows accounted to LTL 25.1 million (EUR 7.3 million), the Company reported a loss of LTL 5.2 million (EUR 1.5 million) compared to net profit of LTL 3.9 million (EUR 1.1 million) earned in I quarter 2009.

The Company's Board is positive of financial result reached in I quarter 2010 taking into account increased raw material price, restrictions in export markets, implementation of cost optimisation program and reduced financial debt.

With respect to financial results reported in I quarter and expected market trends in II quarter 2010 the Company's management is amending forecast for year end 2010 results: expected sales of LTL 625 million (EUR 181.0 million), expected net margin just below 3%.



14. Future plans

AB Pieno Zvaigzdes have set the followings goals for the 2010:

- To reach the turnover of 625 million LTL;
- To achieve net profitability of 2% - 3%;

15. FINANCIAL STATEMENTS

Prepared according to IFRS, not audited

15.1. Balance sheet

Thousand Lit	2010.06.30	2009.12.31
Assets		
Property, plant and equipment	202 610	218 337
Intangible assets	1 382	895
Investments available for sale	275	275
Long-term receivables	1 146	1 001
Deferred tax		
Total non-current assets	205 413	220 508
Inventories	42 388	39 239
Receivables	56 156	69 339
Cash and cash equivalents	1 876	6 136
Total current assets	100 420	114 714
Total assets	305 833	335 222
Equity		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	(6 108)	(6 108)
Reserves	26 656	27 093
Retained earnings	33 617	46 376
Total equity	135 616	148 812
Liabilities		
Government grants	5 295	3 394
Interest-bearing loans and borrowings	32 756	32 311
Deferred tax	2 160	2 160
Total non-current liabilities	40 211	37 865
Provisions	-	-
Interest-bearing loans and borrowings	68 394	95 451
Income tax payable	1 731	4 384
Trade and other amounts payable	59 881	48 710
Total current liabilities	130 006	148 545
Total liabilities	170 217	186 410
Total equity and liabilities	305 833	335 222



15.2. Income statement

Thousand Litas	2010.01.01 - 2010.06.30	2009.01.01 - 2009.06.30
Revenue	273 426	299 891
Cost of sales	(227 765)	(236 636)
Gross profit	45 661	63 255
Other operating income, net	322	265
Sales and administrative expenses	(45 159)	(50 394)
Operating profit before finance costs	824	13 126
Finance income	266	616
Finance expenses	(1 801)	(4 958)
Finance income/expenses, net	(1 535)	(4 342)
Profit before tax	(711)	8 784
Corporate income tax	(58)	(2 164)
Profit for the year	(769)	6 620
Earnings per share (Litas)	- 0,01	0,12

Thousand Litas	2010.04.01 - 2010.06.30	2009.04.01 - 2009.06.30
Revenue	149 034	156 284
Cost of sales	(121 020)	(123 499)
Gross profit	28 014	32 785
Other operating income, net	216	125
Sales and administrative expenses	(23 154)	(27 125)
Operating profit before finance costs	5 076	5 785
Finance income	150	315
Finance expenses	(773)	(2 233)
Finance income/expenses, net	(623)	(1 918)
Profit before tax	4 453	3 867
Corporate income tax	(58)	(1 180)
Profit for the year	4 395	2 687
Earnings per share (Litas)	0,08	0,05

15.3. Cash flows statement

Thousand Lit	2010.06.30	2009.06.30
Cash flows from operating activities		
Net profit	(711)	6.620
Adjustments:		
Depreciation and amortisation	20.351	21.370
Amortisation of government grants	(348)	(203)
Result of disposal of property, plant and equipment	38	88
Change in vacation reserve	-	235
Change in impairment loss of inventories	-	2.034
Interest income/expenses, net	1.436	4.135
Cash flows from ordinary activities before changes in the working capital	20.766	34.279
Change in inventories	(3.150)	13.830
Change in receivables	13.788	132
Change in trade and other payable amounts	8.519	(808)
Cash flows from operating activities	39.923	47.433
Interest paid	(1.571)	(4.589)
Income tax paid	(808)	(100)
Net cash flow from operating activities	37.544	42.744
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5.090)	(23.019)
Acquisition of intangible assets	(645)	(50)
Proceeds on sale of property, plant and equipment	259	511
Interest received	135	454
Net cash flow used in investing activities	(5.341)	(22.104)
Cash flows from financing activities		
Loans received	13.720	9.223
Repayment of borrowings	(31.958)	(12.998)
Issue (redemption) of shares	-	(2.000)
Dividends paid	(12.098)	(5.917)
Payment of finance lease liabilities	(8.375)	(7.783)
Government grants received	2.248	-
Net cash from/(used in) financing activities	(36.463)	(19.475)
Change in cash and cash equivalents	(4.260)	1.165
Beginning cash	6.136	1.907
Ending cash	1.876	3.072

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 2009	54 205	27 246	(4 108)	5 420	16 538	6 800	36 063	142 164
Profit allocation						(550)	550	0
Dividends							(5 917)	(5 917)
Acquisition of own shares			(2 000)					(2 000)
Revaluation of fixed assets								0
Depreciation of revaluated part					(558)		558	0
Net profit for 2009							6 620	6 620
As at 30 June 2009	54 205	27 246	(6 108)	5 420	15 980	6 250	37 874	140 867
As at 1 July 2009	54 205	27 246	(6 108)	5 420	15 980	6 250	37 874	140 867
Profit allocation								0
Dividends								0
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(557)		557	0
Net profit for 2009							7 945	7 945
As at 31 December 2009	54 205	27 246	(6 108)	5 420	15 423	6 250	46 376	148 812
As at 1 January 2010	54 205	27 246	(6 108)	5 420	15 423	6 250	46 376	148 812
Profit allocation						120	(450)	(330)
Dividends							(12 098)	(12 098)
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(558)		558	0
Net profit for 2010							(769)	(769)
As at 30 June 2010	54 205	27 246	(6 108)	5 420	14 865	6 370	33 617	135 615

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 NASDAQ OMX 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	2010.01.01 - 2010.06.30	2009.01.01 - 2009.06.30
Sales, Thousand Litas	273 426	299 891
Gross profit, Thousand Litas	45 660	63 255
EBITDA, Thousand Litas	20 827	34 293
Current ratio (at the end of period)	0,8	0,9
Book value per share (at the end of period), LTL	2,50	2,60
Net profit per share	-0,01	0,12

Ratios	2010.04.01 - 2010.06.30	2009.04.01 - 2009.06.30
Sales, Thousand Litas	149 034	156 284
Gross profit, Thousand Litas	28 014	32 785
EBITDA, Thousand Litas	14 658	16 435
Current ratio (at the end of period)	0,8	0,9
Book value per share (at the end of period), LTL	2,50	2,60
Net profit per share	0,08	0,05

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

	2010.06.30	2009.12.31
Raw materials	15 450	14 298
Stored production	26 839	24 775
Goods for resale	99	166
Total:	42 388	39 239

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.

Sales, Thousand Litas

	2010.01.01 - 2010.06.30	2009.01.01 - 2009.06.30
Lithuania	146 496	149 638
Russia	83 614	113 398
EU, other countries	43 316	36 855
Total:	273 426	299 891

**Sales, Thousand Lit**

	2010.04.01 - 2010.06.30	2009.04.01 - 2009.06.30
Lithuania	75 902	77 559
Russia	53 057	57 899
EU, other countries	20 075	20 826
Total:	149 034	156 284

Post balance sheet events

By the end of the six months of 2010 the company had 1 607 511 own shares. On the 7th July 2010 the company additionally bought 1.500.00 shares. After this share buy back the company has 3.107.511 own shares.

There were no more significant events after the balance sheet date.