



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

Vilnius, August 2011

Financial statements and the Report for the 6 months 2011

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 2011 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 2011 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 2011

VILNIUS, AUGUST 2011

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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 2011.

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

At the end of June 2011 the Company had 3 685shareholders.

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	9 059 511	16.71	17.89
UAB "AGROLITAS IMEKS LESMA" LAISVĖS PR.125, VILNIUS, ĮM.K. 2191855	6 778 360	12.50	13.39
SWEDFUND INTERNATIONAL SVEAVAGEN 24-26, BOX 3286, SE-103 65 STOCKHOLM, SWEDEN	4 700 000	8.67	9.28
ŽŪKB "SMILGELĖ" J.TUMO VAIŽGANTO 8/27-3. VILNIUS, ĮM.K. 2490652	6 237 805	11.51	12.32
Kvaraciejus Julius	7 081 907	13.06	13.99 / 31,93
Kvaraciejienė Regina	2 246 959	4.14	4,46 / 31,93
Klovas Voldemaras	2 842 567	5.24	5,61 / 31,93
Klovienė Danutė	1 091 691	2.01	2,15 / 31,93
Smagin Aleksandr	2 547 123	4.70	5.03 / 31,93
Gžegož Rogoža a.k. 37310240146	46 150	0,09	0,09 / 31.93

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;

All information about Pieno zvaigzdes, AB securities trading available on [Nasdaq OMX Vilnius](#) stock exchange site.

7.2. Currently the Company has no debt securities issues.

7.3. By the end of the six months of 2011 the company has bought 3 507 612 own shares.

8. Staff

	2011 06 30	2010 06 30
Average number of employees	2 220	2.235
With university education	424	426
With further education	677	680
With secondary education	939	943
With not completed secondary education	180	186
Average payroll, litas	2011 06 30	2010 06 30
Managers	6 766	5.597
Specialists	2 829	2.581
Workers	2 119	2.031

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	2 842 567	5.24	2008 12 02	2012 12 02
Aleksandr Smagin	member	2.547.123	4,70	2008 12 02	2012 12 02
Gžegož Rogoža	member	46 150	0.09	2011 04 28	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 2011 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 2011.

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

2011-05-31 Pieno zvaigzdes AB, not audited financial results for the first three months of 2011

Based on preliminary unaudited results Company's sales over three months in 2011 accounted to LTL 165.3 million (EUR 47.9 million), 33% better compared to a year ago, Sales resulted in LTL 124.4 million (EUR 36.0 million) over three months in 2010. Both increasing product sales prices and high demand in export markets had the major impact on Company's financial results in 2011. Export volumes increased by 33% and generated proceeds of LTL 87.5 million (EUR 25.3 million) compared to LTL 53.8 million (EUR 15.6 million) a year ago and accounted to 53% of total proceeds over the period.

Over the three months of the year Company's EBITDA accounted to LTL 17.1 million (EUR 4.9 million), the Company earned a profit of LTL 6.7 million (EUR 1.9 million) compared to a loss of LTL 4.4 million (EUR 1.3 million) over same period in 2010. This year, similar to last year, profits were generated only due to successful exports.

The Company's Board is positive of financial result reached over the three months in 2011 taking into account untypically high raw milk price and difficulties in the domestic market coupled with constant implementations of cost optimisation programs and maintained stable level of financial debt.

2011-04-28 RESOLUTIONS AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

No	Agenda	Resolution
1.	Annual Report.	Listened.
2.	Audit report on the company's financial accounts and the Annual Report	Listened.
3.	Approval of the IAS accounts 2010.	Approved Company's audited accounts 2010
4.	Profit distribution and establishment of reserves	Approved profit distribution and establishment of reserves of Pieno Zvaigzdes. (Profit distribution attached)
5.	Increase of share capital of Pieno Zvaigzdes, class of the new issue of shares, number, par value and acquisition price	Not approved decision to increase share capital of Pieno Zvaigzdes from 54 205 031 Litass to 58 205 031 Litass through a new stock issue of 4 000 000 common shares at par value of 1 Litass per share.
6.	Amendment of the Articles of Association and approval of the new wording	Not approved decision to change Articles of Association.
7.	Election of the Board Member	Gžegož Rogoža elected as new Board member instead of resigned Linas Sasnauskas.
8.	Election of the Audit Committee members	Violeta Liutkuvienė and Ričardas Bagdonas (independent member) elected to the Audit Committee for the next year.
9.	Election of Audit company	KPMG Baltics elected as an auditor for the next two years.

APPROPRIATION OF PROFIT (Approved at the annual shareholders meeting, April 28, 2011)

Items	Amount (in Litass)	Amount (in EUR)
Profit (loss) brought forward from the end of previous year	24.488.037	7.092.226
Financial year profit (loss)	18.570.344	5.378.343
Profit (loss) to be appropriated	43.058.381	12.470.569
Transfers from reserves	370.000	107.159
Profit to be appropriated	43.428.381	12.577.729
Appropriation of profit:		
– <i>dividends</i> *	24.810.865	7.185.723
– <i>management board bonus</i>	420.000	121.640
– <i>to social activities reserve</i>	1.000.000	289.620
Profit (loss) to be carried forward at the end of the financial year	17.197.516	4.980.745

* 0,49 LTL (0,14 EUR) per share.



28.02.2011 Pieno zvaigzdes AB, not audited financial results for the 12 months 2010

Revenues for the year 2010 reached 620.3 million LTL (179.7 million EUR) and have decreased by 0.4% compare to the revenues of 622.5 million LTL (180.3 million EUR) a year ago.

EBITDA for the year 2010 reached 64.0 million LTL (18.5 million EUR) and have decreased by 7.0% compare to 68.8 million LTL (19.9 million EUR) a year ago.

Net profit for the year 2010 was 18.6 million LTL (5.4 million EUR) and has increased by 27.5% compare to 14.6 million LTL (4.2 million EUR) a year ago.

28.02.2011 Pieno zvaigzdes AB, expected financial results for the year 2011

Company's management forecasts 2011 year end results:

Expected sales close to LTL 700 million (close to 203 million EUR);

Expected EBITDA profitability around 11%;

Expected net margin around 4%.

17.01.2011 Resolution by Pieno Zvaigzdes AB re share buy back

Vilnius, Lithuania, 2011-01-17 16:00 CET (GLOBE NEWSWIRE) -- As per resolution by the General Meeting of Shareholders' of Pieno Zvaigzdes AB, the company initiates buy back of its own common shares of LTL 1 par value. The share buyback is decided through a way of official offer at NASDAQ OMX Vilnius. Share sale offers are accumulated through entire sale term. Should sale offers exceed share buy back in quantity, all offers are reduced in proportion.

Share buyback starts: 20 January 2011.

Share buyback ends: 8 February 2011.

Max quantity of shares to be bought back: 1,492,585.

Share buyback price: LTL 5.20 (1,506 EUR) per share.

14. Future plans

AB Pieno Zvaigzdes have set the followings goals for the 2011:

- Expected sales close to LTL 700 million (close to 203 million EUR);
- Expected EBITDA profitability around 11%;
- Expected net margin around 4%.

15. FINANCIAL STATEMENTS

Prepared according to IFRS, not audited

15.1. Balance sheet

Thousand Lit	2011.06.30	2010.12.31
Assets		
Property, plant and equipment	187 209	191 762
Intangible assets	1 071	1 199
Investments available for sale	275	275
Long-term receivables	388	1 108
Deferred tax		
Total non-current assets	188 943	194 344
Inventories	62 887	60 322
Receivables	68 491	67 587
Cash and cash equivalents	1 999	3 582
Total current assets	133 377	131 491
Total assets	322 320	325 835
Equity		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	(14 435)	(14 349)
Reserves	37 377	36 884
Retained earnings	28 808	43 058
Total equity	133 201	147 044
Liabilities		
Government grants	4 352	4 859
Interest-bearing loans and borrowings	41 610	41 610
Deferred tax	2 010	2 010
Total non-current liabilities	47 972	48 479
Provisions	-	-
Interest-bearing loans and borrowings	74 847	71 591
Income tax payable	2 618	2 368
Trade and other amounts payable	63 682	56 353
Total current liabilities	141 147	130 312
Total liabilities	189 119	178 791
Total equity and liabilities	322 320	325 835



15.2. Income statement

Thousand Litas	2011.01.01 - 2011.06.30	2010.01.01 - 2010.06.30
Revenue	337 220	273 426
Cost of sales	(273 739)	(227 765)
Gross profit	63 481	45 661
Other operating income, net	172	322
Sales and administrative expenses	(48 727)	(45 159)
Operating profit before finance costs	14 926	824
Finance income	79	266
Finance expenses	(2 001)	(1 801)
Finance income/expenses, net	(1 922)	(1 535)
Profit before tax	13 004	(711)
Corporate income tax	(1 951)	(58)
Profit for the year	11 053	(769)
Earnings per share (Litas)	0,20	- 0,01

Thousand Litas	2011.04.01 - 2011.06.30	2010.04.01 - 2010.06.30
Revenue	171 918	149 034
Cost of sales	(141 298)	(121 020)
Gross profit	30 620	28 014
Other operating income, net	109	216
Sales and administrative expenses	(24 587)	(23 154)
Operating profit before finance costs	6 142	5 076
Finance income	24	150
Finance expenses	(1 020)	(773)
Finance income/expenses, net	(996)	(623)
Profit before tax	5 146	4 453
Corporate income tax	(772)	(58)
Profit for the year	4 374	4 395
Earnings per share (Litas)	0,08	0,08



15.3. Cash flows statement

Thousand Lit	2011.06.30	2010.06.30
Cash flows from operating activities		
Net profit	11.053	(711)
Adjustments:		
Depreciation and amortisation	16.664	20.351
Amortisation of government grants	(506)	(348)
Result of disposal of property, plant and equipment	(96)	38
Change in vacation reserve	586	-
Income tax	1.950	-
Interest income/expenses, net	1.898	1.436
Cash flows from ordinary activities before changes in the working capital	31.549	20.766
Change in inventories	(2.565)	(3.150)
Change in receivables	1.466	13.788
Change in trade and other payable amounts	4.626	8.519
Cash flows from operating activities	35.076	39.923
Interest paid	(1.898)	(1.571)
Income tax paid	(1.649)	(808)
Net cash flow from operating activities	31.529	37.544
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12.172)	(5.090)
Acquisition of intangible assets	(46)	(645)
Proceeds on sale of property, plant and equipment	116	259
Interest received		135
Net cash flow used in investing activities	(12.102)	(5.341)
Cash flows from financing activities		
Loans received	13.052	13.720
Repayment of borrowings	(4.096)	(31.958)
Issue (redemption) of shares	(86)	-
Dividends paid	(24.182)	(12.098)
Payment of finance lease liabilities	(5.698)	(8.375)
Government grants received	-	2.248
Net cash from/(used in) financing activities	(21.010)	(36.463)
Change in cash and cash equivalents	(1.583)	(4.260)
Beginning cash	3.582	6.136
Ending cash	1.999	1.876



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 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
As at 1 July 2010	54 205	27 246	(6 108)	5 420	14 865	6 370	33 617	135 615
Profit allocation						10 000	(9 670)	330
Dividends								0
Acquisition of own shares			(8 241)					(8 241)
Revaluation of fixed assets								0
Depreciation of revaluated part					228		(228)	0
Net profit for 2010							19 339	19 339
As at 31 December 2010	54 205	27 246	(14 349)	5 420	15 093	16 370	43 058	147 043
As at 1 January 2011	54 205	27 246	(14 349)	5 420	15 093	16 370	43 058	147 043
Profit allocation						1 050	(1 050)	0
Dividends							(24 810)	(24 810)
Acquisition of own shares			(86)					(86)
Revaluation of fixed assets								0
Depreciation of revaluated part					(557)		557	0
Net profit for 2011							11 054	11 054
As at 30 June 2011	54 205	27 246	(14 435)	5 420	14 536	17 420	28 809	133 201

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	2011.01.01 - 2011.06.30	2010.01.01 - 2010.06.30
Sales, Thousand Litas	337 220	273 426
Gross profit, Thousand Litas	63 481	45 661
EBITDA, Thousand Litas	31 084	20 827
Current ratio (at the end of period)	0,9	0,8
Book value per share (at the end of period), LTL	2,46	2,50
Net profit per share	0,20	-0,01

Ratios	2011.04.01 - 2011.06.30	2010.04.01 - 2010.06.30
Sales, Thousand Litas	171 918	149 034
Gross profit, Thousand Litas	30 620	28 014
EBITDA, Thousand Litas	14 032	14 658
Current ratio (at the end of period)	0,9	0,8
Book value per share (at the end of period), LTL	2,46	2,50
Net profit per share	0,08	0,08

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	2011.06.30	2010.12.31
Raw materials	17 446	17 140
Stored production	45 176	43 027
Goods for resale	265	155
Total:	62 887	60 322

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	2011.01.01 - 2011.06.30	2010.01.01 - 2010.06.30
Lithuania	160 480	146 496
Russia	131 590	83 614
EU, other countries	45 150	43 316
Total:	337 220	273 426

**Sales, Thousand Lit**

	2011.04.01 - 2011.06.30	2010.04.01 - 2010.06.30
Lithuania	82 686	75 902
Russia	66 705	53 057
EU, other countries	22 527	20 075
Total:	171 918	149 034

Post balance sheet events

There were no significant events after the balance sheet date.