



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

Vilnius, August 2012

Financial statements and the Report for the 6 months 2012

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 2012 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 2012 prepared in accordance with IFRS, give true and fair view of the assets, liabilities, financial position, profit or loss and cash flows 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 2012

VILNIUS, AUGUST 2012

**TABLE OF CONTENT**

1. Accounting Period for which the present Report has been Prepared	3
2. Key Data on the Issuer.....	3
3. Type of the Issuer's main activities	3
4. The Issuer's authorized capital.....	3
5. Agreements with intermediaries of public trading in securities.....	3
6. Shareholders.....	4
7. Securities admitted to the trading lists of the stock exchanges	4
8. Staff	5
9. Change of the issuer's Articles of Association.....	5
10. Management:	5
11. Additional notes about financial statements	6
12. Information on the major related parties' transactions	6
13. Significant up-to-date developments in the issuer's performance	6
14. Future plans.....	10
15. FINANCIAL STATEMENTS.....	11
15.1. Balance sheet	11
15.2. Income statement	12
15.3. Cash flows statement.....	13
15.4. Statement on changes in equity	14
15.5. Notes to the financial statements.....	15



1. Accounting Period for which the present Report has been Prepared

The present Report has been prepared for the 6 months 2012.

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 July 2012 the Company had 3 625shareholders.

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	7 380 090	13.61	14.87
UAB "AGROLITAS IMEKS LESMA" LAISVĖS PR.125, VILNIUS, ĮM.K. 2191855	6 778 360	12.51	13.66
SWEDFUND INTERNATIONAL SVEAVAGEN 24-26, BOX 3286, SE-103 65 STOCKHOLM, SWEDEN	4 700 000	8.67	9.47
ŽŪKB "SMILGELĖ" J.TUMO VAIŽGANTO 8/27-3. VILNIUS, ĮM.K. 2490652	6 238 405	11.51	12.57
Kvaraciejus Julius	7 596 507	14.01	15.30 / 32.79
Kvaraciejienė Regina	2 152 359	3.97	4.34 / 32.79
Klovas Voldemaras	2 842 567	5.24	5.73 / 32.79
Klovienė Danutė	1 091 691	2.01	2.20 / 32.79
Smagin Aleksandr	2 547 123	4.70	5.13 / 32.79
Gžegož Rogoža a.k. 37310240146	46 150	0.09	0.09 / 32.79

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 2012 the company has bought 4 570 612 own shares.

**8. Staff**

	2012 06 30	2011 06 30
Average number of employees	2 266	2 220
With university education	440	424
With further education	686	677
With secondary education	960	939
With not completed secondary education	180	180
Average payroll, litas	2012 06 30	2011 06 30
Managers	6 149	6 766
Specialists	2 765	2 829
Workers	2 149	2 119

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 7 (seven) 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	-	-	2012 04 27	2016 04 26
Hans Mideus	member	-	-	2012 08 07	2016 04 26
Audrius Statulevičius	member	-	-	2012 04 27	2016 04 26
Julius Kvaraciejus	member	7 596 507	14.01	2012 04 27	2016 04 26
Voldemaras Klovas	member	2 842 567	5.24	2012 04 27	2016 04 26
Aleksandr Smagin	member	2 547 123	4.70	2012 04 27	2016 04 26
Gžegož Rogoža	member	46 150	0.09	2012 04 27	2016 04 26

**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 2012 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 2012.

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

2012-08-07 Resolutions of General Shareholders' meeting of Pieno zvaigzdes AB

Meeting of Shareholders of Pieno Zvaigzdes AB took place on 7 August 2012 at 10.00 am (at corporate headquarters at Perkunkiemis 3, Vilnius, Lithuania, company code 1246 65536, VAT code LT 246655314, data kept and stored at Legal Registrar) by the decision by the company's Board.

Resolutions

N o	Agenda	Resolutions
1.	Amendment of the Articles of Association and approval of the new wording	1.1. To approve the new versions of Sections 22 and 27 of the Articles of Association of the Company: "22. The Board is a collegial management body of the Company. The Board of the Company shall be formed from 7 (seven) members for the period of 4 (four) years. The Board shall elect the Chairman of the Board from the members. The fixed-term contracts shall be concluded with the members of the Board on the activities of the members in the Board, which stipulate their rights (including the right to the salary for the activities in the Board of the size indicated in the contract, as well as the material terms and conditions and measures usual in the



		<p>business practice of the legal entities of the respective size), positions and responsibility. The General Meeting of Shareholders shall establish the size of the salary of the members and the Chairman of the Board and appoint the person who is authorized to sign the contracts with the respective members of the Board in the name of the Company. The Board shall establish a particular salary of every member of the Board, taking into account the total amount given according to the decision of the General Meeting of Shareholders, as well as the principles of establishment of the salary, established by the General Meeting of Shareholders.”</p> <p>“27. Public notifications, to be announced according to the Company Law of the Republic of Lithuania and the other laws, shall be announced in an electronic publication for the announcement of public notifications according to the procedure and terms established by the Civil Code of the Republic of Lithuania, the Company Law of the Republic of Lithuania and the other legal acts, issued by the manager of the Register of Legal Entities. The notification of the summoning of the General Meeting of Shareholders shall be announced only according to the procedure established in the Law on Securities of the Republic of Lithuania in the Central Base of Regulated Information.”</p> <p>1.2. To approve the new version of the Articles of Association (enclosed). To authorize the Manager of the Company Aleksandr Smagin to sign the new version of the Articles of Association.</p>
2.	Election of the new Board member	To elect Hans Mideus to the Management Board.

2012-05-30 Pieno zvaigzdes AB, not audited financial results for the first three months of 2012

Based on preliminary unaudited results Company's sales over three months in 2012 accounted to LTL 157.9 million (EUR 45.7 million), 4.5% lower compare to a year ago. Sales resulted over three months in 2011 were LTL 165.3 million (EUR 47.9 million). Decrease of demand in export market had the major impact on Company's sales decrease in 2012. Export volumes decreased by 9% and generated proceeds of LTL 79.7 million (EUR 23.1 million) compared to LTL 87.5 million (EUR 25.3 million) a year ago and accounted to 50.5% of total proceeds over the period. Over the three months of the year Company's EBITDA accounted to LTL 13.8 million (EUR 4.0 million) and decreased by 19% compare with EBITDA of LTL 17.1 million (EUR 4.9 million) a year ago. The Company earned a net profit of LTL 4.3 million (EUR 1.2 million) or 35% less compared to a net profit of LTL 6.7 million (EUR 1.9 million) over same period in 2011.

2012-04-27 Resolutions of Annual General Shareholders' Meeting of Pieno Zvaigzdes AB

Annual Meeting of Shareholders of Pieno Zvaigzdes AB took place on 27 April 2012 at 11.00 am (at corporate headquarters at Perkunkiemo 3, Vilnius, Lithuania, company code 1246 65536,



VAT code LT 246655314, data kept and stored at Legal Registrar) by the decision by the company's Board.

RESOLUTIONS

N o	Agenda	Resolutions
1.	Annual Report.	Listened.
2.	Audit report on the company's financial accounts and the Annual Report	Listened.
3.	Approval of the IAS accounts 2011.	Approved Company's audited accounts 2011
4.	Profit distribution and establishment of reserves	Approved profit distribution and establishment of reserves of Pieno Zvaigzdes. (Profit distribution attached)
5.	Election of the Board	Elected members to the Board for the four years period: Paul Bergqvist (chairman of the board); Julius Kvaraciejus (board member); Aleksandr Smagin (board member) Voldemaras Klovas (board member); Gžegož Rogoža (board member); Audrius Statulevičius (board member)
6.	Election of the Audit Committee members	Elected members to the Audit Committee for the next year: Jūratė Zarankienė (independent member, chairman of the committee); Danutė Kairevičienė (member of the committee)
7.	Decrease of share capital of Pieno Zvaigzdes, voiding of the own bought shares	Decrease share capital of Pieno Zvaigzdes from 54 205 031 Litass to 49 634 419 Litass voiding 4 570 612 of own bought shares.
8.	Amendment of the Articles of Association and approval of the new wording	Approve the following amendments of the Articles of Association of Pieno Zvaigzdes: 11. Share capital of the Company is 49 634 419 (forty nine million six hundred thirty four thousand four hundred nineteen) Litass. 14. Share capital of the Company is divided into 49 634 419 (forty nine million six hundred thirty four thousand four hundred nineteen) common share. Approve new Articles of Association. <i>Authorise Company's CEO to sign new Articles of Association of Pieno Zvaigzdes</i>

**APPROPRIATION OF PROFIT**

(Approved at the annual shareholders meeting, April 27, 2012)

Items	Amount (in Litas)	Amount (in EUR)
Profit (loss) brought forward from the end of previous year	18.312.331	5.303.618
Financial year profit (loss)	25.685.108	7.438.921
Transfers from reserves	1.420.000	411.260
Profit to be appropriated	45.417.439	13.153.800
Appropriation of profit:		
– <i>dividends</i> *	24.817.210	7.187.561
– <i>management board bonus</i>	540.000	156.395
– <i>own shares buy back reserve</i>	10.000.000	2.896.200
– <i>to social activities reserve</i>	2.500.000	724.050
Profit (loss) to be carried forward at the end of the financial year	7.560.229	2.189.594

* 0,50 LTL (0,145 EUR) per share.

2012-02-29 Pieno žvaigždės AB, not audited financial results for the year 2011

Based on preliminary unaudited results Company's sales over year 2011 accounted to LTL 700.9 million (EUR 203.0 million) or 13% better compared to the sales of LTL 620.3 million (EUR 179.7 million) resulted in the year 2010. Increased demand in export markets had the major impact on Company's financial results in the year 2011. Export sales increased by 20% and generated proceeds of LTL 382.6 million (EUR 110.8 million) compared to LTL 319.3 million (EUR 92.5 million) a year ago and accounted to 54.6% of total proceeds over the period.

Company's EBITDA in the year 2011 accounted to LTL 66.5 million (EUR 19.3 million) and increased by 3.9% compared to EBITDA of LTL 64.0 million (EUR 18.5 million) a year ago. Over the year 2011 Company earned a net profit of LTL 25.7 million (EUR 7.4 million) which increased by 39% compared to a net profit of LTL 18.5 million (EUR 5.4 million) in 2010. This year, similar to last year, profits were generated mainly due to successful exports.

In the year 2012 the Company expects sales grow of about 5% and expects to maintain profitability in the same level as in 2011. In order to achieve these targets Company's Board approved investments in the year 2012 over LTL 40 million (EUR 11.6 million). All investments planned to the further modernization of production equipment and raw milk collection system to achieve further improvement of production quality.



2012-01-13 Pieno Zvaigzdes AB, share buy back

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

Share buy back started: 23 December 2011.

Share buy back ended: 6 January 2012.

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

Share buy back price: LTL 1.67 EUR per share.

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

Total quantity of company's bought back shares 4,570,612 or 8.43% of share capital.

14. Future plans

AB Pieno Zvaigzdes have set the followings goals for the 2012:

- Expected sales close to LTL 730 million (close to 211 million EUR);
- Expected EBITDA profitability around 10%;
- Expected net margin around 4%.

15. FINANCIAL STATEMENTS

Prepared according to IFRS, not audited

15.1. Balance sheet

Thousand Litas	2012.06.30	2011.12.31
Assets		
Property, plant and equipment	184 064	181 166
Intangible assets	784	899
Investments available for sale	275	276
Long-term receivables	428	126
Deferred tax		
Total non-current assets	185 551	182 467
Inventories	70 711	75 725
Receivables	78 289	73 238
Cash and cash equivalents	9 297	1 973
Total current assets	158 297	150 936
Total assets	343 848	333 403
Equity		
Share capital	54 205	54 205
Share premium	27 246	27 246
Own shares	(20 201)	(14 435)
Reserves	47 512	36 819
Retained earnings	15 113	43 997
Total equity	123 875	147 832
Liabilities		
Government grants	3 773	4 422
Interest-bearing loans and borrowings	125 602	92 078
Deferred tax	1 478	1 478
Total non-current liabilities	130 853	97 978
Provisions	-	-
Interest-bearing loans and borrowings	23 380	28 578
Income tax payable	2 571	1 402
Trade and other amounts payable	63 169	57 613
Total current liabilities	89 120	87 593
Total liabilities	219 973	185 571
Total equity and liabilities	343 848	333 403



15.2. Income statement

Thousand Litas	2012.01.01 - 2012.06.30	2011.01.01 - 2011.06.30
Revenue	360 913	337 220
Cost of sales	(299 353)	(273 739)
Gross profit	61 560	63 481
Other operating income, net	391	172
Sales and administrative expenses	(52 303)	(48 727)
Operating profit before finance costs	9 648	14 926
Finance income	111	79
Finance expenses	(1 963)	(2 001)
Finance income/expenses, net	(1 852)	(1 922)
Profit before tax	7 796	13 004
Corporate income tax	(1 170)	(1 951)
Profit for the year	6 626	11 053
Earnings per share (Litas)	0,12	0,20

Thousand Litas	2012.04.01 - 2012.06.30	2011.04.01 - 2011.06.30
Revenue	203 014	171 918
Cost of sales	(171 437)	(141 298)
Gross profit	31 577	30 620
Other operating income, net	253	109
Sales and administrative expenses	(28 190)	(24 587)
Operating profit before finance costs	3 640	6 142
Finance income	45	24
Finance expenses	(968)	(1 020)
Finance income/expenses, net	(923)	(996)
Profit before tax	2 717	5 146
Corporate income tax	(408)	(772)
Profit for the year	2 309	4 374
Earnings per share (Litas)	0,04	0,08



15.3. Cash flows statement

Thousand Lit	2012.06.30	2011.06.30
Cash flows from operating activities		
Net profit	6.626	11.053
Adjustments:		
Depreciation and amortisation	16.107	16.664
Amortisation of government grants	(648)	(506)
Result of disposal of property, plant and equipment	52	(96)
Change in vacation reserve	558	586
Income tax	1.873	1.950
Interest income/expenses, net	1.169	1.898
Cash flows from ordinary activities before changes in the working capital	25.737	31.549
Change in inventories	5.014	(2.565)
Change in receivables	(3.418)	1.466
Change in trade and other payable amounts	4.998	4.626
Cash flows from operating activities	32.331	35.076
Interest paid	(1.873)	(1.898)
Income tax paid	(1.934)	(1.649)
Net cash flow from operating activities	28.524	31.529
Cash flows from investing activities		
Acquisition of property, plant and equipment	(18.962)	(12.172)
Acquisition of intangible assets	(33)	(46)
Proceeds on sale of property, plant and equipment	52	116
Interest received		
Net cash flow used in investing activities	(18.943)	(12.102)
Cash flows from financing activities		
Loans received	37.326	13.052
Repayment of borrowings	(9.000)	(4.096)
Issue (redemption) of shares	(5.766)	(86)
Dividends paid	(24.817)	(24.182)
Payment of finance lease liabilities	-	(5.698)
Government grants received	-	-
Net cash from/(used in) financing activities	(2.257)	(21.010)
Change in cash and cash equivalents	7.324	(1.583)
Beginning cash	1.973	3.582
Ending cash	9.297	1.999



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 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
As at 1 July 2011	54 205	27 246	(14 435)	5 420	14 536	17 420	28 809	133 201
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 2011							14 631	14 631
As at 31 December 2011	54 205	27 246	(14 435)	5 420	13 979	17 420	43 997	147 832
As at 1 January 2012	54 205	27 246	(14 435)	5 420	13 979	17 420	43 997	147 832
Profit allocation						11 250	(11 250)	0
Dividends							(24 817)	(24 817)
Acquisition of own shares			(5 766)					(5 766)
Revaluation of fixed assets								0
Depreciation of revaluated part					(558)		558	0
Net profit for 2012							6 626	6 626
As at 30 June 2012	54 205	27 246	(20 201)	5 420	13 421	28 670	15 114	123 875

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	2012.01.01 - 2012.06.30	2011.01.01 - 2011.06.30
Sales, Thousand Litas	360 913	337 220
Gross profit, Thousand Litas	61 560	63 481
EBITDA, Thousand Litas	25 107	31 084
Current ratio (at the end of period)	1,8	0,9
Book value per share (at the end of period), LTL	2,29	2,46
Net profit per share	0,12	0,20

Ratios	2012.04.01 - 2012.06.30	2011.04.01 - 2011.06.30
Sales, Thousand Litas	203 014	171 918
Gross profit, Thousand Litas	31 576	30 620
EBITDA, Thousand Litas	11 302	14 032
Current ratio (at the end of period)	1,8	0,9
Book value per share (at the end of period), LTL	2,29	2,46
Net profit per share	0,04	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

	2012.06.30	2011.12.31
Raw materials	19 342	18 114
Stored production	50 497	57 356
Goods for resale	872	255
Total:	70 711	75 725

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

	2012.01.01 - 2012.06.30	2011.01.01 - 2011.06.30
Lithuania	166 917	160 479
Other EU countries	44 243	38 705
Other non EU countries	149 753	138 036
Total:	360 913	337 220

**Sales, Thousand Lit**

	2012.04.01 - 2012.06.30	2011.04.01 - 2011.06.30
Lithuania	88 687	82 684
Other EU countries	27 325	21 520
Other non EU countries	87 002	67 714
Total:	203 014	171 918

Post balance sheet events

There were no significant events after the balance sheet date.