



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

Vilnius, May 2017

**Interim financial statements for the three months 2017**

We, Aleksandr Smagin, Chief Executive Officer and Audrius Statulevicius, Chief Financial Officer, hereby confirm that, to the best of our knowledge, Interim Financial Statements of the three months of 2017 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 Statulevicius



# **PIENO ŽVAIGŽDĖS, AB**

## **INTERIM FINANCIAL STATEMENTS**

**For the three months 2017**

**VILNIUS, MAY 2017**



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Prepared according to IFRS, not audited

## 1. Statement of financial position

Thousand EUR	2017.03.31	2016.12.31
<b>Assets</b>		
Property, plant and equipment	45 142	48 589
Intangible assets	86	93
Investments available for sale	22	22
Long-term receivables	280	282
Deferred tax		
<b>Total non-current assets</b>	<b>45 530</b>	<b>48 986</b>
Inventories	14 246	12 633
Receivables	13 766	14 527
Cash and cash equivalents	282	841
<b>Total current assets</b>	<b>28 294</b>	<b>28 001</b>
<b>Total assets</b>	<b>73 824</b>	<b>76 987</b>
<b>Equity</b>		
Share capital	13 089	13 089
Share premium	7 891	7 891
Own shares	-	-
Reserves	2 130	4 938
Retained earnings	5 344	5 696
<b>Total equity</b>	<b>28 454</b>	<b>31 614</b>
<b>Liabilities</b>		
Government grants	649	689
Interest-bearing loans and borrowings	22 714	22 450
Deferred tax	858	858
<b>Total non-current liabilities</b>	<b>24 221</b>	<b>23 997</b>
Provisions		-
Interest-bearing loans and borrowings	6 441	6 343
Income tax payable	-	-
Trade and other amounts payable	14 708	15 033
<b>Total current liabilities</b>	<b>21 149</b>	<b>21 376</b>
<b>Total liabilities</b>	<b>45 370</b>	<b>45 373</b>
<b>Total equity and liabilities</b>	<b>73 824</b>	<b>76 987</b>

**2. Statement of comprehensive income**

Thousand EUR	<b>2017.01.01 - 2017.03.31</b>	<b>2016.01.01 - 2016.03.31</b>
Revenue	38 169	34 750
Cost of sales	(33 019)	(27 912)
<b>Gross profit</b>	<b>5 150</b>	<b>6 838</b>
Other operating income, net	87	46
Sales and administrative expenses	(6 246)	(7 787)
<b>Operating profit before finance costs</b>	<b>(1 009)</b>	<b>( 903)</b>
Finance income	123	55
Finance expenses	( 267)	( 483)
<b>Finance income/expenses, net</b>	<b>( 144)</b>	<b>( 428)</b>
<b>Profit before tax</b>	<b>(1 153)</b>	<b>(1 331)</b>
Corporate income tax	0	0
<b>Profit for the year</b>	<b>(1 153)</b>	<b>(1 331)</b>
Earnings per share (EUR)	- 0,02	- 0,03



### 3. Statement of cash flows

Thousand EUR	2017.03.31	2016.03.31
<b>Cash flows from operating activities</b>		
Net profit	(1 153)	(1 331)
Adjustments:		
Depreciation and amortisation	1 826	1 983
Amortisation of government grants	(40)	(67)
Change in vacation reserve	75	95
Change in impairment loss of inventories	(701)	852
Interest income/expenses, net	181	174
Income tax	-	-
<b>Cash flows from ordinary activities before changes in the working capital</b>	188	1 706
Change in inventories	(912)	(214)
Change in receivables	934	1 304
Change in trade and other payable amounts	(324)	(374)
<b>Cash flows from operating activities</b>	(114)	2 422
Interest paid	(181)	(174)
Income tax paid	0	0
<b>Net cash flow from operating activities</b>	(295)	2 248
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(731)	(1 838)
Acquisition of intangible assets	-	(24)
Proceeds on sale of property, plant and equipment	30	-
Interest received	9	-
<b>Net cash flow used in investing activities</b>	(692)	(1 862)
<b>Cash flows from financing activities</b>		
Loans received	1 931	376
Repayment of borrowings	(1 503)	(1 000)
Issue (redemption) of shares	-	-
Dividends paid	-	-
<b>Net cash from/(used in) financing activities</b>	428	(624)
Change in cash and cash equivalents	(559)	(238)
Beginning cash	841	551
<b>Ending cash</b>	282	313



## 4. Statement on changes in equity

Thousand EUR	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation on reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2016	<b>14 394</b>	<b>7 891</b>	<b>(6 660)</b>	<b>1 570</b>	<b>3 088</b>	<b>7 460</b>	<b>4 437</b>	<b>32 180</b>
Profit allocation								0
Dividends								0
Change of share capital								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(71)		71	0
Other income								0
Net profit for 2016							(1 331)	(1 331)
As at 31 March 2016	<b>14 394</b>	<b>7 891</b>	<b>(6 660)</b>	<b>1 570</b>	<b>3 017</b>	<b>7 460</b>	<b>3 177</b>	<b>30 849</b>
As at 1 April 2016	<b>14 394</b>	<b>7 891</b>	<b>(6 660)</b>	<b>1 570</b>	<b>3 017</b>	<b>7 460</b>	<b>3 177</b>	<b>30 849</b>
Profit allocation								0
Dividends							(2 482)	(2 482)
Own shares buyback	(1 305)						1 305	0
Revaluation of fixed assets			6 660			(6 900)	240	0
Depreciation of revaluated part					(209)		209	0
Other income							116	116
Net profit for 2016							3 131	3 131
As at 31 December 2016	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>2 808</b>	<b>560</b>	<b>5 696</b>	<b>31 614</b>
As at 1 January 2017	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>2 808</b>	<b>560</b>	<b>5 696</b>	<b>31 614</b>
Profit allocation								0
Dividends								0
Change of share capital								0
Own shares buyback								0
Revaluation of asstes					(2 808)		801	(2 007)
Other income								0
Net profit for 2017							(1 153)	(1 153)
As at 31 March 2017	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>0</b>	<b>560</b>	<b>5 344</b>	<b>28 454</b>

## 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 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>2017.01.01 - 2017.03.31</b>	<b>2016.01.01 - 2016.03.31</b>
Sales, Thousand EUR	38 169	34 750
Gross profit, Thousand EUR	5 150	6 838
EBITDA, Thousand EUR	777	1 013
Current ratio (at the end of period)	1,29	1,41
Book value per share (at the end of period), EUR	0,63	0,68
Net profit per share	-0,02	-0,03

### 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 EUR</b>	<b>2017.03.31</b>	<b>2016.12.31</b>
Raw materials	5 436	5 228
Stored production	8 559	7 320
Goods for resale	251	85
<b>Total:</b>	<b>14 246</b>	<b>12 633</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 production mainly in domestic market and other EU countries.

<b>Sales, Thousand EUR</b>	<b>2017.01.01 - 2017.03.31</b>	<b>2016.01.01 - 2016.03.31</b>
Lithuania	22 308	23 502
Other EU countries	10 819	7 992
Other non EU countries	5 042	3 256
<b>Total:</b>	<b>38 169</b>	<b>34 750</b>

<b>Pardavimai, Tūkst. EUR</b>	<b>2017.01.01 - 2017.03.31</b>	<b>2016.01.01 - 2016.03.31</b>
Fresh milk products	26 746	25 973
Dry milk products	3 203	1 867
Cheese	7 329	6 126
Other products	891	784
<b>Total:</b>	<b>38 169</b>	<b>34 750</b>

### Post balance sheet events

There were no significant events after the balance sheet date.