



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

Vilnius, August 2015

**Financial statements and the Report for the 6 months 2015**

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 2015 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 2015 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 2015**

**VILNIUS, AUGUST 2015**

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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 2015.

## 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	124665536
VAT payer code	LT246655314
Authorized capital	14,393,981.51 Euro, divided into 49,634,419 0,29 euro 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	<a href="mailto:info@pienozvaigzdes.lt">info@pienozvaigzdes.lt</a>
Internet website	<a href="http://www.pienozvaigzdes.lt">www.pienozvaigzdes.lt</a>

## 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 14,393,981.51 EUR. The authorized capital divided into 49 634 419 ordinary shares (nominal value 0.29 EUR). 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](mailto:info@finasta.com)) concerning management of securities accounting.

## 6. Shareholders

Based on the latest data available (April 22, 2015) the Company had 3 723 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	5 999 219	12.09	12.09
UAB "AGROLITAS IMEKS LESMA" LAISVĖS PR.125, VILNIUS, ĮM.K. 2191855	6 195 459	12.48	12.48
SWEDFUND INTERNATIONAL SVEAVAGEN 24-26, BOX 3286, SE-103 65 STOCKHOLM, SWEDEN	4 700 000	9.47	9.47
ŽŪKB "SMILGELĖ" J.TUMO VAIŽGANTO 8/27-3. VILNIUS, ĮM.K. 2490652	6 710 200	13.52	13.52
Kvaraciejus Julius	7 085 907	14.28	14.28/31.29
Kvaraciejienė Regina	2 126 959	4.29	4.28/31.29
Klovas Voldemaras	2 842 567	5.73	5.73/31.29
Klovienė Danutė	878 328	1.77	1.77/31.29
Smagin Aleksandr	2 547 123	5.13	5.13/31.29
Gžegož Rogoža	46 150	0.09	0.09/31.29

## 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 – 49,634,419;

Total nominal value – 14,393,981.51 EUR;

ISIN code – EUR0000111676;

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 2015 the company hasn't bought any own shares.

## 8. Staff

	2015 06 30	2014 06 30
<b>Average number of employees</b>	2 042	2 276
With university education	448	463
With further education	464	530
With secondary education	984	1059
With not completed secondary education	146	224
<b>Average payroll, EUR</b>	<b>2015 06 30</b>	<b>2014 06 30</b>
Managers	1 752	1 697
Specialists	853	802
Workers	619	613

## 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	7 085 907	14.28	2012 04 27	2016 04 26
Voldemaras Klovas	member	2 842 567	5.73	2012 04 27	2016 04 26
Aleksandr Smagin	member	2 547 123	5.13	2012 04 27	2016 04 26
Gžegož Rogoža	member	46 150	0.09	2012 04 27	2016 04 26

**Administration**

<b>Name, surname</b>	<b>Official duties</b>	<b>Number shares, units</b>	<b>Share of the capital %</b>
Aleksandr Smagin	CEO	2 547 123	5.13
Audrius Statulevičius	CFO	-	-

**11. Additional notes about financial statements**

The financial statements prepared according to the IFRS. Financial statements for the 6 months 2015 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 2015.

**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](http://www.pienozvaigzdes.lt)

2015-08-04 Pieno zvaigzdes AB, not audited financial results for the first six months and for the II quarter of 2015

Based on preliminary unaudited results Company's sales over first six months in 2015 accounted to 82.3 million EUR or 39% lower compare with sales a year ago. Sales resulted over first six months in 2014 were 135.5 million EUR. Decline of sales was influenced by low product prices and closed Russian market.

Over the first six months of the year Company's EBITDA accounted to 3.8 million EUR and decreased by 35.7% compare with EBITDA of 6.0 million EUR a year ago.

Company accounted loss of 0.5 million EUR compare with a net profit of 1.1million EUR over same period in 2014.

Company's sales over II quarter in 2015 accounted to 42.6 million EUR or 39% lower compare to a year ago. Sales resulted over II quarter in 2014 were 69.6 million EUR.

In the II quarter Company accounted loss of 0.1 million EUR compare with a net profit of 0.4 million EUR over same period in 2014.



2015-05-29 Pieno zvaigzdes AB, not audited financial results for the first three months of 2015

Based on preliminary unaudited results Company's sales over first three months in 2015 accounted to 39.8 million EUR, or 40% lower compare to a year ago. Sales resulted over first three months in 2014 were 65.9 million EUR.

Over the first three months of the year Company's EBITDA accounted to 1.8 million EUR and decreased by 43% compare with EBITDA of 3.2 million EUR a year ago.

Company accounted 0.4 million EUR loss over first three months of 2015. Over first three months in 2014 Company earned 0.7 million EUR of the net profit.

2015-04-29 Resolutions of Annual General Shareholders' Meeting of Pieno Zvaigzdes AB

Annual Meeting of Shareholders of Pieno Zvaigzdes AB (registered address Perkunkiemio 3, Vilnius, Lithuania, company code 124665536) took part on 29 April 2015 at 10.00 am.

### **Resolutions**

<b>No</b>	<b><u>Agenda / resolution</u></b>
1.	<u>Annual Report</u> Listened.
2.	<u>Audit report on the company's financial accounts and the Annual Report</u> Listened.
3.	<u>Approval of audited financial statements 2014</u> Approve Company's audited financial statements 2014
4.	<u>Company's profit distribution</u> Approve profit distribution (attached).
5.	<u>Election of Audit company</u> Elect KPMG Baltics as an auditor for the next two years (2015 – 2016) and set EUR 26.000 (VAT exclusive) remuneration for the each financial year. Company's CEO is authorized to sign audit agreement.
6.	<u>Election of the Audit Committee members</u> 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.	<u>Approval of new edition of the Articles of Association</u> 7.1. In line with Republic of Lithuania LAW on the euro adoption in the Republic of Lithuania No. XII-828 dated 2014 April 17 to change Company's shares nominal value of the expression of 1 (one) LTL in the expression of 0.29 euro (zero euro and twenty nine cents), as well as the expression of the share capital LTL 49,634,419 (forty nine million six hundred and thirty four thousand four hundred nineteen) change in the expression of 14,393,981.51 EUR (fourteen million three hundred ninety three thousand nine hundred and eighty one euro and fifty one cent). 7.2. To approve new edition of the Company's Articles of Association. 7.3. To authorize Company's CEO (with the right to reauthorize) to sign a new edition of the Company's Articles of Association and other relevant documents and to register new Articles of Association in the Register of Legal Entities.



Profit distribution

Items	Amount (in Euro)
Profit brought forward from the end of previous year	7 233 118
Financial year profit (loss)	4 979 107
Transfers from reserves	347 544
Profit to be appropriated	12 559 769
Appropriation of profit:	
– <i>dividends</i> *	3 722 582
– <i>management board bonus</i>	210 000
– <i>to social activities reserve</i>	250 000
Profit ( loss) to be carried forward at the end of the financial year	8 377 187

\* 0,075 EUR per share.

2015-02-28 Pieno žvaigždės AB, not audited financial results for the year 2014

Based on preliminary unaudited results Company's sales over whole year 2014 accounted to LTL 827.3 million (EUR 239.6 million) or 8.9% higher compare with sales a year ago. Sales resulted over the whole year 2013 were LTL 759.4 million (EUR 219.9 million).

Company's EBITDA in 2014 was 51.8 million LTL (15.0 million EUR) and increased by 21.9% compare with EBITDA of 42.5 million LTL (12.3 million EUR) a year ago.

In 2014 Company earned 17.2 million LTL (4.9 million EUR) net profit. Net profit in 2013 was 9.8 million LTL (2.8 million EUR).

Sales transactions of unused real estate executed over year 2014 positively influenced the net profit of 2014. Also current price increase of dairy products in the world market allows to reduce provision for inventories and positively influenced the fourth quarter result. But initially planned profitability did not achieved because of the weak dairy products demand and low prices in the global markets and closed Russian market in the second half of 2014.

#### 14. Future plans

The company did not change its plans and forecasts for the year 2015.

**15. Financial statements**

*Prepared according to IFRS, not audited*

**15.1. Statement of financial position**

Thousand EUR	<b>2015.06.30</b>	<b>2014.12.31</b>
<b>Assets</b>		
Property, plant and equipment	52 773	55 800
Intangible assets	66	56
Investments available for sale	80	80
Long-term receivables	42	31
Deferred tax		
<b>Total non-current assets</b>	<b>52 961</b>	<b>55 967</b>
Inventories	12 974	16 826
Receivables	16 540	16 526
Cash and cash equivalents	2 342	717
<b>Total current assets</b>	<b>31 856</b>	<b>34 069</b>
<b>Total assets</b>	<b>84 817</b>	<b>90 036</b>
<b>Equity</b>		
Share capital	14 394	14 375
Share premium	7 891	7 891
Own shares	-	-
Reserves	5 050	5 288
Retained earnings	8 348	12 232
<b>Total equity</b>	<b>35 683</b>	<b>39 786</b>
<b>Liabilities</b>		
Government grants	1 078	1 240
Interest-bearing loans and borrowings	25 663	18 168
Deferred tax	784	784
<b>Total non-current liabilities</b>	<b>27 525</b>	<b>20 192</b>
Provisions	-	-
Interest-bearing loans and borrowings	7 429	15 993
Income tax payable	-	-
Trade and other amounts payable	14 180	14 065
<b>Total current liabilities</b>	<b>21 609</b>	<b>30 058</b>
<b>Total liabilities</b>	<b>49 134</b>	<b>50 250</b>
<b>Total equity and liabilities</b>	<b>84 817</b>	<b>90 036</b>



## 15.2. Statement of comprehensive income

Thousand EUR	2015.01.01 - 2015.06.30	2014.01.01 - 2014.06.30
Revenue	82 374	135 484
Cost of sales	(65 245)	(118 065)
<b>Gross profit</b>	17 129	17 419
Other operating income, net	140	317
Sales and administrative expenses	(17 429)	(15 981)
<b>Operating profit before finance costs</b>	( 160)	1 755
Finance income	54	94
Finance expenses	( 389)	( 604)
<b>Finance income/expenses, net</b>	( 335)	( 510)
<b>Profit before tax</b>	( 495)	1 245
Corporate income tax	0	( 187)
<b>Profit for the year</b>	( 495)	1 058
Earnings per share (EUR)	- 0,01	0,02

Thousand EUR	2015.04.01 - 2015.06.30	2014.04.01 - 2014.06.30
Revenue	42 583	69 624
Cost of sales	(33 062)	(60 181)
<b>Gross profit</b>	9 521	9 443
Other operating income, net	170	170
Sales and administrative expenses	(9 626)	(8 919)
<b>Operating profit before finance costs</b>	65	694
Finance income	32	41
Finance expenses	( 205)	( 309)
<b>Finance income/expenses, net</b>	( 173)	( 268)
<b>Profit before tax</b>	( 108)	426
Corporate income tax	0	( 64)
<b>Profit for the year</b>	( 108)	362
Earnings per share (EUR)	- 0,00	0,01

**15.3. Statement of cash flows**

Thousand EUR	<b>2015.06.30</b>	<b>2014.06.30</b>
<b>Cash flows from operating activities</b>		
Net profit	(495)	1.058
Depreciation and amortisation	4.178	4.473
Amortisation of government grants	(161)	(226)
Result of disposal of property, plant and equipment	(8)	(749)
Change in vacation reserve	255	325
Interest income/expenses, net	335	557
Income tax	-	187
<b>Cash flows from ordinary activities before changes in the working capital</b>	<b>4.104</b>	<b>5.625</b>
Change in inventories	3.852	6.517
Change in receivables	(646)	(12.398)
Change in trade and other payable amounts	743	3.228
<b>Cash flows from operating activities</b>	<b>8.053</b>	<b>2.972</b>
Interest paid	(363)	(557)
Income tax paid	(263)	0
<b>Net cash flow from operating activities</b>	<b>7.427</b>	<b>2.415</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(1.143)	(3.848)
Acquisition of intangible assets	(17)	(7)
Proceeds on sale of property, plant and equipment	132	794
<b>Net cash flow used in investing activities</b>	<b>(1.028)</b>	<b>(3.061)</b>
<b>Cash flows from financing activities</b>		
Loans received	5.790	9.303
Repayment of borrowings	(6.858)	(6.214)
Issue (redemption) of shares	18	-
Dividends paid	(3.724)	(1.734)
<b>Net cash from/(used in) financing activities</b>	<b>(4.774)</b>	<b>1.355</b>
Change in cash and cash equivalents	1.625	709
Beginning cash	717	682
<b>Ending cash</b>	<b>2.342</b>	<b>1.391</b>



## 15.4. Statement on changes in equity

000 EUR	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2014	14 375	7 891	0	1 570	4 086	3 823	6 396	38 140
Profit allocation						(3 475)	3 475	0
Dividends							(3 450)	(3 450)
Change of share capital								0
Acquisition of own shares								0
Revaluation of fixed assets					(373)		373	0
Depreciation of revaluated part								0
Net profit for 2014							1 058	1 058
As at 30 June 2014	14 375	7 891	0	1 570	3 713	348	7 852	35 749
As at 1 July 2014	14 375	7 891	0	1 570	3 713	348	7 852	35 749
Profit allocation								0
Dividends								0
Reduction of share capital								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(312)		312	0
Other income					(30)		146	116
Net profit for 2014							3 921	3 921
As at 31 December 2014	14 375	7 891	0	1 570	3 371	348	12 231	39 786
As at 1 January 2015	14 375	7 891	0	1 570	3 371	348	12 231	39 786
Profit allocation						(98)	98	0
Dividends							(3 723)	(3 723)
Change of share capital	19						(19)	0
Revaluation of fixed assets								0
Depreciation of revaluated part					(141)		141	0
Other income							115	115
Net profit for 2015							(495)	(495)
As at 30 June 2015	14 394	7 891	0	1 570	3 230	250	8 348	35 683

## 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

<b>Ratios</b>	<b>2015.01.01 - 2015.06.30</b>	<b>2014.01.01 - 2014.06.30</b>
Sales, Thousand EUR	82 374	135 484
Gross profit, Thousand EUR	17 129	17 419
EBITDA, Thousand EUR	3 857	6 002
Current ratio (at the end of period)	1,44	1,41
Book value per share (at the end of period), EUR	0,72	0,72
Net profit per share	-0,01	0,02

<b>Ratios</b>	<b>2015.04.01 - 2015.06.30</b>	<b>2014.04.01 - 2014.06.30</b>
Sales, Thousand EUR	42 583	69 624
Gross profit, Thousand EUR	9 521	9 443
EBITDA, Thousand EUR	2 050	2 837
Current ratio (at the end of period)	1,44	1,41
Book value per share (at the end of period), EUR	0,72	0,72
Net profit per share	-0,01	0,02

## 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>2015.06.30</b>	<b>2014.12.31</b>
Raw materials	5 120	5 879
Stored production	7 586	10 804
Goods for resale	268	143
<b>Total:</b>	<b>12 974</b>	<b>16 826</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, Russia, EU.

<b>Sales, Thousand EUR</b>	<b>2015.01.01 - 2015.06.30</b>	<b>2014.01.01 - 2014.06.30</b>
Lithuania	51 372	57 404
Other EU countries	23 624	24 137
Other non EU countries	7 378	53 943
<b>Total:</b>	<b>82 374</b>	<b>135 484</b>

**Sales, Thousand EUR**

	<b>2015.04.01 - 2015.06.30</b>	<b>2014.04.01 - 2014.06.30</b>
Lithuania	26 044	30 289
Other EU countries	12 326	13 640
Other non EU countries	4 213	25 695
<b>Total:</b>	<b>42 583</b>	<b>69 624</b>

**Post balance sheet events**

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