



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

Vilnius, February 2017

Interim financial statements for the twelve months 2016

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 twelve months of 2016 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 twelve months 2016

VILNIUS, FEBRUARY 2017



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Prepared according to IFRS, not audited

1. Statement of financial position

Thousand EUR	2016.12.31	2015.12.31
Assets		
Property, plant and equipment	48 848	50 753
Intangible assets	93	72
Investments available for sale	22	80
Long-term receivables	282	290
Deferred tax		
Total non-current assets	49 245	51 195
Inventories	12 632	14 298
Receivables	14 901	12 609
Cash and cash equivalents	841	551
Total current assets	28 374	27 458
Total assets	77 619	78 653
Equity		
Share capital	13 089	14 394
Share premium	7 891	7 891
Own shares	-	(6 660)
Reserves	5 197	12 118
Retained earnings	5 976	4 437
Total equity	32 153	32 180
Liabilities		
Government grants	689	930
Interest-bearing loans and borrowings	22 780	26 200
Deferred tax	952	910
Total non-current liabilities	24 421	28 040
Provisions		-
Interest-bearing loans and borrowings	6 013	4 787
Income tax payable	-	68
Trade and other amounts payable	15 032	13 578
Total current liabilities	21 045	18 433
Total liabilities	45 466	46 473
Total equity and liabilities	77 619	78 653

**2. Statement of comprehensive income**

Thousand EUR	2016.01.01 - 2016.12.31	2015.01.01 - 2015.12.31
Revenue	150 126	163 790
Cost of sales	(118 653)	(130 422)
Gross profit	31 473	33 368
Other operating income, net	337	350
Sales and administrative expenses	(29 084)	(29 663)
Operating profit before finance costs	2 726	4 055
Finance income	259	102
Finance expenses	(1 253)	(970)
Finance income/expenses, net	(994)	(868)
Profit before tax	1 732	3 187
Corporate income tax	(25)	(525)
Profit for the year	1 707	2 662
Earnings per share (EUR)	0,03	0,05

Thousand EUR	2016.10.01 - 2016.12.31	2015.10.01 - 2015.12.31
Revenue	37 700	38 768
Cost of sales	(30 992)	(32 014)
Gross profit	6 708	6 754
Other operating income, net	47	172
Sales and administrative expenses	(5 507)	(4 425)
Operating profit before finance costs	1 248	2 501
Finance income	149	22
Finance expenses	(206)	(374)
Finance income/expenses, net	(57)	(352)
Profit before tax	1 191	2 149
Corporate income tax	56	(369)
Profit for the year	1 247	1 780
Earnings per share (EUR)	0,03	0,04

3. Statement of cash flows

Thousand EUR	2016.12.31	2015.12.31
Cash flows from operating activities		
Net profit	1 707	2 662
Depreciation and amortisation	7 806	8 204
Amortisation of government grants	(242)	(310)
Result of disposal of property, plant and equipment	(117)	(128)
Change in financial instruments	173	-
Change in vacation reserve	-	19
Change in adjustments	-	356
Change in impairment loss of inventories	184	475
Interest income/expenses, net	790	811
Income tax	418	525
Cash flows from ordinary activities before changes in the working capital	10 719	12 614
Change in inventories	1 558	2 054
Change in receivables	(2 068)	3 300
Change in trade and other payable amounts	1 426	-
Cash flows from operating activities	11 635	17 968
Interest paid	(806)	(825)
Income tax paid	(336)	(612)
Net cash flow from operating activities	10 493	16 531
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5 887)	(3 300)
Acquisition of intangible assets	(65)	(59)
Proceeds on sale of property, plant and equipment	382	144
Proceeds from other investment activity	33	-
Interest received	16	14
Net cash flow used in investing activities	(5 521)	(3 201)
Cash flows from financing activities		
Loans received	4 663	14 425
Repayment of borrowings	(7 000)	(17 675)
Issue (redemption) of shares	-	(6 660)
Dividends paid	(2 345)	(3 586)
Net cash from/(used in) financing activities	(4 682)	(13 496)
Change in cash and cash equivalents	290	(166)
Beginning cash	551	717
Ending cash	841	551



4. Statement on changes in equity

Thousand EUR	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2015	14 375	7 891	0	1 570	3 371	348	12 231	39 786
Profit allocation						7 112	(7 112)	0
Dividends							(3 723)	(3 723)
Change of share capital	19						(19)	0
Depreciation of revaluated part					(211)		211	0
Other income							115	115
Net profit for 2015							882	882
As at 30 September 2015	14 394	7 891	0	1 570	3 160	7 460	2 585	37 060
As at 1 October 2015	14 394	7 891	0	1 570	3 160	7 460	2 585	37 060
Profit allocation								0
Dividends								0
Own shares buyback			(6 660)					(6 660)
Depreciation of revaluated part					(71)		71	0
Other income								0
Net profit for 2015							1 780	1 780
As at 31 December 2015	14 394	7 891	(6 660)	1 570	3 089	7 460	4 436	32 180
As at 1 January 2016	14 394	7 891	(6 660)	1 570	3 089	7 460	4 436	32 180
Profit allocation								0
Dividends							(2 482)	(2 482)
Change of share capital	(1 305)						1 305	0
Own shares buyback			6 660			(6 900)	240	0
Depreciation of revaluated part					(210)		210	0
Other income							115	115
Net profit for 2016							460	460
As at 30 September 2016	13 089	7 891	0	1 570	2 879	560	4 284	30 273
As at 1 October 2016	13 089	7 891	0	1 570	2 879	560	4 284	30 273
Depreciation of revaluated part					188		445	633
Net profit for 2016							1 247	1 247
As at 31 December 2016	13 089	7 891	0	1 570	3 067	560	5 976	32 153

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

Ratios	2016.01.01 - 2016.12.31	2015.01.01 - 2015.12.31
Sales, Thousand EUR	150 126	163 790
Gross profit, Thousand EUR	31 473	33 368
EBITDA, Thousand EUR	10 290	11 950
Current ratio (at the end of period)	1,30	1,44
Book value per share (at the end of period), EUR	0,71	0,65
Net profit per share	0,03	0,05

Ratios	2016.10.01 - 2016.12.31	2015.10.01 - 2015.12.31
Sales, Thousand EUR	37 700	38 768
Gross profit, Thousand EUR	6 708	6 754
EBITDA, Thousand EUR	3 080	4 404
Current ratio (at the end of period)	1,30	1,44
Book value per share (at the end of period), EUR	0,71	0,65
Net profit per share	0,03	0,04

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 EUR

	2016.12.31	2015.12.31
Raw materials	5 228	5 724
Stored production	7 320	8 461
Goods for resale	84	113
Total:	12 632	14 298

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.

Sales, Thousand EUR

	2016.01.01 - 2016.12.31	2015.01.01 - 2015.12.31
Lithuania	95 752	102 505
Other EU countries	38 245	45 522
Other non EU countries	16 129	15 763
Total:	150 126	163 790

**Sales, Thousand EUR**

	2016.10.01 - 2016.12.31	2015.10.01 - 2015.12.31
Lithuania	22 204	24 612
Other EU countries	10 981	9 492
Other non EU countries	4 515	4 664
Total:	37 700	38 768

Post balance sheet events

There were no significant events after the balance sheet date.