



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

Vilnius, November 2012

**Financial statements for the 9 months 2012**

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 nine 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**

**For the 9 months 2012**

**VILNIUS, NOVEMBER 2012**



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Prepared according to IFRS, not audited

## 1. Balance sheet

Thousand Lit	2012.09.30	2011.12.31
<b>Assets</b>		
Property, plant and equipment	190 226	181 166
Intangible assets	745	899
Investments available for sale	275	276
Long-term receivables	730	126
Deferred tax		
<b>Total non-current assets</b>	<b>191 976</b>	<b>182 467</b>
Inventories	66 016	75 725
Receivables	79 598	73 238
Cash and cash equivalents	8 113	1 973
<b>Total current assets</b>	<b>153 727</b>	<b>150 936</b>
<b>Total assets</b>	<b>345 703</b>	<b>333 403</b>
<b>Equity</b>		
Share capital	49 634	54 205
Share premium	27 246	27 246
Own shares	-	(14 435)
Reserves	31 603	36 819
Retained earnings	28 496	43 997
<b>Total equity</b>	<b>136 979</b>	<b>147 832</b>
<b>Liabilities</b>		
Government grants	3 471	4 422
Interest-bearing loans and borrowings	119 908	92 078
Deferred tax	1 478	1 478
<b>Total non-current liabilities</b>	<b>124 857</b>	<b>97 978</b>
Provisions	-	-
Interest-bearing loans and borrowings	18 263	28 578
Income tax payable	4 884	1 402
Trade and other amounts payable	60 720	57 613
<b>Total current liabilities</b>	<b>83 867</b>	<b>87 593</b>
<b>Total liabilities</b>	<b>208 724</b>	<b>185 571</b>
<b>Total equity and liabilities</b>	<b>345 703</b>	<b>333 403</b>

**2. Income statement**

Thousand Litas	2012.01.01 - 2012.09.30	2011.01.01 - 2011.09.30
Revenue	566 979	524 359
Cost of sales	(461 976)	(425 518)
<b>Gross profit</b>	105 003	98 841
Other operating income, net	464	242
Sales and administrative expenses	(77 980)	(72 318)
<b>Operating profit before finance costs</b>	27 487	26 765
Finance income	147	158
Finance expenses	(4 421)	(3 198)
<b>Finance income/expenses, net</b>	(4 274)	(3 040)
<b>Profit before tax</b>	23 213	23 725
Corporate income tax	(3 482)	(3 559)
<b>Profit for the year</b>	19 731	20 166
Earnings per share (Litas)	0,40	0,37

Thousand Litas	2012.07.01 - 2012.09.30	2011.07.01 - 2011.09.30
Revenue	206 066	187 139
Cost of sales	(162 623)	(151 779)
<b>Gross profit</b>	43 443	35 360
Other operating income, net	73	70
Sales and administrative expenses	(25 677)	(23 591)
<b>Operating profit before finance costs</b>	17 839	11 839
Finance income	36	79
Finance expenses	(2 458)	(1 197)
<b>Finance income/expenses, net</b>	(2 422)	(1 118)
<b>Profit before tax</b>	15 417	10 721
Corporate income tax	(2 312)	(1 608)
<b>Profit for the year</b>	13 105	9 113
Earnings per share (Litas)	0,26	0,17

**3. Cash flows statement**

Thousand Lit	2012.09.30	2011.09.30
<b>Cash flows from operating activities</b>		
Net profit	19.731	20.166
Adjustments:		
Depreciation and amortisation	24.153	25.000
Amortisation of government grants	(951)	(776)
Result of disposal of property, plant and equipment	62	91
Change in vacation reserve	(115)	31
Interest income/expenses, net	2.822	3.090
Income tax	3.482	3.560
<b>Cash flows from ordinary activities before changes in the working capital</b>	<b>49.184</b>	<b>51.162</b>
Change in inventories	9.709	(10.822)
Change in receivables	(6.964)	(9.115)
Change in trade and other payable amounts	5.251	3.036
<b>Cash flows from operating activities</b>	<b>57.180</b>	<b>34.261</b>
Interest paid	(2.822)	(3.090)
Income tax paid	(1.934)	(2.474)
<b>Net cash flow from operating activities</b>	<b>52.424</b>	<b>28.697</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(33.167)	(16.179)
Acquisition of intangible assets	(50)	(48)
Proceeds on sale of property, plant and equipment	-	145
Interest received	(33.217)	(16.082)
<b>Net cash flow used in investing activities</b>	<b>(33.167)</b>	<b>(16.179)</b>
<b>Cash flows from financing activities</b>		
Loans received	35.594	108.068
Repayment of borrowings	(18.078)	(75.353)
Issue (redemption) of shares	(5.766)	(86)
Dividends paid	(24.817)	(24.812)
Payment of finance lease liabilities	-	(20.077)
Government grants received	-	632
<b>Net cash from/(used in) financing activities</b>	<b>(13.067)</b>	<b>(11.628)</b>
Change in cash and cash equivalents	6.140	987
Beginning cash	1.973	3.582
<b>Ending cash</b>	<b>8.113</b>	<b>4.569</b>



## 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					(836)		836	0
Net profit for 2011							20 166	20 166
As at 30 September 2011	54 205	27 246	(14 435)	5 420	14 257	17 420	38 200	142 313
As at 1 October 2011	54 205	27 246	(14 435)	5 420	14 257	17 420	38 200	142 313
Profit allocation								0
Dividends								0
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(279)		279	0
Net profit for 2011							5 519	5 519
As at 31 December 2011	54 205	27 246	(14 435)	5 420	13 978	17 420	43 998	147 832
As at 1 January 2012	54 205	27 246	(14 435)	5 420	13 978	17 420	43 998	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					(837)		837	0
Net profit for 2012							19 730	19 730
As at 30 September 2012	54 205	27 246	(20 201)	5 420	13 141	28 670	28 498	136 979

## 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>2012.01.01 - 2012.09.30</b>	<b>2011.01.01 - 2011.09.30</b>
Sales, Thousand Litas	566 979	524 359
Gross profit, Thousand Litas	105 003	98 941
EBITDA, Thousand Litas	50 689	50 988
Current ratio (at the end of period)	1,83	1,74
Book value per share (at the end of period), LTL	2,76	2,63
Net profit per share	0,40	0,37

<b>Ratios</b>	<b>2012.07.01 - 2012.09.30</b>	<b>2011.07.01 - 2011.09.30</b>
Sales, Thousand Litas	206 066	187 139
Gross profit, Thousand Litas	43 443	35 360
EBITDA, Thousand Litas	25 582	19 904
Current ratio (at the end of period)	1,83	1,74
Book value per share (at the end of period), LTL	2,76	2,63
Net profit per share	0,26	0,17



## 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

	<b>2012.09.30</b>	<b>2011.12.31</b>
Raw materials	18 583	18 114
Stored production	46 324	57 356
Goods for resale	1 109	255
<b>Total:</b>	<b>66 016</b>	<b>75 725</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.

### Sales, Thousand Litas

	<b>2012.01.01 - 2012.09.30</b>	<b>2011.01.01 - 2011.09.30</b>
Lithuania	253 477	242 860
Other EU countries	78 493	64 260
Other non EU countries	235 009	217 419
<b>Total:</b>	<b>566 979</b>	<b>524 539</b>

**Sales, Thousand Lit**

	<b>2012.07.01 - 2012.09.30</b>	<b>2011.07.01 - 2011.09.30</b>
Lithuania	86 560	82 381
Other EU countries	34 250	25 555
Other non EU countries	85 256	79 383
<b>Total:</b>	<b>206 066</b>	<b>187 139</b>

**Post balance sheet events**

There were no significant events after the balance sheet date.