



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

Vilnius, February 28, 2013

**Financial statements for the twelve 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 twelve 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 twelve months 2012**

**VILNIUS, FEBRUARY 2013**



**TABLE OF CONTENT**

1. Balance sheet .....	3
2. Income statement .....	4
3. Cash flows statement .....	5
4. Statement on changes in equity.....	6
5. Notes to the financial statements.....	7

Prepared according to IFRS, not audited

## 1. Balance sheet

Thousand Litas	2012.12.31	2011.12.31
<b>Assets</b>		
Property, plant and equipment	197 273	181 166
Intangible assets	714	899
Investments available for sale	276	276
Long-term receivables	-	126
Deferred tax		
<b>Total non-current assets</b>	<b>198 263</b>	<b>182 467</b>
Inventories	55 142	75 725
Receivables	79 788	73 238
Cash and cash equivalents	4 528	1 973
<b>Total current assets</b>	<b>139 458</b>	<b>150 936</b>
<b>Total assets</b>	<b>337 721</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	33 559	36 819
Retained earnings	38 060	43 997
<b>Total equity</b>	<b>148 499</b>	<b>147 832</b>
<b>Liabilities</b>		
Government grants	3 187	4 422
Interest-bearing loans and borrowings	60 543	92 078
Deferred tax	1 862	1 478
<b>Total non-current liabilities</b>	<b>65 592</b>	<b>97 978</b>
Provisions	-	-
Interest-bearing loans and borrowings	60 975	28 578
Income tax payable	956	1 402
Trade and other amounts payable	61 699	57 613
<b>Total current liabilities</b>	<b>123 630</b>	<b>87 593</b>
<b>Total liabilities</b>	<b>189 222</b>	<b>185 571</b>
<b>Total equity and liabilities</b>	<b>337 721</b>	<b>333 403</b>

**2. Income statement**

Thousand Litas	2012.01.01 - 2012.12.31	2011.01.01 - 2011.12.31
Revenue	769 089	700 924
Cost of sales	(622 964)	(568 679)
<b>Gross profit</b>	146 125	132 245
Other operating income, net	683	777
Sales and administrative expenses	(107 567)	(98 849)
<b>Operating profit before finance costs</b>	39 241	34 173
Finance income	345	368
Finance expenses	(5 418)	(4 545)
<b>Finance income/expenses, net</b>	(5 073)	(4 177)
<b>Profit before tax</b>	34 168	29 996
Corporate income tax	(5 102)	(4 311)
<b>Profit for the year</b>	29 066	25 685
Earnings per share (Litas)	0,59	0,47

Thousand Litas	2012.10.01 - 2012.12.31	2011.10.01 - 2011.12.31
Revenue	202 110	176 565
Cost of sales	(160 988)	(143 161)
<b>Gross profit</b>	41 122	33 404
Other operating income, net	219	535
Sales and administrative expenses	(29 587)	(26 531)
<b>Operating profit before finance costs</b>	11 754	7 408
Finance income	198	210
Finance expenses	( 997)	(1 347)
<b>Finance income/expenses, net</b>	( 799)	(1 137)
<b>Profit before tax</b>	10 955	6 271
Corporate income tax	(1 620)	( 752)
<b>Profit for the year</b>	9 335	5 519
Earnings per share (Litas)	0,19	0,10



### 3. Cash flows statement

Thousand Lit	2012.12.31	2011.12.31
<b>Cash flows from operating activities</b>		
Net profit	29.066	25.685
Adjustments:		
Depreciation and amortisation	32.081	33.413
Amortisation of government grants	(1.235)	(1.069)
Result of disposal of property, plant and equipment	(323)	341
Impairment loss of receivables	54	243
Change in vacation reserve	522	412
Interest income/expenses, net	5.220	4.012
Income tax	5.102	4.311
<b>Cash flows from ordinary activities before changes in the working capital</b>	<b>70.487</b>	<b>67.348</b>
Change in inventories	20.583	(15.403)
Change in receivables	(7.479)	(5.687)
Change in trade and other payable amounts	(735)	(1.586)
<b>Cash flows from operating activities</b>	<b>82.856</b>	<b>44.672</b>
Interest paid	(3.838)	(4.012)
Income tax paid	(4.514)	(2.644)
<b>Net cash flow from operating activities</b>	<b>74.504</b>	<b>38.016</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(42.924)	(23.213)
Acquisition of intangible assets	(82)	(66)
Proceeds on sale of property, plant and equipment	426	600
Proceeds from other investment activity	200	-
<b>Net cash flow used in investing activities</b>	<b>(42.380)</b>	<b>(22.679)</b>
<b>Cash flows from financing activities</b>		
Loans received	35.848	110.680
Repayment of borrowings	(34.986)	(83.148)
Issue (redemption) of shares	(5.766)	(86)
Dividends paid	(24.665)	(24.947)
Payment of finance lease liabilities	-	(20.077)
Government grants received	-	632
<b>Net cash from/(used in) financing activities</b>	<b>(29.569)</b>	<b>(16.946)</b>
Change in cash and cash equivalents	2.555	(1.609)
Beginning cash	1.973	3.582
<b>Ending cash</b>	<b>4.528</b>	<b>1.973</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
As at 1 October 2012	54 205	27 246	(20 201)	5 420	13 141	28 670	28 498	136 979
Other income							200	200
Dividends								0
Reduction of share capital	(4 571)		20 201			(15 630)		0
Revaluation of fixed assets					1 984			1 984
Depreciation of revaluated part					(26)		26	0
Net profit for 2012							9 336	9 336
As at 31 December 2012	49 634	27 246	0	5 420	15 099	13 040	38 060	148 499

## 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 - 2012.12.31</b>	<b>2011.01.01 - 2011.12.31</b>
Sales, Thousand Litas	769 089	700 924
Gross profit, Thousand Litas	146 125	132 245
EBITDA, Thousand Litas	70 087	66 504
Current ratio (at the end of period)	1,13	1,72
Book value per share (at the end of period), LTL	2,99	2,73
Net profit per share	0,59	0,47

<b>Ratios</b>	<b>2012.10.01 - 2012.12.31</b>	<b>2011.10.01 - 2011.12.31</b>
Sales, Thousand Litas	202 110	176 565
Gross profit, Thousand Litas	41 122	33 404
EBITDA, Thousand Litas	19 398	15 516
Current ratio (at the end of period)	1,13	1,72
Book value per share (at the end of period), LTL	2,99	2,73
Net profit per share	0,19	0,10





## 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>2012.12.31</b>	<b>2011.12.31</b>
Raw materials	19 077	18 114
Stored production	35 512	57 356
Goods for resale	553	255
Total:	<b>55 142</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 - 2012.12.31</b>	<b>2011.01.01 - 2011.12.31</b>
Lithuania	334 786	318 353
Other EU countries	105 447	82 225
Other non EU countries	328 856	300 346
Total:	<b>769 089</b>	<b>700 924</b>

**Sales, Thousand Lit**

	<b>2012.10.01 - 2012.12.31</b>	<b>2011.10.01 - 2011.12.31</b>
Lithuania	81 309	75 673
Other EU countries	26 954	17 965
Other non EU countries	93 847	82 927
<b>Total:</b>	<b>202 110</b>	<b>176 565</b>

**Post balance sheet events**

There were no significant events after the balance sheet date.