



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

Vilnius, August 2013

**Financial statements and the Report for the 6 months 2013**

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 2013 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 2013 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 2013**

**VILNIUS, AUGUST 2013**

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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 2013.

### **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	1246 65536
VAT payer code	LT 246655314
Authorized capital	49 634 419 Litas, divided into 49 634 419 one litas 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	info@pienozvaigzdes.lt
Internet website	www.pienozvaigzdes.lt

### **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 49 634 419 LTL. The authorized capital divided into 49 634 419 ordinary shares (nominal value 1 LTL). 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) concerning management of securities accounting.

## 6. Shareholders

Based on the latest data available (May 15, 2013) the Company had 3 657 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	6 750 263	13.60	13.60
UAB "AGROLITAS IMEKS LESMA" LAISVĖS PR.125, VILNIUS, ĮM.K. 2191855	6 553 360	13.20	13.20
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	6 463 405	13.02	13.02
Kvaraciejus Julius	7 085 907	14.28	14.28/32.25
Kvaraciejienė Regina	2 126 959	4.28	4.28/32.25
Klovas Voldemaras	2 842 567	5.73	5.73/32.25
Klovienė Danutė	1 091 691	2.20	2.20/32.25
Smagin Aleksandr	2 547 123	5.13	5.13/32.25
Gžegož Rogoža	46 150	0.09	0.09/32.25

## 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 – 49 634 419 Lt;

ISIN code – LT0000111676;

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 2013 the company hasn't bought any own shares.

## 8. Staff

	2013 06 30	2012 06 30
<b>Average number of employees</b>	<b>2 325</b>	<b>2 266</b>
With university education	460	440
With further education	690	686
With secondary education	1 000	960
With not completed secondary education	175	180

	2013 06 30	2012 06 30
<b>Average payroll, litas</b>		
Managers	6 381	6 149
Specialists	2 997	2 765
Workers	2 305	2 149

## 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 2013 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 2013.

**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)

2013-05-31 Pieno zvaigzdes AB, not audited financial results for the first three months of 2013

Based on preliminary unaudited results Company's sales over three months in 2013 accounted to LTL 186.4 million (EUR 54.0 million), 18% higher compare to a year ago. Sales resulted over three months in 2012 were LTL 157.9 million (EUR 45.7 million). Sales increased in both domestic and export markets. Export sales volumes increased by 29% and domestic sales increased by 7%.

Over the three months of the year Company's EBITDA accounted to LTL 15.4 million (EUR 4.5 million) and increased by 11.9% compare with EBITDA of LTL 13.8 million (EUR 4.0 million) a year ago. The Company earned a net profit of LTL 6.9 million (EUR 2.0 million) or 60% more compared to a net profit of LTL 4.3 million (EUR 1.2 million) over same period in 2012.

2013-04-30 Resolutions of Annual General Shareholders' Meeting of Pieno Zvaigzdes AB

Annual Meeting of Shareholders of Pieno Zvaigzdes AB took place on 30 April 2013 at corporate headquarters at Perkunkiemo 3, Vilnius, Lithuania, company code 1246 65536, VAT code LT 246655314, data kept and stored at Legal Registrar.

Annual shareholders meeting resolutions:



No	Agenda	Resolution
1.	Annual Report.	Listened.
2.	Audit report on the company's financial accounts and the Annual Report	Listened.
3.	Approval of audited financial statements 2012.	Approve Company's audited financial statements 2012.
4.	Company's profit distribution	Approve profit distribution (attached).
5.	Election of Audit company	Elect KPMG Baltics as an auditor for the next two years (2013 – 2014) and set LTL 85 000 (VAT exclusive) remuneration for the each financial year. Company's CEO is authorized to sign audit agreement.
6.	Election of the Audit Committee members	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.	Shares buyback	<p>Buy back the shares of Pieno Zvaigzdes AB through the submarket of official proposal at NASDAQ OMX AB Vilnius, in accordance to the rules governing this market, without approving the circular at Lithuanian Bank Supervisory Board.</p> <p>a) The purpose of share buy back- to stabilize the Company's share price, increase liquidity of shares and avoid a losses due to decreased share price;</p> <p>b) The maximum number of shares to be purchased - the nominal value of shares to be purchased altogether with already purchased shares shall not exceed 1/10 of nominal capital;</p> <p>c) the period during which the joint stock company may acquire its own shares - 18 months;</p> <p>d) the minimum price of the shares to be purchased - 30% lower than last week's weighted arithmetic average of Company's share price at NASDAQ OMX Stock Exchange Vilnius Central Market. The maximum price for the shares to be purchased - 30% higher than last week's weighted arithmetic average of Company's share price at NASDAQ OMX Stock Exchange Vilnius Central Market.</p> <p>e) The order of selling own shares and the minimum selling price: the minimum selling price is not less than 2/3 of the share purchasing price.</p> <p>In order to ensure equal opportunities for all shareholders to acquire shares that were bought back, shares will be sold at Stock Exchange Central Market or at auction, informing all shareholders about such auction timing and the order through public announcement.</p> <p>According to the decision of this Annual General Shareholders' Meeting and Article No. 54 of Joint Stock Companies Law of Republic of Lithuania, the Company's CEO is authorized to take all decisions,</p>





	related to share buyback timing, determining price as well as decisions on acquired shares selling time, price and order as well as to solve any other issues, which are not covered by this authorization.
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**PROFIT DISTRIBUTION**

(Approved by annual shareholders meeting, April 30, 2013)

Items	Amount (in Litass)	Amount (in EUR)
Profit brought forward from the end of previous year	8.993.770	2.604.776
Financial year profit (loss)	29.066.229	8.418.162
Transfers from reserves	13.040.000	3.776.645
<b>Profit to be appropriated</b>	<b>51.099.999</b>	<b>14.799.583</b>
Appropriation of profit:		
– dividends *	27.298.930	7.906.317
– management board bonus	700.000	202.734
– own shares buy back reserve	10.000.000	2.896.200
– to social activities reserve	2.500.000	724.050
<b>Profit ( loss) to be carried forward at the end of the financial year</b>	<b>10.601.069</b>	<b>3.070.282</b>

\* 0,55 LTL (0,16 EUR) per share.

15 May 2013 is the account day for the shareholders' rights, i.e. persons who are shareholders by the end of this day will have the right to profit sharing (dividend).

2013-02-28 Pieno zvaigzdes AB, not audited financial results for the year 2012

Based on preliminary unaudited results Company's sales in 2012 accounted to LTL 769.1 million (EUR 222.7 million) or 9.7% higher compare to a year ago. Sales revenues in 2011 were LTL 700.9 million (EUR 203.0 million). Sales increased in both domestic and export markets. Export volumes increased by 13.5% and domestic sales increased by 5.2%.

In 2012 Company's EBITDA accounted to LTL 70.1 million (EUR 20.3 million) and increased by 5.5% compare with EBITDA of LTL 66.4 million (EUR 19.2 million) a year ago.

The Company earned net profit of LTL 29.1 million (EUR 8.4 million) or 14.4% more compared to a net profit of LTL 25.4 million (EUR 7.4 million) in the year 2011.

**14. Future plans**

AB Pieno Zvaigzdes have set the followings goals for the 2013:

- Expected sales close to LTL 789 million (close to 229 million EUR);
- Expected EBITDA profitability around 10%;
- Expected net margin around 4,5%.

**15. Financial statements**

*Prepared according to IFRS, not audited*

**15.1. Balance sheet**

Thousand Litas	<b>2013.06.30</b>	<b>2012.12.31</b>
<b>Assets</b>		
Property, plant and equipment	199 358	197 273
Intangible assets	623	714
Investments available for sale	275	276
Long-term receivables	164	-
Deferred tax		
<b>Total non-current assets</b>	<b>200 420</b>	<b>198 263</b>
Inventories	49 344	55 142
Receivables	77 761	79 788
Cash and cash equivalents	6 823	4 528
<b>Total current assets</b>	<b>133 928</b>	<b>139 458</b>
<b>Total assets</b>	<b>334 348</b>	<b>337 721</b>
<b>Equity</b>		
Share capital	49 634	49 634
Share premium	27 246	27 246
Own shares	-	-
Reserves	33 191	33 559
Retained earnings	21 204	38 060
<b>Total equity</b>	<b>131 275</b>	<b>148 499</b>
<b>Liabilities</b>		
Government grants	6 456	3 187
Interest-bearing loans and borrowings	111 409	60 543
Deferred tax	1 862	1 862
<b>Total non-current liabilities</b>	<b>119 727</b>	<b>65 592</b>
Provisions	-	-
Interest-bearing loans and borrowings	11 330	60 975
Income tax payable	2 698	956
Trade and other amounts payable	69 318	61 699
<b>Total current liabilities</b>	<b>83 346</b>	<b>123 630</b>
<b>Total liabilities</b>	<b>203 073</b>	<b>189 222</b>
<b>Total equity and liabilities</b>	<b>334 348</b>	<b>337 721</b>



## 15.2. Income statement

Thousand Lit	2013.01.01 - 2013.06.30	2012.01.01 - 2012.06.30
Revenue	399 077	360 913
Cost of sales	(326 219)	(299 353)
<b>Gross profit</b>	<b>72 858</b>	<b>61 560</b>
Other operating income, net	424	391
Sales and administrative expenses	(60 995)	(52 303)
<b>Operating profit before finance costs</b>	<b>12 287</b>	<b>9 648</b>
Finance income	326	111
Finance expenses	( 997)	(1 963)
<b>Finance income/expenses, net</b>	<b>( 671)</b>	<b>(1 852)</b>
<b>Profit before tax</b>	<b>11 616</b>	<b>7 796</b>
Corporate income tax	(1 742)	(1 170)
<b>Profit for the year</b>	<b>9 874</b>	<b>6 626</b>
Earnings per share (Litas)	0,20	0,12

Thousand Lit	2013.04.01 - 2013.06.30	2012.04.01 - 2012.06.30
Revenue	212 643	203 014
Cost of sales	(173 767)	(171 437)
<b>Gross profit</b>	<b>38 876</b>	<b>31 577</b>
Other operating income, net	( 13)	253
Sales and administrative expenses	(34 976)	(28 190)
<b>Operating profit before finance costs</b>	<b>3 887</b>	<b>3 640</b>
Finance income	133	45
Finance expenses	( 529)	( 968)
<b>Finance income/expenses, net</b>	<b>( 396)</b>	<b>( 923)</b>
<b>Profit before tax</b>	<b>3 491</b>	<b>2 717</b>
Corporate income tax	( 523)	( 408)
<b>Profit for the year</b>	<b>2 968</b>	<b>2 309</b>
Earnings per share (Litas)	0,06	0,04



## 15.3. Cash flows statement

Thousand Lit	2013.06.30	2012.06.30
<b>Cash flows from operating activities</b>		
Net profit	9.874	6.626
Adjustments:		
Depreciation and amortisation	14.550	16.107
Amortisation of government grants	(681)	(648)
Result of disposal of property, plant and equipment	(323)	52
Change in vacation reserve	1.831	558
Interest income/expenses, net	1.498	1.873
Income tax	1.742	1.169
<b>Cash flows from ordinary activities before changes in the working capital</b>	<b>28.491</b>	<b>25.737</b>
Change in inventories	5.797	5.014
Change in receivables	4.289	(3.418)
Change in trade and other payable amounts	7.530	4.998
<b>Cash flows from operating activities</b>	<b>46.107</b>	<b>32.331</b>
Interest paid	(1.524)	(1.873)
Income tax paid	(2.422)	(1.934)
<b>Net cash flow from operating activities</b>	<b>42.161</b>	<b>28.524</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(17.014)	(18.962)
Acquisition of intangible assets	(30)	(33)
Proceeds on sale of property, plant and equipment	47	52
Interest received	26	-
<b>Net cash flow used in investing activities</b>	<b>(16.971)</b>	<b>(18.943)</b>
<b>Cash flows from financing activities</b>		
Loans received	31.368	37.326
Repayment of borrowings	(31.115)	(9.000)
Issue (redemption) of shares	-	(5.766)
Dividends paid	(27.098)	(24.817)
Government grants received	3.950	-
<b>Net cash from/(used in) financing activities</b>	<b>(22.895)</b>	<b>(2.257)</b>
Change in cash and cash equivalents	2.295	7.324
Beginning cash	4.528	1.973
<b>Ending cash</b>	<b>6.823</b>	<b>9.297</b>

**15.4. 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 2012	<b>54 205</b>	<b>27 246</b>	<b>(14 435)</b>	<b>5 420</b>	<b>13 979</b>	<b>17 420</b>	<b>43 997</b>	<b>147 832</b>
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					( 558)		558	0
Net profit for 2012							6 626	6 626
As at 30 June 2012	<b>54 205</b>	<b>27 246</b>	<b>(20 201)</b>	<b>5 420</b>	<b>13 421</b>	<b>28 670</b>	<b>15 114</b>	<b>123 875</b>
As at 1 July 2012	<b>54 205</b>	<b>27 246</b>	<b>(20 201)</b>	<b>5 420</b>	<b>13 421</b>	<b>28 670</b>	<b>15 114</b>	<b>123 875</b>
Profit allocation								0
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					( 306)		306	0
Net profit for 2012							22 640	22 640
As at 31 December 2012	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>15 099</b>	<b>13 040</b>	<b>38 060</b>	<b>148 499</b>
As at 1 January 2013	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>15 099</b>	<b>13 040</b>	<b>38 060</b>	<b>148 499</b>
Profit allocation						160	( 160)	0
Dividends							(27 098)	(27 098)
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					( 528)		528	0
Net profit for 2013							9 874	9 874
As at 30 June 2013	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>14 571</b>	<b>13 200</b>	<b>21 204</b>	<b>131 275</b>

## 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>2013.01.01 - 2013.06.30</b>	<b>2012.01.01 - 2012.06.30</b>
Sales, Thousand Litas	399 077	360 913
Gross profit, Thousand Litas	72 858	61 560
EBITDA, Thousand Litas	26 156	25 107
Current ratio (at the end of period)	1,6	1,8
Book value per share (at the end of period), LTL	2,64	2,29
Net profit per share	0,20	0,12

<b>Ratios</b>	<b>2013.04.01 - 2013.06.30</b>	<b>2012.04.01 - 2012.06.30</b>
Sales, Thousand Litas	212 643	203 014
Gross profit, Thousand Litas	38 876	31 576
EBITDA, Thousand Litas	10 712	11 302
Current ratio (at the end of period)	1,6	1,8
Book value per share (at the end of period), LTL	2,64	2,29
Net profit per share	0,06	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 Litas

	<b>2013.06.30</b>	<b>2012.12.31</b>
Raw materials	21 242	19 077
Stored production	27 064	35 512
Goods for resale	1 038	553
<b>Total:</b>	<b>49 344</b>	<b>55 142</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>2013.01.01 - 2013.06.30</b>	<b>2012.01.01 - 2012.06.30</b>
Lithuania	175 530	166 917
Other EU countries	37 322	44 243
Other non EU countries	186 225	149 753
<b>Total:</b>	<b>399 077</b>	<b>360 913</b>

**Sales, Thousand Lit**

	<b>2013.04.01 - 2013.06.30</b>	<b>2012.04.01 - 2012.06.30</b>
Lithuania	92 154	88 687
Other EU countries	18 563	27 325
Other non EU countries	101 926	87 002
<b>Total:</b>	<b>212 643</b>	<b>203 014</b>

**Post balance sheet events**

There were no significant events after the balance sheet date.