



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

Vilnius, May 2014

**Interim financial statements for the 3 months 2014**

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 three months of 2014 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 3 months 2014**

**VILNIUS, MAY 2014**



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Prepared according to IFRS, not audited

## 1. Statement of financial position

Thousand Litass	2014.03.31	2013.12.31
<b>Assets</b>		
Property, plant and equipment	206 654	207 255
Intangible assets	248	294
Investments available for sale	275	275
Long-term receivables	1 036	999
Deferred tax		
<b>Total non-current assets</b>	<b>208 213</b>	<b>208 823</b>
Inventories	95 212	98 385
Receivables	83 881	54 677
Cash and cash equivalents	1 376	2 355
<b>Total current assets</b>	<b>180 469</b>	<b>155 417</b>
<b>Total assets</b>	<b>388 682</b>	<b>364 240</b>
<b>Equity</b>		
Share capital	49 634	49 634
Share premium	27 246	27 246
Own shares	-	-
Reserves	32 447	32 730
Retained earnings	24 770	22 082
<b>Total equity</b>	<b>134 097</b>	<b>131 692</b>
<b>Liabilities</b>		
Government grants	5 266	5 663
Interest-bearing loans and borrowings	123 349	112 365
Deferred tax	1 704	1 704
<b>Total non-current liabilities</b>	<b>130 319</b>	<b>119 732</b>
Provisions	-	-
Interest-bearing loans and borrowings	35 079	34 579
Income tax payable	424	-
Trade and other amounts payable	88 763	78 237
<b>Total current liabilities</b>	<b>124 266</b>	<b>112 816</b>
<b>Total liabilities</b>	<b>254 585</b>	<b>232 548</b>
<b>Total equity and liabilities</b>	<b>388 682</b>	<b>364 240</b>

**2. Statement of comprehensive income**

Thousand Litas	<b>2014.01.01 - 2014.03.31</b>	<b>2013.01.01 - 2013.03.31</b>
Revenue	227 402	186 434
Cost of sales	(199 861)	(152 452)
<b>Gross profit</b>	<b>27 541</b>	<b>33 982</b>
Other operating income, net	508	437
Sales and administrative expenses	(24 384)	(26 019)
<b>Operating profit before finance costs</b>	<b>3 665</b>	<b>8 400</b>
Finance income	182	193
Finance expenses	(1 018)	( 468)
<b>Finance income/expenses, net</b>	<b>( 836)</b>	<b>( 275)</b>
<b>Profit before tax</b>	<b>2 829</b>	<b>8 125</b>
Corporate income tax	( 424)	(1 219)
<b>Profit for the year</b>	<b>2 405</b>	<b>6 906</b>
Earnings per share (Litas)	0,05	0,14

**3. Statement of cash flows**

Thousand Lit	2014.03.31	2013.03.31
<b>Cash flows from operating activities</b>		
Net profit	2.405	6.906
Adjustments:		
Depreciation and amortization	7.658	7.329
Amortization of government grants	(397)	(284)
Result of disposal of property, plant and equipment	-	489
Impairment loss of receivables	-	-
Change in vacation reserve	-	867
Change in provision	-	-
Interest income/expenses, net	964	745
Income tax	424	1.218
<b>Cash flows from ordinary activities before changes in the working capital</b>	<b>11.054</b>	<b>17.270</b>
Change in inventories	3.173	(2.642)
Change in receivables	(27.937)	1.028
Change in trade and other payable amounts	10.090	819
<b>Cash flows from operating activities</b>	<b>(3.620)</b>	<b>16.475</b>
Interest paid	(964)	(745)
Income tax paid	(424)	0
<b>Net cash flow from operating activities</b>	<b>(5.008)</b>	<b>15.730</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(7.575)	(8.748)
Acquisition of intangible assets	-	(15)
Proceeds on sale of property, plant and equipment	-	-
Interest received	121	10
<b>Net cash flow used in investing activities</b>	<b>(7.454)</b>	<b>(8.753)</b>
<b>Cash flows from financing activities</b>		
Loans received	15.173	3.553
Repayment of borrowings	(3.690)	(12.434)
Issue (redemption) of shares		
Dividends paid		
Government grants received		
<b>Net cash from/(used in) financing activities</b>	<b>11.483</b>	<b>(8.881)</b>
Change in cash and cash equivalents	(4.152)	(1.904)
Beginning cash	2.355	4.528
<b>Ending cash</b>	<b>(1.797)</b>	<b>2.624</b>



## 4. Statement on changes in equity

000 LTL	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation on reserve	Other reserves	Retained earnings	Total equity
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								0
Dividends								0
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					( 240)		240	0
Net profit for 2013							6 906	6 906
As at 31 March 2013	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>14 859</b>	<b>13 040</b>	<b>45 206</b>	<b>155 405</b>
As at 1 April 2013	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>14 859</b>	<b>13 040</b>	<b>45 206</b>	<b>155 405</b>
Profit allocation						160	( 160)	0
Dividends							(27 299)	(27 299)
Reduction of share capital								0
Revaluation of fixed assets								0
Depreciation of revaluated part					( 749)		749	0
Net profit for 2013							3 586	3 586
As at 31 December 2013	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>14 110</b>	<b>13 200</b>	<b>22 082</b>	<b>131 692</b>
As at 1 January 2014	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>14 110</b>	<b>13 200</b>	<b>22 082</b>	<b>131 692</b>
Profit allocation								0
Dividends								0
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					( 103)		103	0
Net profit for 2014							2 405	2 405
As at 31 March 2014	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>14 007</b>	<b>13 200</b>	<b>24 590</b>	<b>134 097</b>

## 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>2014.01.01 - 2014.03.31</b>	<b>2013.01.01 - 2014.03.31</b>
Sales, Thousand Litass	227 402	186 434
Gross profit, Thousand Litass	27 541	33 982
EBITDA, Thousand Litass	10 927	15 444
Current ratio (at the end of period)	1,45	1,19
Book value per share (at the end of period), LTL	2,70	3,13
Net profit per share	0,05	0,14

### Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable 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>2014.03.31</b>	<b>2013.12.31</b>
Raw materials	23 017	22 448
Stored production	70 216	74 013
Goods for resale	1 979	1 924
<b>Total:</b>	<b>95 212</b>	<b>98 385</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>2014.01.01 - 2014.03.31</b>	<b>2013.01.01 - 2013.03.31</b>
Lithuania	93 623	83 376
Other EU countries	36 243	18 759
Other non EU countries	97 536	84 299
<b>Total:</b>	<b>227 402</b>	<b>186 434</b>

**Post balance sheet events**

There were no significant events after the balance sheet date.