



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

Vilnius, August 2014

**Financial statements and the Report for the 6 months 2014**

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 2014 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 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**

**And**

## **INTERIM REPORT**

**For the 6 months 2014**

**VILNIUS, AUGUST 2014**

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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 2014.

### **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 14, 2014) the Company had 3 766 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	6 959 219	14,02	14,02
UAB "AGROLITAS IMEKS LESMA" LAISVĖS PR.125, VILNIUS, ĮM.K. 2191855	6 405 459	12,9	12,9
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	5 655 048	11,39	11,39
Kvaraciejus Julius	7 085 907	14,28	14,28/31,28
Kvaraciejienė Regina	2 126 959	4,28	4,28/31,28
Klovas Voldemaras	2 842 567	5,73	5,73/31,28
Klovienė Danutė	878 328	1,77	1,77/31,28
Smagin Aleksandr	2 547 123	5,13	5,13/31,28
Gžegož Rogoža	46 150	0,09	0,09/31,28

## 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 2014 the company hasn't bought any own shares.

**8. Staff**

	2014 06 30	2013 06 30
<b>Average number of employees</b>	<b>2 276</b>	<b>2 325</b>
With university education	463	460
With further education	530	690
With secondary education	1 059	1 000
With not completed secondary education	224	175
<b>Average payroll, litas</b>	<b>2014 06 30</b>	<b>2013 06 30</b>
Managers	5 859	6 381
Specialists	2 770	2 997
Workers	2 118	2 305

**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 2014 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 2014.

**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)

2014-08-13 Regarding import restrictions to the Russian Federation

Milk products import from all EU and other countries to Russian Federation was stopped from 6th August 2014 by decision of Russian authorities. Pieno Zvaigzdes export to Russian Federation accounted from 30% to 35 % of total sales. Partly these sales will be compensating by sales to other markets (with lower profitability). But it will not be possible to compensate all lost sales by the end of this year. Based on present situation and taking into account actual sales of this year expected sales for the whole year of 2014 will be around 800 million litas (230 million EUR). Sales restriction to the Russian market does not pose a threat to the continuity of company's business, but will have a negative impact on the company's profitability.

2014-05-30 Pieno zvaigzdes AB, not audited financial results for the first three months of 2014

Based on preliminary unaudited results Company's sales over first three months in 2014 accounted to LTL 227.4 million (EUR 65.9 million), 22% higher compare to a year ago. Sales resulted over first three months in 2013 were LTL 186.4 million (EUR 54.0 million). Sales increased in both domestic and export markets. Export volumes increased by 30% and domestic sales increased by 12%.

Over the first three months of the year Company's EBITDA accounted to LTL 10.9 million (EUR 3.2 million) and decreased by 29.3% compare with EBITDA of LTL 15.4 million (EUR 4.5 million) a year ago.

Company earned a net profit of LTL 2.4 million (EUR 0.7 million) or 65% less compare with a net profit of LTL 6.9 million (EUR 2.0 million) over same period in 2013.

2014-04-29 Resolutions of Annual General Shareholders' Meeting of Pieno Zvaigzdes AB

Annual Meeting of Shareholders of Pieno Zvaigzdes AB (registered address Perkunkiemo 3, Vilnius, Lithuania, company code 124665536) took part on 29 April 2014 at 10.00 am.

#### Shareholders' resolutions

<b>N o</b>	<b>Agenda</b>	<b>Resolution</b>
1.	Annual Report.	Listened.
2.	Audit report on the company's financial accounts and the Annual Report	Listened.
3.	Approval of audited financial statements 2013	Approve Company's audited financial statements 2013.
4.	Company's profit distribution	Approve profit distribution (attached).
5.	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)

#### PROFIT DISTRIBUTION

(Approved by annual shareholders meeting, April 29, 2014)

<b>Items</b>	<b>Amount (in Litas)</b>	<b>Amount (in EUR)</b>
Profit brought forward from the end of previous year	12.189.629	3.530.361
Financial year profit (loss)	9.891.788	2.864.860
Transfers from reserves	13.200.000	3.822.984
<b>Profit to be appropriated</b>	<b>35.281.417</b>	<b>10.218.205</b>
Appropriation of profit:		
– <i>dividends *</i>	11.912.261	3.450.029
– <i>management board bonus</i>	500.000	144.810
– <i>own shares buy back reserve</i>	0	0
– <i>to social activities reserve</i>	700.000	202.734
<b>Profit ( loss) to be carried forward at the end of the financial year</b>	<b>22.169.156</b>	<b>6.420.631</b>

\* 0,24 LTL (0,0695 EUR) per share.

14 May 2014 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).





2014-02-28 Pieno žvaigždės AB, not audited financial results for the year 2013

Based on preliminary unaudited results Company's sales over year 2013 accounted to LTL 759.4 million (EUR 219.9 million) or 1.3% less compare to a year ago. Sales resulted in 2012 were LTL 769.0 million (EUR 222.7 million). Sales increased in domestic market domestic by 4% and decreased in export markets by 6%

Over the year 2013 Company's EBITDA accounted to LTL 42.5 million (EUR 12.3 million) and decreased by 39% compare with EBITDA of LTL 70.1 million (EUR 20.3 million) a year ago.

Company earned a net profit of LTL 9.9 million (EUR 2.9 million) or 66% less compare with a net profit of LTL 29.0 million (EUR 8.4 million) in 2012.

Company did not achieve initially forecast results for the year 2013 due to Lithuanian dairy production import restrictions to Russian Federation in last quarter of 2013.

#### **14. Future plans**

Milk products import from all EU and other countries to Russian Federation was stopped from 6th August 2014 by decision of Russian authorities. Based on that expected sales for the whole year of 2014 will be around 800 million litas (230 million EUR). Sales restriction to the Russian market does not pose a threat to the continuity of company's business, but will have a negative impact on the company's profitability.

**15. Financial statements**

*Prepared according to IFRS, not audited*

**15.1. Statement of financial position**

Thousand Litas	<b>2014.06.30</b>	<b>2013.12.31</b>
<b>Assets</b>		
Property, plant and equipment	203 334	207 255
Intangible assets	220	294
Investments available for sale	275	275
Long-term receivables	1 034	999
Deferred tax		
<b>Total non-current assets</b>	<b>204 863</b>	<b>208 823</b>
Inventories	75 884	98 385
Receivables	86 975	54 677
Cash and cash equivalents	4 802	2 355
<b>Total current assets</b>	<b>167 661</b>	<b>155 417</b>
<b>Total assets</b>	<b>372 524</b>	<b>364 240</b>
<b>Equity</b>		
Share capital	49 634	49 634
Share premium	27 246	27 246
Own shares	-	-
Reserves	19 262	32 730
Retained earnings	27 290	22 082
<b>Total equity</b>	<b>123 432</b>	<b>131 692</b>
<b>Liabilities</b>		
Government grants	4 881	5 663
Interest-bearing loans and borrowings	123 330	112 365
Deferred tax	1 704	1 704
<b>Total non-current liabilities</b>	<b>129 915</b>	<b>119 732</b>
Provisions	-	-
Interest-bearing loans and borrowings	34 280	34 579
Income tax payable	645	-
Trade and other amounts payable	84 252	78 237
<b>Total current liabilities</b>	<b>119 177</b>	<b>112 816</b>
<b>Total liabilities</b>	<b>249 092</b>	<b>232 548</b>
<b>Total equity and liabilities</b>	<b>372 524</b>	<b>364 240</b>



## 15.2. Statement of comprehensive income

Thousand Litas	2014.01.01 - 2014.06.30	2013.01.01 - 2013.06.30
Revenue	467 799	399 077
Cost of sales	(407 654)	(326 219)
<b>Gross profit</b>	60 145	72 858
Other operating income, net	1 093	424
Sales and administrative expenses	(55 178)	(60 995)
<b>Operating profit before finance costs</b>	6 060	12 287
Finance income	323	326
Finance expenses	(2 085)	( 997)
<b>Finance income/expenses, net</b>	(1 762)	( 671)
<b>Profit before tax</b>	4 298	11 616
Corporate income tax	( 645)	(1 742)
<b>Profit for the year</b>	3 653	9 874
Earnings per share (Litas)	0,07	0,20

Thousand Litas	2014.04.01 - 2014.06.30	2013.04.01 - 2013.06.30
Revenue	240 397	212 643
Cost of sales	(207 793)	(173 767)
<b>Gross profit</b>	32 604	38 876
Other operating income, net	585	( 13)
Sales and administrative expenses	(30 794)	(34 976)
<b>Operating profit before finance costs</b>	2 395	3 887
Finance income	141	133
Finance expenses	(1 067)	( 529)
<b>Finance income/expenses, net</b>	( 926)	( 396)
<b>Profit before tax</b>	1 469	3 491
Corporate income tax	( 221)	( 523)
<b>Profit for the year</b>	1 248	2 968
Earnings per share (Litas)	0,03	0,06



## 15.3. Statement of cash flows

Thousand Litas	2014.06.30	2013.06.30
<b>Cash flows from operating activities</b>		
Net profit	3.653	9.874
Depreciation and amortisation	15.445	14.550
Amortisation of government grants	(781)	(681)
Result of disposal of property, plant and equipment	(2.586)	(323)
Change in vacation reserve	1.122	1.831
Change in impairment loss of inventories	1.019	-
Interest income/expenses, net	1.924	1.498
Income tax	645	1.742
<b>Cash flows from ordinary activities before changes in the working capital</b>	<b>20.441</b>	<b>28.491</b>
Change in inventories	21.483	5.797
Change in receivables	(42.809)	4.289
Change in trade and other payable amounts	11.145	7.530
<b>Cash flows from operating activities</b>	<b>10.260</b>	<b>46.107</b>
Interest paid	(1.924)	(1.524)
Income tax paid	0	(2.422)
<b>Net cash flow from operating activities</b>	<b>8.336</b>	<b>42.161</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(13.285)	(17.014)
Acquisition of intangible assets	(25)	(30)
Proceeds on sale of property, plant and equipment	2.743	47
Interest received	-	26
<b>Net cash flow used in investing activities</b>	<b>(10.567)</b>	<b>(16.971)</b>
<b>Cash flows from financing activities</b>		
Loans received	32.120	31.368
Repayment of borrowings	(21.454)	(31.115)
Dividends paid	(5.988)	(27.098)
Government grants received	-	3.950
<b>Net cash from/(used in) financing activities</b>	<b>4.678</b>	<b>(22.895)</b>
Change in cash and cash equivalents	2.447	2.295
Beginning cash	2.355	4.528
<b>Ending cash</b>	<b>4.802</b>	<b>6.823</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 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>
As at 1 July 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>
Profit allocation								0
Dividends							( 201)	( 201)
Reduction of share capital								0
Revaluation of fixed assets								0
Depreciation of revaluated part					( 461)		461	0
Net profit for 2013							618	618
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						(12 000)	12 000	0
Dividends							(11 913)	(11 913)
Acquisition of own shares								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(1 288)		1 288	0
Net profit for 2014							3 653	3 653
As at 30 June 2014	<b>49 634</b>	<b>27 246</b>	<b>0</b>	<b>5 420</b>	<b>12 822</b>	<b>1 200</b>	<b>27 110</b>	<b>123 432</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>2014.01.01 - 2014.06.30</b>	<b>2013.01.01 - 2013.06.30</b>
Sales, Thousand Litas	467 799	399 077
Gross profit, Thousand Litas	60 145	72 858
EBITDA, Thousand Litas	20 724	26 156
Current ratio (at the end of period)	1,4	1,6
Book value per share (at the end of period), LTL	2,49	2,64
Net profit per share	0,07	0,20

<b>Ratios</b>	<b>2014.04.01 - 2014.06.30</b>	<b>2013.04.01 - 2013.06.30</b>
Sales, Thousand Litas	240 397	212 643
Gross profit, Thousand Litas	32 604	38 876
EBITDA, Thousand Litas	9 797	10 712
Current ratio (at the end of period)	1,4	1,6
Book value per share (at the end of period), LTL	2,49	2,64
Net profit per share	0,07	0,06

## 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 Lit

	<b>2014.06.30</b>	<b>2013.12.31</b>
Raw materials	21 712	22 448
Stored production	53 372	74 013
Goods for resale	800	1 924
<b>Total:</b>	<b>75 884</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 Lit

	<b>2014.01.01 - 2014.06.30</b>	<b>2013.01.01 - 2013.06.30</b>
Lithuania	198 205	175 530
Other EU countries	83 340	37 322
Other non EU countries	186 254	186 225
<b>Total:</b>	<b>467 799</b>	<b>399 077</b>

**Sales, Thousand Litas**

	<b>2014.04.01 - 2014.06.30</b>	<b>2013.04.01 - 2013.06.30</b>
Lithuania	104 582	92 154
Other EU countries	47 097	18 563
Other non EU countries	88 718	101 926
<b>Total:</b>	<b>240 397</b>	<b>212 643</b>

**Post balance sheet events**

Milk products import from all EU and other countries to Russian Federation was stopped from 6<sup>th</sup> August 2014 by decision of Russian authorities. Pieno Zvaigzdes export to Russian Federation accounted from 30% to 35 % of total sales. Partly these sales will be compensating by sales to other markets (with lower profitability). But it will not be possible to compensate all lost sales by the end of this year. Based on present situation and taking into account actual sales of this year, expected sales for the whole year of 2014 will be around 800 million litas (230 million EUR). Sales restriction to the Russian market does not pose a threat to the continuity of company's business, but will have a negative impact on the company's profitability.

There were no other significant events after the balance sheet date.