



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

Vilnius, November 2016

Interim financial statements for the 9 months 2016

We, Aleksandr Smagin, Chief Executive Officer and Audrius Statulevicius, Chief Financial Officer, hereby confirm that, to the best of our knowledge, Interim Financial Statements of the nine months of 2016 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 Statulevicius



PIENO ŽVAIGŽDĖS, AB

INTERIM FINANCIAL STATEMENTS

For the 9 months 2016

VILNIUS, NOVEMBER 2016



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Prepared according to IFRS, not audited

1. Statement of financial position

Thousand EUR	2016.09.30	2015.12.31
Assets		
Property, plant and equipment	47 827	50 753
Intangible assets	99	72
Investments available for sale	22	80
Long-term receivables	436	290
Deferred tax		
Total non-current assets	48 384	51 195
Inventories	10 147	14 298
Receivables	12 649	12 609
Cash and cash equivalents	2 182	551
Total current assets	24 978	27 458
Total assets	73 362	78 653
Equity		
Share capital	13 089	14 394
Share premium	7 891	7 891
Own shares	-	(6 660)
Reserves	5 008	12 118
Retained earnings	4 285	4 437
Total equity	30 273	32 180
Liabilities		
Government grants	728	930
Interest-bearing loans and borrowings	25 990	26 200
Deferred tax	910	910
Total non-current liabilities	27 628	28 040
Provisions	-	-
Interest-bearing loans and borrowings	1 202	4 787
Income tax payable	81	68
Trade and other amounts payable	14 178	13 578
Total current liabilities	15 461	18 433
Total liabilities	43 089	46 473
Total equity and liabilities	73 362	78 653



2. Statement of comprehensive income

Thousand EUR	2016.01.01 - 2016.09.30	2015.01.01 - 2015.09.30
Revenue	112 426	125 022
Cost of sales	(87 661)	(98 408)
Gross profit	24 765	26 614
Other operating income, net	290	178
Sales and administrative expenses	(23 577)	(25 238)
Operating profit before finance costs	1 478	1 554
Finance income	110	80
Finance expenses	(1 047)	(596)
Finance income/expenses, net	(937)	(516)
Profit before tax	541	1 038
Corporate income tax	(81)	(156)
Profit for the year	460	882
Earnings per share (EUR)	0,01	0,02

Thousand EUR	2016.07.01 - 2016.09.30	2015.07.01 - 2015.09.30
Revenue	39 637	42 648
Cost of sales	(30 440)	(33 163)
Gross profit	9 197	9 485
Other operating income, net	86	38
Sales and administrative expenses	(7 089)	(7 809)
Operating profit before finance costs	2 194	1 714
Finance income	23	26
Finance expenses	(235)	(207)
Finance income/expenses, net	(212)	(181)
Profit before tax	1 982	1 533
Corporate income tax	(81)	(156)
Profit for the year	1 901	1 377
Earnings per share (EUR)	0,04	0,03

3. Statement of cash flows

Thousand EUR	2016.09.30	2015.09.30
Cash flows from operating activities		
Net profit	460	882
Adjustments:		
Depreciation and amortisation	5 934	6 233
Amortisation of government grants	(202)	(241)
Result of disposal of property, plant and equipment	(225)	(9)
Change in financial instruments	270	-
Change in vacation reserve	(36)	31
Change in impairment loss of inventories	2 287	-
Interest income/expenses, net	556	556
Income tax	81	156
Cash flows from ordinary activities before changes in the working capital	9 125	7 608
Change in inventories	2 087	3 251
Change in receivables	(232)	790
Change in trade and other payable amounts	454	(192)
Cash flows from operating activities	11 434	11 457
Interest paid	(568)	(556)
Income tax paid	(656)	(394)
Net cash flow from operating activities	10 210	10 507
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3 138)	(1 313)
Acquisition of intangible assets	(58)	(40)
Proceeds on sale of property, plant and equipment	118	135
Proceeds from other investment activity	33	-
Interest received	12	-
Net cash flow used in investing activities	(3 033)	(1 218)
Cash flows from financing activities		
Loans received	2 441	5 945
Repayment of borrowings	(5 800)	(9 680)
Issue (redemption) of shares	-	18
Dividends paid	(2 187)	(3 724)
Net cash from/(used in) financing activities	(5 546)	(7 441)
Change in cash and cash equivalents	1 631	1 848
Beginning cash	551	717
Ending cash	2 182	2 565



4. Statement on changes in equity

Thousand EUR	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2015	14 375	7 891	0	1 570	3 371	348	12 231	39 786
Profit allocation						7 112	(7 112)	0
Dividends							(3 723)	(3 723)
Change of share capital	19						(19)	0
Revaluation of fixed assets								0
Depreciation of revaluated part					(211)		211	0
Other income							115	115
Net profit for 2015							882	882
As at 30 September 2015	14 394	7 891	0	1 570	3 160	7 460	2 585	37 060
As at 1 October 2015	14 394	7 891	0	1 570	3 160	7 460	2 585	37 060
Profit allocation								0
Dividends								0
Own shares buyback			(6 660)					(6 660)
Revaluation of fixed assets								0
Depreciation of revaluated part					(71)		71	0
Other income								0
Net profit for 2015							1 780	1 780
As at 31 December 2015	14 394	7 891	(6 660)	1 570	3 089	7 460	4 436	32 180
As at 1 January 2016	14 394	7 891	(6 660)	1 570	3 089	7 460	4 436	32 180
Profit allocation								0
Dividends							(2 482)	(2 482)
Change of share capital	(1 305)						1 305	0
Own shares buyback			6 660			(6 900)	240	0
Depreciation of revaluated part					(210)		210	0
Other income							115	115
Net profit for 2016							460	460
As at 30 September 2016	13 089	7 891	0	1 570	2 879	560	4 284	30 273

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 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

Ratios	2016.01.01 - 2016.09.30	2015.01.01 - 2015.09.30
Sales, Thousand EUR	112 426	125 022
Gross profit, Thousand EUR	24 765	26 614
EBITDA, Thousand EUR	7 210	7 546
Current ratio (at the end of period)	1,54	1,53
Book value per share (at the end of period), EUR	0,67	0,74
Net profit per share	0,01	0,02

Ratios	2016.07.01 - 2016.09.30	2015.07.01 - 2015.09.30
Sales, Thousand EUR	39 637	42 648
Gross profit, Thousand EUR	9 198	9 485
EBITDA, Thousand EUR	4 091	3 689
Current ratio (at the end of period)	1,54	1,53
Book value per share (at the end of period), EUR	0,67	0,74
Net profit per share	0,04	0,03

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 EUR

	2016.09.30	2015.12.31
Raw materials	5 003	5 724
Stored production	4 936	8 461
Goods for resale	208	113
Total:	10 147	14 298

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 and other EU countries.

Sales, Thousand EUR

	2016.01.01 - 2016.09.30	2015.01.01 - 2015.09.30
Lithuania	73 548	77 893
Other EU countries	27 264	36 030
Other non EU countries	11 614	11 099
Total:	112 426	125 022

**Sales, Thousand EUR**

	2016.07.01 - 2016.09.30	2015.07.01 - 2015.09.30
Lithuania	24 331	26 521
Other EU countries	10 768	12 406
Other non EU countries	4 538	3 721
Total:	39 637	42 648

Post balance sheet events

There were no significant events after the balance sheet date.