



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

Vilnius, November 2017

Interim financial statements for the 9 months 2017

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 nine months of 2017 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 9 months 2017

VILNIUS, NOVEMBER 2017



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Prepared according to IFRS, not audited

1. Statement of financial position

Thousand EUR	2017.09.30	2016.12.31
Assets		
Property, plant and equipment	44 532	48 589
Intangible assets	90	93
Investments available for sale	22	22
Long-term receivables	798	282
Deferred tax		
Total non-current assets	45 442	48 986
Inventories	15 702	12 633
Receivables	16 022	14 527
Cash and cash equivalents	312	841
Total current assets	32 036	28 001
Total assets	77 478	76 987
Equity		
Share capital	13 089	13 089
Share premium	7 891	7 891
Own shares	-	-
Reserves	2 200	4 938
Retained earnings	3 695	5 696
Total equity	26 875	31 614
Liabilities		
Government grants	569	689
Interest-bearing loans and borrowings	27 688	22 450
Deferred tax	0	858
Total non-current liabilities	28 257	23 997
Provisions		-
Interest-bearing loans and borrowings	5 730	6 343
Income tax payable	-	-
Trade and other amounts payable	16 616	15 033
Total current liabilities	22 346	21 376
Total liabilities	50 603	45 373
Total equity and liabilities	77 478	76 987

2. Statement of comprehensive income

Thousand EUR	2017.01.01 - 2017.09.30	2016.01.01 - 2016.09.30
Revenue	128 039	112 426
Cost of sales	(106 785)	(87 661)
Gross profit	21 254	24 765
Other operating income, net	179	290
Sales and administrative expenses	(21 189)	(23 577)
Operating profit before finance costs	244	1 478
Finance income	266	110
Finance expenses	(797)	(1 047)
Finance income/expenses, net	(531)	(937)
Profit before tax	(287)	541
Corporate income tax	1 500	(81)
Profit for the year	1 213	460
Earnings per share (EUR)	0,02	0,01

Thousand EUR	2017.07.01 - 2017.09.30	2016.07.01 - 2016.09.30
Revenue	47 148	39 637
Cost of sales	(38 149)	(30 440)
Gross profit	8 999	9 197
Other operating income, net	(6)	86
Sales and administrative expenses	(6 792)	(7 089)
Operating profit before finance costs	2 201	2 194
Finance income	37	23
Finance expenses	(272)	(235)
Finance income/expenses, net	(235)	(212)
Profit before tax	1 966	1 982
Corporate income tax	0	(81)
Profit for the year	1 966	1 901
Earnings per share (EUR)	0,04	0,04

3. Statement of cash flows

Thousand EUR	2017.09.30	2016.09.30
Cash flows from operating activities		
Net profit	1 213	460
Adjustments:		
Depreciation and amortisation	5 515	5 934
Amortisation of government grants	(119)	(202)
Result of disposal of property, plant and equipment	(102)	(225)
Change in financial instruments	(93)	270
Change in vacation reserve	(14)	(36)
Change in adjustments	-	-
Change in impairment loss of inventories	(701)	2 287
Interest income/expenses, net	518	556
Income tax	-	81
Cash flows from ordinary activities before changes in the working capital	6 217	9 125
Change in inventories	(2 369)	2 087
Change in receivables	(2 184)	(232)
Change in trade and other payable amounts	459	454
Cash flows from operating activities	2 123	11 434
Interest paid	(583)	(568)
Income tax paid	881	(656)
Net cash flow from operating activities	2 421	10 210
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3 882)	(3 138)
Acquisition of intangible assets	(35)	(58)
Proceeds on sale of property, plant and equipment	106	118
Proceeds from other investment activity	-	33
Interest received	65	12
Net cash flow used in investing activities	(3 746)	(3 033)
Cash flows from financing activities		
Loans received	9 227	2 441
Repayment of borrowings	(4 510)	(5 800)
Dividends paid	(3 921)	(2 187)
Net cash from/(used in) financing activities	796	(5 546)
Change in cash and cash equivalents	(529)	1 631
Beginning cash	841	551
Ending cash	312	2 182



4. Statement on changes in equity

000 EUR	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2016	14 394	7 891	(6 660)	1 570	3 088	7 460	4 437	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							116	116
Net profit for 2016							460	460
As at 30 September 2016	13 089	7 891	0	1 570	2 878	560	4 286	30 274
As at 1 October 2016	13 089	7 891	0	1 570	2 878	560	4 286	30 274
Profit allocation								0
Dividends								0
Change of share capital								0
Revaluation of fixed assets								0
Depreciation of revaluated part					(68)		68	0
Other income								0
Net profit for 2016							1 340	1 340
As at 31 December 2016	13 089	7 891	0	1 570	2 810	560	5 694	31 614
As at 1 January 2017	13 089	7 891	0	1 570	2 810	560	5 694	31 614
Profit allocation						70	(70)	0
Dividends							(3 945)	(3 945)
Change of share capital								0
Own shares buyback								0
Revaluation of assets					(2 810)		803	(2 007)
Other income								0
Net profit for 2017							1 213	1 213
As at 30 September 2017	13 089	7 891	0	1 570	0	630	3 695	26 875

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	2017.01.01 - 2017.09.30	2016.01.01 - 2016.09.30
Sales, Thousand EUR	128 039	112 426
Gross profit, Thousand EUR	21 254	24 765
EBITDA, Thousand EUR	5 640	7 210
Current ratio (at the end of period)	1,43	1,54
Book value per share (at the end of period), EUR	0,60	0,67
Net profit per share	0,02	0,01

Ratios	2017.07.01 - 2017.09.30	2016.07.01 - 2016.09.30
Sales, Thousand EUR	47 148	39 637
Gross profit, Thousand EUR	8 999	9 198
EBITDA, Thousand EUR	4 009	4 091
Current ratio (at the end of period)	1,43	1,54
Book value per share (at the end of period), EUR	0,60	0,67
Net profit per share	0,02	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 EUR	2017.09.30	2016.12.31
Raw materials	5 610	5 228
Stored production	9 954	7 320
Goods for resale	138	85
Total:	15 702	12 633

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, which is subject to risks and rewards that are different from those of other segments. Company sales production mainly in domestic market, and EU.

Sales by geographical markets, Thousand EUR	2017.01.01 - 2017.09.30	2016.01.01 - 2016.09.30
Lithuania	71 500	73 548
Other EU countries	41 540	27 264
Other non EU countries	14 999	11 614
Total:	128 039	112 426

Sales by products groups, Thousand EUR	2017.01.01 - 2017.09.30	2016.01.01 - 2016.09.30
Fresh milk products	86 737	78 956
Dry milk products	7 617	7 305
Cheese	26 715	20 430
Other products	6 970	5 735
Total:	128 039	112 426

**Sales by geographical markets, Thousand EUR**

	2017.07.01 - 2017.09.30	2016.07.01 - 2016.09.30
Lithuania	25 116	24 331
Other EU countries	17 085	10 768
Other non EU countries	4 947	4 538
Total:	47 148	39 637

Sales by products groups, Thousand EUR

	2017.07.01 - 2017.09.30	2016.07.01 - 2016.09.30
Fresh milk products	31 733	26 002
Dry milk products	2 294	3 284
Cheese	10 158	8 019
Other products	2 963	2 332
Total:	47 148	39 637

Post balance sheet events

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