



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

Vilnius, February 2018

Interim financial statements for the twelve 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 twelve 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 twelve months 2017

VILNIUS, FEBRUARY 2018



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Prepared according to IFRS, not audited

1. Statement of financial position

Thousand EUR	2017.12.31	2016.12.31
Assets		
Property, plant and equipment	44 839	46 230
Intangible assets	101	93
Investments available for sale	22	22
Long-term receivables	1 008	562
Deferred tax		
Total non-current assets	45 970	46 907
Inventories	16 538	12 629
Receivables	13 904	14 527
Cash and cash equivalents	256	841
Total current assets	30 698	27 997
Total assets	76 668	74 904
Equity		
Share capital	13 089	13 089
Share premium	7 891	7 891
Own shares	-	-
Reserves	2 200	2 130
Retained earnings	1 145	6 495
Total equity	24 325	29 605
Liabilities		
Government grants	593	689
Interest-bearing loans and borrowings	24 591	22 450
Deferred tax	1 011	784
Total non-current liabilities	26 195	23 923
Provisions	-	-
Interest-bearing loans and borrowings	8 138	6 343
Income tax payable	-	-
Trade and other amounts payable	18 010	15 033
Total current liabilities	26 148	21 376
Total liabilities	52 343	45 299
Total equity and liabilities	76 668	74 904

2. Statement of comprehensive income

Thousand EUR	2017.01.01 - 2017.12.31	2016.01.01 - 2016.12.31
Revenue	167 753	150 126
Cost of sales	(140 478)	(118 627)
Gross profit	27 275	31 499
Other operating income, net	296	193
Sales and administrative expenses	(29 777)	(28 924)
Operating profit before finance costs	(2 206)	2 768
Finance income	322	259
Finance expenses	(1 045)	(1 253)
Finance income/expenses, net	(723)	(994)
Profit before tax	(2 929)	1 774
Corporate income tax	1 592	63
Profit for the year	(1 337)	1 837
Earnings per share (EUR)	- 0,03	0,04

Thousand EUR	2017.10.01 - 2017.12.31	2016.10.01 - 2016.12.31
Revenue	39 714	37 700
Cost of sales	(33 693)	(30 966)
Gross profit	6 021	6 734
Other operating income, net	117	(97)
Sales and administrative expenses	(8 588)	(5 347)
Operating profit before finance costs	(2 450)	1 290
Finance income	56	149
Finance expenses	(248)	(206)
Finance income/expenses, net	(192)	(57)
Profit before tax	(2 642)	1 233
Corporate income tax	92	144
Profit for the year	(2 550)	1 377
Earnings per share (EUR)	- 0,05	0,03

3. Statement of cash flows

Thousand EUR	2017.12.31	2016.12.31
Cash flows from operating activities		
Net profit	(1 337)	1 837
Adjustments:		
Depreciation and amortisation	7 389	7 618
Amortisation of government grants	(159)	(241)
Result of disposal of property, plant and equipment	(104)	77
Change in financial instruments	(122)	143
Change in vacation reserve	33	(16)
Change in impairment loss of inventories	759	539
Interest income/expenses, net	716	724
Income tax	(1 592)	(63)
Cash flows from ordinary activities before changes in the working capital	5 583	10 618
Change in inventories	(3 322)	1 126
Change in receivables	1 165	(1 073)
Change in trade and other payable amounts	1 895	861
Cash flows from operating activities	5 321	11 532
Interest paid	(789)	(740)
Income tax paid	650	(929)
Net cash flow from operating activities	5 182	9 863
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6 053)	(5 172)
Acquisition of intangible assets	(58)	(65)
Proceeds on sale of property, plant and equipment	136	382
Proceeds from other investment activity	-	33
Interest received	73	17
Net cash flow used in investing activities	(5 902)	(4 805)
Cash flows from financing activities		
Loans received	10 070	4 600
Repayment of borrowings	(6 000)	(7 000)
Dividends paid	(3 922)	(2 359)
Payment of finance lease liabilities	(13)	(9)
Net cash from/(used in) financing activities	135	(4 768)
Change in cash and cash equivalents	(585)	290
Beginning cash	841	551
Ending cash	256	841



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
As at 1 October 2017	13 089	7 891	0	1 570	0	630	3 695	26 875
Profit allocation								0
Dividends								0
Change of share capital								0
Revaluation of fixed assets								0
Depreciation of revaluated part								0
Other income								0
Net profit for 2017							(2 550)	(2 550)
As at 31 December 2016	13 089	7 891	0	1 570	0	630	1 145	24 325

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 - 2017.12.31	2016.01.01 - 2016.12.31
Sales, Thousand EUR	167 753	150 126
Gross profit, Thousand EUR	27 275	31 499
EBITDA, Thousand EUR	5 023	10 145
Current ratio (at the end of period)	1,17	1,31
Book value per share (at the end of period), EUR	0,54	0,66
Net profit per share	-0,03	0,04

Ratios	2017.10.01 - 2017.12.31	2016.10.01 - 2016.12.31
Sales, Thousand EUR	39 714	37 700
Gross profit, Thousand EUR	6 021	6 734
EBITDA, Thousand EUR	-617	2 944
Current ratio (at the end of period)	1,17	1,31
Book value per share (at the end of period), EUR	0,54	0,66
Net profit per share	-0,05	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	2017.12.31	2016.12.31
Raw materials	5 266	5 228
Stored production	11 162	7 316
Goods for resale	110	85
Total:	16 538	12 629

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 - 2017.12.31	2016.01.01 - 2016.12.31
Lithuania	93 771	95 752
Other EU countries	53 572	38 245
Other non EU countries	20 410	16 129
Total:	167 753	150 126

Sales by products groups, Thousand EUR	2017.01.01 - 2017.12.31	2016.01.01 - 2016.12.31
Fresh milk products	114 986	105 491
Dry milk products	9 076	9 131
Cheese	36 095	29 157
Other products	7 596	6 347
Total:	167 753	150 126

Sales by geographical markets, Thousand EUR

	2017.10.01 - 2017.12.31	2016.10.01 - 2016.12.31
Lithuania	22 271	22 204
Other EU countries	12 032	10 981
Other non EU countries	5 411	4 515
Total:	39 714	37 700

Sales by products groups, Thousand EUR

	2017.10.01 - 2017.12.31	2016.10.01 - 2016.12.31
Fresh milk products	28 249	26 535
Dry milk products	1 459	1 826
Cheese	9 380	8 727
Other products	626	612
Total:	39 714	37 700

Post balance sheet events

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