

Vilnius, November 2019

AB „Pieno žvaigždės“ confirmation of the Management

# Interim financial statements for the 9 months 2019

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 2019 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”.



Chief Executive Officer / Aleksandr Smagin



Chief Financial Officer / Audrius Statulevičius



# PIENO ŽVAIGŽDĒS

Interim financial  
statements

For the 9 monts 2019



# Table of content

1. Statement of financial position.....	4
2. Statement of comprehensive income.....	5
3. Statement of cash flows .....	6
4. Statement on change in equity.....	7
5. Notes to the financial statements .....	8



# 1. Statement of financial position (Thousand EUR)

Prepared according to IFRS, not audited

	2019 09 30	2018 12 31
<b>Assets</b>		
Property, plant and equipment	46 618	42 098
Intangible assets	133	136
Investments available for sale	22	22
Long-term receivables	892	683
Deferred tax	1 147	1 147
<b>Total non-current assets</b>	<b>48 812</b>	<b>44 086</b>
Inventories	11 840	13 423
Receivables	13 294	11 166
Cash and cash equivalents	4 945	4 795
<b>Total current assets</b>	<b>30 079</b>	<b>29 384</b>
<b>Total assets</b>	<b>78 891</b>	<b>73 470</b>
<b>Equity</b>		
Share capital	13 089	13 089
Share premium	7 891	7 891
Own shares	-	-
Reserves	1 570	2 200
Retained earnings	6 136	2 950
<b>Total equity</b>	<b>28 686</b>	<b>26 130</b>
<b>Liabilities</b>		
Government grants	1 041	1 129
Interest-bearing loans and borrowings	22 540	13 500
Deferred tax	3 282	883
<b>Total non-current liabilities</b>	<b>26 863</b>	<b>15 512</b>
Provisions		
Interest-bearing loans and borrowings	6 136	13 217
Income tax payable	-	-
Trade and other amounts payable	17 206	18 611
<b>Total current liabilities</b>	<b>23 342</b>	<b>31 828</b>
<b>Total liabilities</b>	<b>50 205</b>	<b>47 340</b>
<b>Total equity and liabilities</b>	<b>78 891</b>	<b>73 470</b>



## 2. Statement of comprehensive income (Thousand EUR)

Prepared according to IFRS, not audited

	<b>2019 01 01 – 2019 09 30</b>	<b>2018 01 01 – 2018 09 30</b>
Revenue	128 878	130 842
Cost of sales	(103 685)	(106 387)
<b>Gross profit</b>	<b>25 193</b>	<b>24 455</b>
Other operating income, net	438	383
Sales and administrative expenses	(21 039)	(20 829)
<b>Operating profit before finance costs</b>	<b>4 592</b>	<b>4 009</b>
Finance income	117	137
Finance expenses	(800)	(875)
<b>Finance income/expenses, net</b>	<b>(683)</b>	<b>(738)</b>
<b>Profit before tax</b>	<b>3 909</b>	<b>3 271</b>
Corporate income tax	-	-
<b>Profit for the year</b>	<b>3 909</b>	<b>3 271</b>
Earnings per share (EUR)	0,09	0,07
	<b>2019 07 01 – 2019 09 30</b>	<b>2018 07 01 – 2018 09 30</b>
Revenue	44 730	44 346
Cost of sales	(35 239)	(35 551)
<b>Gross profit</b>	<b>9 491</b>	<b>8 795</b>
Other operating income, net	149	127
Sales and administrative expenses	(6 527)	(6 839)
<b>Operating profit before finance costs</b>	<b>3 113</b>	<b>2 083</b>
Finance income	47	53
Finance expenses	(275)	(273)
<b>Finance income/expenses, net</b>	<b>(228)</b>	<b>(220)</b>
<b>Profit before tax</b>	<b>2 885</b>	<b>1 863</b>
Corporate income tax	-	-
<b>Profit for the year</b>	<b>2 885</b>	<b>1 863</b>
Earnings per share (EUR)	0,06	0,04



### 3. Statement of cash flows (Thousand EUR)

Prepared according to IFRS, not audited

	2019 09 30	2018 09 30
<b>Cash flows from operating activities</b>		
Net profit	3 909	3 271
Adjustments:		
Depreciation and amortisation	4 370	5 282
Amortisation of government grants	(130)	(87)
Result of disposal of property, plant and equipment	(112)	(90)
Change in financial instruments	(25)	(38)
Change in vacation reserve	(23)	85
Change in impairment loss of inventories	(234)	1 447
Interest income/expenses, net	582	771
Income tax	-	-
<b>Cash flows from ordinary activities before changes in the working capital</b>	<b>8 337</b>	<b>10 641</b>
Change in inventories	1 818	1 657
Change in receivables	(2 580)	(2 247)
Change in trade and other payable amounts	(1 315)	(1 829)
<b>Cash flows from operating activities</b>	<b>6 260</b>	<b>8 222</b>
Interest paid	(630)	(806)
Income tax paid	-	-
<b>Net cash flow from operating activities</b>	<b>5 630</b>	<b>7 416</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(6 341)	(3 494)
Acquisition of intangible assets	(51)	(77)
Proceeds on sale of property, plant and equipment	184	102
Interest received	48	35
<b>Net cash flow used in investing activities</b>	<b>(6 160)</b>	<b>(3 434)</b>
<b>Cash flows from financing activities</b>		
Loans received	35 500	3 922
Repayment of borrowings	(33 517)	(7 897)
Dividends paid	(1 345)	-
Government grants received	42	172
<b>Net cash from/(used in) financing activities</b>	<b>680</b>	<b>(3 803)</b>
Change in cash and cash equivalents	150	179
Beginning cash	4 795	256
<b>Ending cash</b>	<b>4 945</b>	<b>435</b>



## 4. Statement on change in equity

Prepared according to IFRS, not audited

(Thousand EUR)	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
<b>As at 1 January 2018</b>	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>0</b>	<b>630</b>	<b>752</b>	<b>23 932</b>
Profit allocation								0
Dividends								0
Change of share capital								0
Own shares buyback								0
Depreciation of revaluated part								0
Other income								0
Net profit for 2018							3 271	3 271
<b>As at 30 September 2018</b>	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>0</b>	<b>630</b>	<b>4 023</b>	<b>27 203</b>
<b>As at 1 October 2018</b>	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>0</b>	<b>630</b>	<b>4 023</b>	<b>27 203</b>
Profit allocation								0
Dividends								0
Change of share capital								0
Own shares buyback								0
Depreciation of revaluated part								0
Other income								0
Net profit for 2018							(1 073)	(1 073)
<b>As at 31 December 2018</b>	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>0</b>	<b>630</b>	<b>2 950</b>	<b>26 130</b>
<b>As at 1 January 2019</b>	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>0</b>	<b>630</b>	<b>2 950</b>	<b>26 130</b>
Profit allocation						(630)	630	0
Dividends							(1 353)	(1 353)
Change of share capital								0
Own shares buyback								0
Depreciation of revaluated part								0
Other income								0
Net profit for 2019							3 909	3 909
<b>As at 30 September 2019</b>	<b>13 089</b>	<b>7 891</b>	<b>0</b>	<b>1 570</b>	<b>0</b>	<b>0</b>	<b>6 136</b>	<b>28 686</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 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>2019 01 01 – 2019 09 30</b>	<b>2018 01 01 – 2018 09 30</b>
Sales, Thousand EUR	128 878	130 842
Gross profit, Thousand EUR	25 193	24 455
EBITDA, Thousand EUR	8 832	9 204
Current ratio (at the end of period)	1,29	1,56
Book value per share (at the end of period), EUR	0,63	0,60
Net profit per share	0,09	0,07
	<b>2019 07 01 – 2019 09 30</b>	<b>2018 07 01 – 2018 09 30</b>
Sales, Thousand EUR	44 730	44 346
Gross profit, Thousand EUR	9 491	8 795
EBITDA, Thousand EUR	4 401	3 760
Current ratio (at the end of period)	1,29	1,56
Book value per share (at the end of period), EUR	0,63	0,60
Net profit per share	0,06	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.

<b>Inventories, Thousand EUR</b>	<b>2019 09 30</b>	<b>2018 12 31</b>
Raw materials	4 915	4 707
Stored production	6 880	8 707
Goods for resale	45	9
<b>Total:</b>	<b>11 840</b>	<b>13 423</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, which is subject to risks and rewards that are different from those of other segments. Company sales production mainly in domestic market, and EU.

<b>Sales by geographical markets, Thousand EUR</b>	<b>2019 01 01 – 2019 09 30</b>	<b>2018 01 01 – 2018 09 30</b>
Lithuania	73 859	71 599
Other EU countries	39 066	42 968
Other non EU countries	15 953	16 275
<b>Total:</b>	<b>128 878</b>	<b>130 842</b>

<b>Sales by products groups, Thousand EUR</b>	<b>2019 01 01 – 2019 09 30</b>	<b>2018 01 01 – 2018 09 30</b>
Fresh milk products	88 700	87 391
Dry milk products	4 552	5 240
Cheese	24 996	29 379
Other products	10 630	8 832
<b>Total:</b>	<b>128 878</b>	<b>130 842</b>



Sales by geographical markets, Thousand EUR	2019 07 01 – 2019 09 30	2018 07 01 – 2018 09 30
Lithuania	25 224	25 125
Other EU countries	12 912	14 546
Other non EU countries	6 595	4 675
<b>Total:</b>	<b>44 731</b>	<b>44 346</b>

Sales by products groups, Thousand EUR	2019 07 01 – 2019 09 30	2018 07 01 – 2018 09 30
Fresh milk products	30 387	29 238
Dry milk products	2 435	1 561
Cheese	7 744	9 931
Other products	4 165	3 616
<b>Viso:</b>	<b>44 731</b>	<b>44 346</b>

## Post balance sheet events

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

