



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

Vilnius, February 2019

Interim financial statements for the 12 months 2018

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 2018 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 12 months 2018

VILNIUS, FEBRUARY 2019



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Prepared according to IFRS, not audited

1. Statement of financial position

Thousand EUR	2018.12.31	2017.12.31
Assets		
Property, plant and equipment	41 898	44 839
Intangible assets	136	101
Investments available for sale	22	22
Long-term receivables	851	1 077
Deferred tax		
Total non-current assets	42 907	46 039
Inventories	13 438	16 078
Receivables	11 312	12 903
Cash and cash equivalents	4 795	256
Total current assets	29 545	29 237
Total assets	72 452	75 276
Equity		
Share capital	13 090	13 089
Share premium	7 891	7 891
Own shares	-	-
Reserves	2 200	2 200
Retained earnings	2 038	752
Total equity	25 219	23 932
Liabilities		
Government grants	1 123	593
Interest-bearing loans and borrowings	13 500	37
Deferred tax	784	1 011
Total non-current liabilities	15 407	1 641
Provisions		
Interest-bearing loans and borrowings	13 217	32 692
Income tax payable	-	-
Trade and other amounts payable	18 609	17 011
Total current liabilities	31 826	49 703
Total liabilities	47 233	51 344
Total equity and liabilities	72 452	75 276

**2. Statement of comprehensive income**

Thousand EUR	2018.01.01 - 2018.12.31	2017.01.01 - 2017.12.31
Revenue	168 662	167 753
Cost of sales	(138 862)	(140 478)
Gross profit	29 800	27 275
Other operating income, net	523	296
Sales and administrative expenses	(27 763)	(30 238)
Operating profit before finance costs	2 560	(2 667)
Finance income	161	196
Finance expenses	(1 163)	(918)
Finance income/expenses, net	(1 002)	(722)
Profit before tax	1 558	(3 389)
Corporate income tax	(272)	1 661
Profit for the year	1 286	(1 728)
Earnings per share (EUR)	0,03	- 0,04

Thousand EUR	2018.10.01 - 2018.12.31	2017.10.01 - 2017.12.31
Revenue	37 820	39 714
Cost of sales	(32 475)	(33 693)
Gross profit	5 345	6 021
Other operating income, net	140	117
Sales and administrative expenses	(6 934)	(9 049)
Operating profit before finance costs	(1 449)	(2 911)
Finance income	24	(70)
Finance expenses	(288)	(121)
Finance income/expenses, net	(264)	(191)
Profit before tax	(1 713)	(3 102)
Corporate income tax	(272)	161
Profit for the year	(1 985)	(2 941)
Earnings per share (EUR)	- 0,04	- 0,07

3. Statement of cash flows

Thousand EUR	2018.12.31	2017.12.31
Cash flows from operating activities		
Net profit	1 286	(1 728)
Adjustments:		
Depreciation and amortisation	7 002	7 390
Amortisation of government grants	(126)	(159)
Result of disposal of property, plant and equipment	(118)	(29)
Change in financial instruments	(28)	(122)
Change in vacation reserve	188	33
Change in impairment loss of inventories	1 091	1 219
Interest income/expenses, net	906	755
Income tax	272	(1 661)
Cash flows from ordinary activities before changes in the working capital	10 473	5 698
Change in inventories	1 548	(4 668)
Change in receivables	1 545	1 200
Change in trade and other payable amounts	1 311	2 916
Cash flows from operating activities	14 877	5 146
Interest paid	(956)	(789)
Income tax paid	0	650
Net cash flow from operating activities	13 921	5 007
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4 012)	(5 563)
Acquisition of intangible assets	(102)	(59)
Proceeds on sale of property, plant and equipment	134	136
Proceeds from other investment activity	-	(339)
Interest received	50	34
Net cash flow used in investing activities	(3 930)	(5 791)
Cash flows from financing activities		
Loans received	3 922	10 070
Repayment of borrowings	(9 892)	(6 000)
Dividends paid	-	(3 922)
Payment of finance lease liabilities	(13)	(12)
Government grants received	530	63
Net cash from/(used in) financing activities	(5 453)	199
Change in cash and cash equivalents	4 538	(585)
Beginning cash	256	841
Ending cash	4 794	256



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 2017	13 089	7 891	0	1 570	0	560	6 495	29 605
Profit allocation						70	(70)	0
Dividends							(3 945)	(3 945)
Change of share capital								0
Own shares buyback								0
Depreciation of revaluated part								0
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	3 693	26 873
As at 1 October 2017	13 089	7 891	0	1 570	0	630	3 693	26 873
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							(2 941)	(2 941)
As at 31 December 2017	13 089	7 891	0	1 570	0	630	752	23 932
As at 1 January 2018	13 089	7 891	0	1 570	0	630	752	23 932
Profit allocation								0
Dividends								0
Change of share capital								0
Own shares buyback								0
Revaluation of asstes								0
Other income								0
Net profit for 2018							3 272	3 272
As at 30 September 2018	13 089	7 891	0	1 570	0	630	4 024	27 204
As at 1 October 2018	13 089	7 891	0	1 570	0	630	4 024	27 204
Profit allocation								0
Dividends								0
Change of share capital								0
Own shares buyback								0
Revaluation of asstes								0
Other income								0
Net profit for 2018							(1 985)	(1 985)
As at 31 December 2018	13 089	7 891	0	1 570	0	630	2 039	25 219

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	2018.01.01 - 2018.12.31	2017.01.01 - 2017.12.31
Sales, Thousand EUR	168 662	167 753
Gross profit, Thousand EUR	29 800	27 275
EBITDA, Thousand EUR	9 436	4 563
Current ratio (at the end of period)	0,91	0,59
Book value per share (at the end of period), EUR	0,56	0,53
Net profit per share	0,03	-0,04

Ratios	2018.10.01 - 2018.12.31	2017.10.01 - 2017.12.31
Sales, Thousand EUR	37 820	39 714
Gross profit, Thousand EUR	5 345	6 021
EBITDA, Thousand EUR	232	-1 077
Current ratio (at the end of period)	0,91	0,59
Book value per share (at the end of period), EUR	0,56	0,53
Net profit per share	0,03	-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	2018.12.31	2017.12.31
Raw materials	4 736	4 886
Stored production	8 636	11 082
Goods for resale	66	110
Total:	13 438	16 078

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	2018.01.01 - 2018.12.31	2017.01.01 - 2017.12.31
Lithuania	92 780	93 771
Other EU countries	54 239	53 595
Other non EU countries	21 643	20 387
Total:	168 662	167 753

Sales by products groups, Thousand EUR	2018.01.01 - 2018.12.31	2017.01.01 - 2017.12.31
Fresh milk products	113 548	114 986
Dry milk products	7 155	9 076
Cheese	38 238	36 095
Other products	9 721	7 596
Total:	168 662	167 753

Sales by geographical markets, Thousand EUR

	2018.10.01 - 2018.12.31	2017.10.01 - 2017.12.31
Lithuania	21 181	22 270
Other EU countries	11 271	12 055
Other non EU countries	5 368	5 389
Total:	37 820	39 714

Sales by products groups, Thousand EUR

	2018.10.01 - 2018.12.31	2017.10.01 - 2017.12.31
Fresh milk products	26 157	28 249
Dry milk products	1 915	1 459
Cheese	8 859	9 380
Other products	889	626
Total:	37 820	39 714

Post balance sheet events

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