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Juridinio asmens kodas 110878442  
PVM mokėtojo kodas LT108784411  
Juridinių asmenų registras

Code of legal entity 110878442  
VAT payer code LT108784411  
Register of Legal Entities

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Pieno Žvaigždės

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of AB Pieno Žvaigždės (hereinafter the Company) contained in the file 2023\_ar\_en\_eur\_solo\_ias\_esef 1.zip (SHA-256-checksum: 6a062ccc77dc51218fa7448caaf11a9cb21221e6aca619193e4ad3da44c6e19a), which comprise the statement of financial position as of 31 December 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



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Key audit matter

*Inventory net realizable value and allowance for obsolescence*

Inventory balance of the Company amounts to EUR 16,677 thousand before impairment allowance and to EUR 15,939 thousand after impairment allowance as of 31 December 2023 (Note 8). The impairment evaluation requires management judgment in assessing whether the carrying value of inventories is not higher than their net realizable value at year-end. Also, significant management judgment is required in determining the inventory obsolescence allowance, as it is based on the management's assessment of historical and forecasted sales of inventory, physical obsolescence and other relevant factors. Changes to these assumptions could result in a material change in the carrying value of inventory.

This matter is significant to our audit since the inventory balance is material to the Company, comprising 22% of the Company's total assets and requires a significant management judgment.

*Useful lives of property, plant and equipment*

As of 31 December 2023, the carrying amount of property, plant and equipment is EUR 43,422 thousand, depreciation expenses for the year 2023 are EUR 4,655 thousand (Note 7). The Company's management and authorised technical personnel reviews useful life annually. The annual review of useful life in 2023 resulted in the useful lives prolongation for property, plant and equipment with the acquisition value of EUR 800 thousand. The management assessment and changes made during 2023 in determination of useful lives of property, plant and equipment involve significant judgment, which includes considerations related to various market and technological factors (Note "Material accounting judgements and estimates" and Note 7).

This is significant to our audit since the property, plant and equipment comprises 61% of the Company's total assets as of 31 December 2023 and the related depreciation charge comprises 2.5% of the total expenses for the year then ended, and it required significant management judgment.

How the matter was addressed in the audit

We, among other audit procedures, have gained an understanding of the process (including assumptions and methods) how management evaluates net realizable value of inventory and calculates the allowance for obsolescence. We have assessed the calculations of inventory net realizable value performed by the management based on review of subsequent sales after the year-end. We have tested inventories movement information by obtaining primary documents supporting the date of acquisition of raw materials and the date of manufacturing of the finished goods on a sample basis. We also assessed principle applied in the calculation of allowance and compared the inventory obsolescence allowance to the Company's historic figures.

Finally, we have considered the adequacy of disclosures in the financial statements in this area (Note 8).

We, among other audit procedures, obtained the understanding of the process (including assumptions and methods) how management reviews and estimates the useful lives of property, plant and equipment. We have discussed the key assumptions applied by the management and reviewed the Company's plans to use, dispose, write-off or acquire significant items of property, plant and equipment. We reviewed the change in useful lives estimate by obtaining supporting documents related to the changes made authorised by the management. We have tested whether depreciation is properly calculated based on the new rates applied for respective items.

We have also reviewed the adequacy of the Company's disclosures regarding useful lives of property, plant and equipment included in Note "Material accounting judgements and estimates" and Note 7.



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### **Other information**

Other information consists of the information included in the Company's Annual Report for the year 2023, including Corporate Governance Report, Remuneration Report and Corporate Social Responsibility Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's Annual Report, including Corporate Governance Report and Remuneration Report, corresponds to the financial statements for the same financial year and if the Company's Annual Report, including Corporate Governance Report and Remuneration Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- ▶ The financial information included in the Company's Annual Report, including Corporate Governance Report and Remuneration Report, corresponds to the financial information included in the financial statements for the same year; and
- ▶ The Company's Annual Report, including Corporate Governance Report and Remuneration Report, was prepared in accordance with the requirements of the Law on Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

- a) *Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.*

#### **Appointment and approval of the auditor**

In accordance with the decision made by general shareholders meeting on 26 April 2019 we have been chosen to carry out the audit of Company's financial statements for the first time. Our appointment to carry out the audit of Company's financial statements in accordance with the decision made by general shareholders meeting has been renewed every two years and the period of total uninterrupted engagement is five years.

#### **Consistency with the audit report submitted to the audit committee**

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report which we have submitted to the Company and the Audit Committee.

#### **Non audit services**

We confirm that to the best of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have not provided any other services except for those disclosed in the annual report or financial statements.

*b) Requirements for the European Single Electronic Reporting Format*

Report on the compliance of format of the financial statements with the requirements for the European Single Electronic Reporting Format

The Company's management has applied European Single Electronic Format for the Company's financial statements in order to implement the requirement of Article No. 3 of the Commission Delegated Regulation (EU) 2019/815 that amends European Parliament and Commission Directive 2004/109 / EC with regulatory technical standards establishing a single format for electronic reporting (hereinafter "the ESEF Regulation"). These requirements specify the Company's obligation to prepare its financial statements including annual report in a XHTML format. We confirm that the European Single Electronic Reporting format of the financial statements for the year ended 31 December 2023 complies with the ESEF Regulation in this respect.

The partner in charge of the audit resulting in this independent auditor's report is Asta Štreimikienė.

UAB ERNST & YOUNG BALTIC  
Audit company's licence No. 001335

Asta Štreimikienė  
Auditor's licence  
No. 000382

22 March 2024