

The results of 12 months of 2016



VILKYŠKIŲ PIENINĖ AB
GROUP

SIGNIFICANT EVENTS IN 12 MONTHS OF 2016

- At the beginning of the year, the group's turnover and profitability were affected by low export price levels for milk products and excessive cheese reserves in its warehouses. Since June this year demand and supply of dairy products have been balancing and as a result, price levels have risen on export markets; which led to turnover and profits increase compared with 2015.
- Based on preliminary unaudited results Company's sales over whole year 2016 amounted to 90.5 million euros or 7 % higher compared to sales a year ago. Sales revenue over the whole year 2015 resulted to 80.4 million euros. In 2016 Company earned 4.5 million euros net profit or 3.5 times more compared to a net profit a year ago. Net profit in 2015 was 1.2 million euros. Accomplished amendments in technology of cheese production had also significant impact to Company's financial result during the reporting year.
- In May Vilkyškių pieninė participated in the SIAL China 2016 exposition in Shanghai, China. This is the largest food innovation exposition in Asia. The company presented its cheese products, its whey protein concentrate (WPC 80) and its permeate. Valuable contacts were made with potential partners in China, Western Europe and Malaysia, and meetings with existing clients were held as well.
- In June Vilkyškių pieninė participated in the Summer Fancy Food Show 2016 in New York, where a selection of the cheeses it produces was presented. The main purpose for participating in this project was to analyze the USA's retail market and form new business contacts.

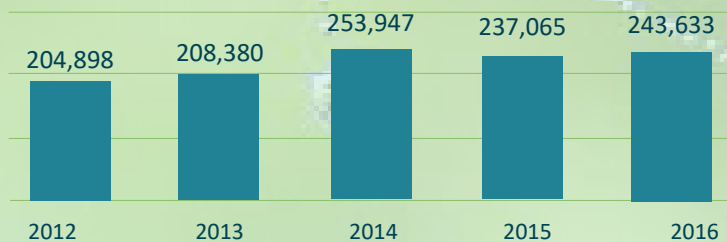
- In June Kelmės pieninė and the National Paying Agency under the Ministry of Agriculture signed support contract No. 17PP-KS-15-2-07565-PR001, regarding the grant of 4 million EUR for the implementation of a whey processing project. The project is already being implemented and is scheduled to be completed in 2017. It will be worth up to 26 million EUR. The company uses its own funds and loans to implement the project.
- Vilkyškių Pieninė presented the below new products in the third quarter: a new sweet yellow plum flavour for Vilkyškių brand glazed cheese curd snacks; a new globally popular coconut flavour for Murr glazed cheese curd snack brand; and a new series of spicy gourmet melted Memel Blue cheese with spicy peppers and cranberries.
- Vilkyškių Pieninė decided to renew its most popular brand's product line – Vilkyškių. The entire line of fresh milk products, which had been introduced to the market in 2009 featuring an original design with a black cat on the packaging, has been upgraded both in terms of ingredients and packaging design. Given consumers' efforts to eat more healthily and choose more nutritious food products, the entire line of products acquired a new shared descriptor – they can all now claim to be "Sources of Protein". The company renewed the visual presentation of the product packaging. The design has become cleaner, and special attention has been paid to the correct sorting of packages and to information in this field. The primary attributes of the Vilkyškių line have remained the same in an effort to maintain continuity and recognisability: the black cat character and the plaid tablecloth print are both intact.
- In the fourth quarter of 2016, Vilkyškių Pieninė extended the compatibility of its production with the requirements of the ISO 22000:2005 standard and supplemented its certification scheme in accordance with the FSSC 22000 standard's requirements for the creation and production of cheese and cheese products, pasteurised cream, and liquid whey products. The FSSC 22000 standard is even more focused on food safety and includes protections from food falsification, terrorism, sabotage, allergens, and GMO management.

- In October, Vilkyškių Pieninė participated in SIAL Paris 2016, as has become a tradition for the company. SIAL Paris 2016 is the world's largest and most important food innovation exhibition. More than 7,000 participants from 104 countries around the world presented here.
- At SIAL Paris 2016 international food innovation exhibition, Vilkyškių Pieninė was acknowledged as one of the most innovative food industry representatives in the world. Lithuanians, presenting their Vilvi brand for foreign markets at SIAL Paris 2016, were commended in several product categories. The YOGA yogurt beverage with lemons and aloe and the new flavour of MURR glazed cheese curd snack – mascarpone and pistachios – were acknowledged for having excellent recipes. Vilkyškių Pieninė's cheeses received awards for their informative packaging and for their efforts to expand consumers' knowledge about cheese.
- Vilkyškių Pieninė was also acknowledged for encouraging consumers to recycle the packaging of their dairy products. In November 2016, the Leaders of the Packaging Sector 2016 competition was held for the first time in Lithuania. The primary goal of this competition is to encourage businesses and institutions that work with packaging and waste management systems to operate innovatively, creatively, and responsibly. Vilkyškių Pieninė took second place in the Environmental Protection Education initiative by ensuring that it would be easy for users to identify and understand how each specific package should be recycled. Symbols were placed on the packages to indicate what sort of materials the package was made of so the consumer wouldn't have to think about what sort of waste the package should be placed with when sorting it.
- In 2016, Vilkyškių Pieninė established the Management and Quality Division. The goal of this separate strategic division is to improve the company's efficiency and to optimise the activity of Vilkyškių group at all levels and in all the fields it works in, from input to product sales.

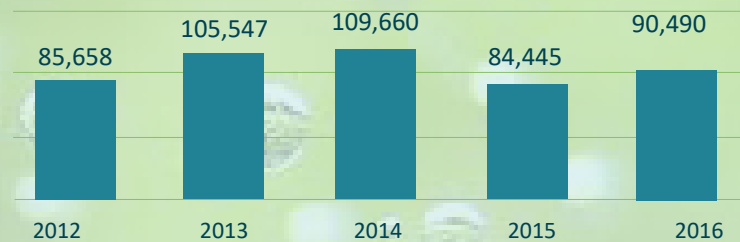
MAIN FINANCIAL INDICATORS

	2012	2013	2014	2015	2016
Revenue, thousand EUR	85,658	105,547	109,660	84,445	90,490
EBITDA, thousand EUR	4,661	6,978	6,218	3,876	8,455
EBITDA margin (%)	5.4%	6.6%	5.7%	4.6%	9.3%
Net profit, thousand EUR	2,223	3,768	3,207	1,168	4,501
Profit margin (%)	2.6%	3.6%	2.9%	1.4%	5.0%
Quantity of purchased milk, t	204,898	208,380	253,947	237,065	243,633
Profit (loss) per share (EUR)	0.19	0.32	0.27	0.10	0.38
Net financial debt, thousand EUR	15,554	15,787	16,181	22,215	30,308

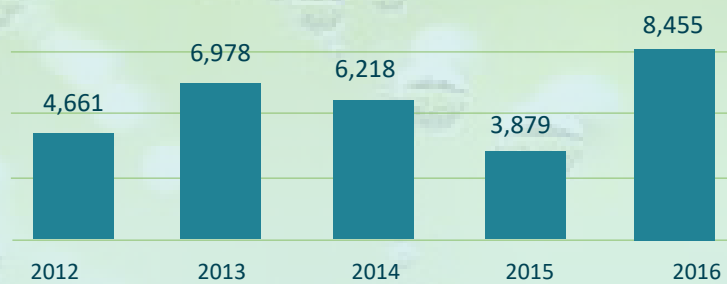
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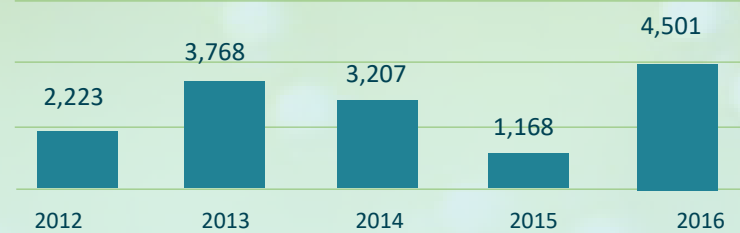
REVENUE, THOUSAND EUR



EBITDA, THOUSAND EUR

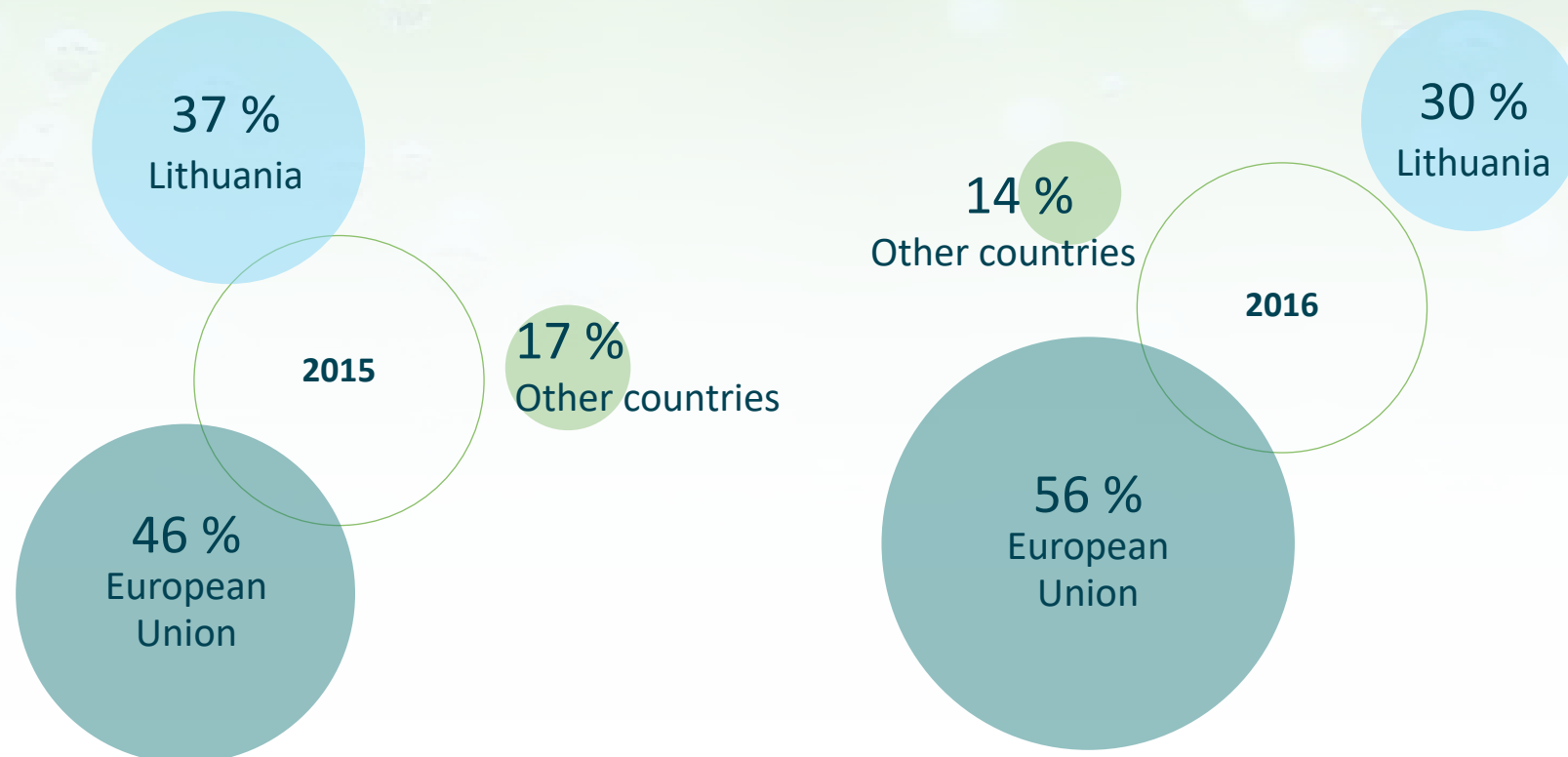


NET PROFIT (LOSS), THOUSAND EUR



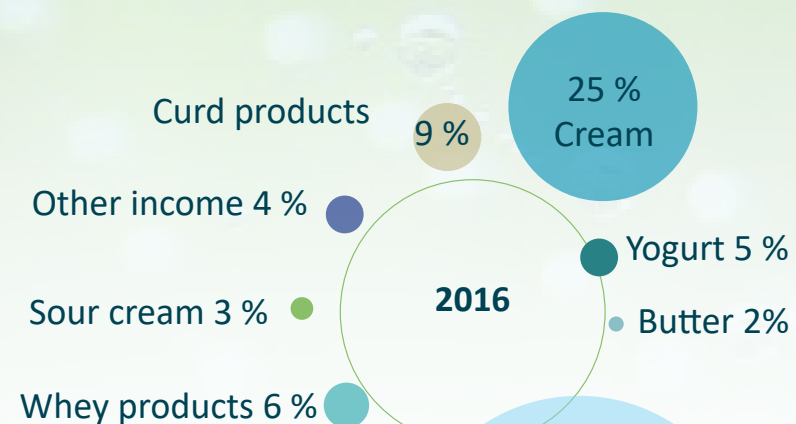
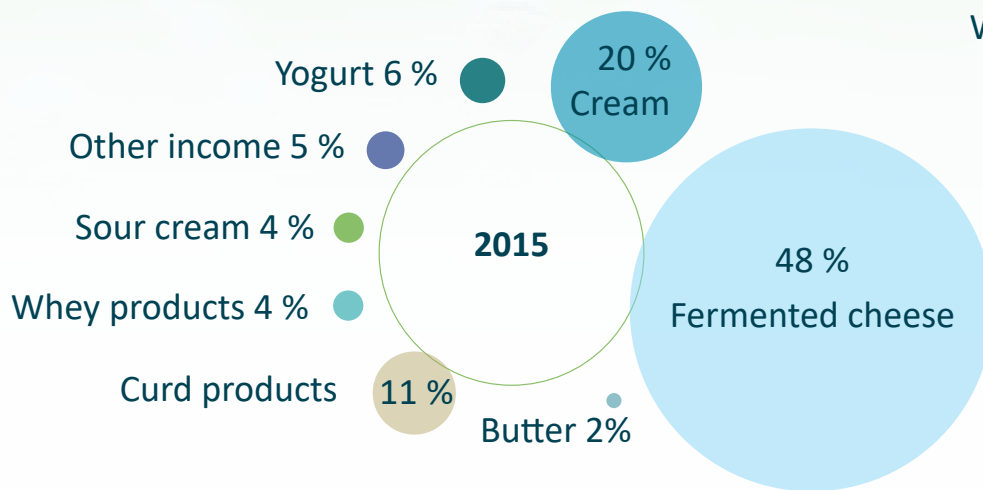
SALES REVENUE BY MARKETS

(Thousand EUR)	2015		2016	
Lithuania	31,391	37%	26,934	30%
European Union	38,593	46%	50,545	56%
Other countries	14,461	17%	13,011	14%
	84,445		90,490	



SALES REVENUE BY PRODUCTS

(Thousand EUR)	2015		2016	
Fermented cheese	40,244	48%	41,705	46%
Cream	16,944	20%	22,558	25%
Whey products	3,666	4%	5,306	6%
Sour cream	3,528	4%	2,662	3%
Curd products	9,506	11%	8,411	9%
Yogurt	4,786	6%	4,461	5%
Butter	1,836	2%	2,186	2%
Other income	3,935	5%	3,201	4%
Total income:	84,445		90,490	



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Thousand EUR	2016.12.31	2015.12.31
Assets		
Property, plant and equipment	49,065	35,263
Intangible assets	7,020	7,047
Long-term receivables	340	405
Deferred tax assets	-	-
Non-current assets	56,425	42,715
Inventories	10,373	12,047
Trade and other receivables	7,012	6,002
Prepayments	365	448
Cash and cash equivalents	231	154
Current assets	17,981	18,651
Total assets	74,406	61,366
Equity		
Share capital	3,463	3,463
Share premium	3,301	3,301
Reserves	5,128	5,157
Retained earnings	17,026	12,366
Total equity attributable to the shareholders of the Group	28,918	24,287
Non-controlling interest	41	46
Total equity	28,959	24,333
Liabilities		
Interest-bearing loans and lease liabilities	21,611	13,092
Derivative financial instruments	154	239
Government grants	2,942	3,134
Deferred tax liabilities	822	388
Non-current liabilities	25,529	16,853
Interest-bearing loans and lease liabilities	8,697	9,123
Current tax liabilities	70	8
Derivative financial instruments	83	125
Trade and other payables	11,068	10,924
Current liabilities	19,918	20,180
Total liabilities	45,447	37,033
Total equity and liabilities	74,406	61,366

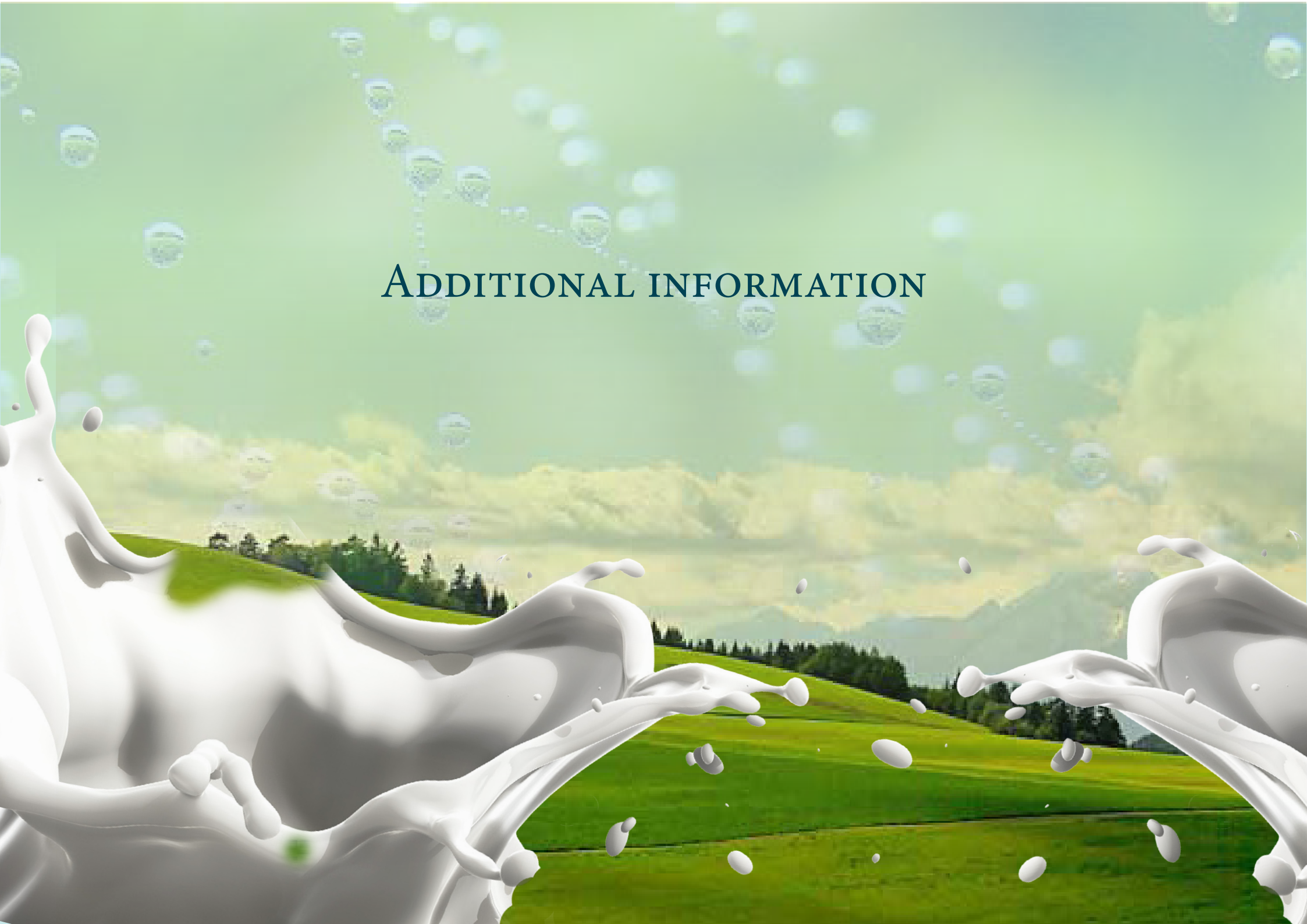
CONSOLIDATED INCOME STATEMENT

Thousand EUR	2016.01.01- 2016.12.31	2015.01.01- 2015.12.31	2016.10.01- 2016.12.31	2015.10.01- 2015.12.31
Revenue	90,490	84,445	26,088	24,365
Cost of sales	-77,880	-75,595	-20,905	-22,047
Gross profit	12,610	8,850	5,183	2,318
Other operating income	282	424	92	157
Distribution expenses	-4,116	-5,443	-1,117	-1,298
Administrative expenses	-2,881	-2,529	-882	-667
Other operating costs	-169	-165	-36	-24
Result from operating activities	5,726	1,137	3,240	486
Finance income	15	37	9	5
Finance costs	-725	-629	-200	-181
Net finance expenses	-710	-592	-191	-176
Profit before income tax	5,016	545	3,049	310
Income tax expense	-515	623	-788	231
Profit for the period	4,501	1,168	2,261	541
Attributable to:				
Shareholders of the Group	4,504	1,169	2,265	542
Non-controlling interest	-3	-1	-4	-1
Net profit (loss) for the year	4,501	1,168	2,261	541
Basic earnings per share (EUR)	0.38	0.10	0.19	0.05

CONSOLIDATED STATEMENT OF CASH FLOWS

Thousand EUR	2016.01.01- 2016.12.31	2015.01.01- 2015.12.31
Cash flows from operating activities	4,501	1,168
Profit for the year		
Adjustments:		
Depreciation of property, plant and equipment	3,047	3,138
Amortization of intangible assets	80	48
Amortization and write down of grants	-398	-447
Profit (loss) from disposal of property, plant and equipment	5	39
Income tax expense	515	-623
Interest expenses, net	707	592
	8,457	3,915
Change in inventories	1,667	-1,729
Change in long-term receivables	65	1
Change in trade and other receivables and prepayments	-951	809
Change in trade and other payables	41	-682
	9,279	2,314
Paid interest	-756	-511
Paid profit tax	-19	-11
Other financial expenses	-141	-
Net cash from operating activities	8,363	1,792
Cash flows from investing activities		
Acquisition of plant and equipment	-16,442	-7,236
Acquisition of intangible assets	-53	-145
Proceeds from sale of plant and equipment	6	31
Acquisition of the subsidiary's shares	-3	-
Loans granted	-	-12
Loans repaid	-	-
Interest received	-	-
Net cash flows used in investing activities	-16,492	-7,362
Cash flows from financing activities		
Loans received	24,767	11,173
Repayment of borrowings	-16,710	-5,139
Dividends paid	-57	-887
Government grants received	206	462
Net cash flows from financing activities	8,206	5,609
Increase (decrease) in cash and cash equivalents	77	39
Cash and cash equivalents at 1 January	154	115
Cash and cash equivalents at 31 December	231	154

ADDITIONAL INFORMATION



ABOUT THE COMPANY

Vilkyškių pieninė AB, was established in 1993.

On the 31th of December 2016 the Group had 957 employees

The production of Dairy products is the core of Group business

Company's share capital amounts to 3.5 million Eur

The Company's issue is included in the Official List of AB NASDAQ OMX Vilnius.

The ISIN code of the securities: LT0000127508, Ticker symbol: VLP1L.

Standards: ISO 22000:2005 ir ISO/TS 22002-1:2009 and additional FSSC 22000

COMPANIES OF THE GROUP

Vilkyškių pieninė AB

Parent Company

Established in 1993

Main activities: The production of cheese, cream, whey

“Modest” AB

The subsidiary Company

Established in 1992

Main activities: The production of melted smoked cheese, cheese with mould, Mozzarella, other kinds of cheese

Kelmės pieninė AB

The subsidiary Company

Established in 1993 m.

Main activities: The production of fresh dairy products.

“Pieno logistika” AB

The subsidiary Company

Established in 2013

Main activities: Rent of buildings

SHORT HISTORY OF THE COMPANY

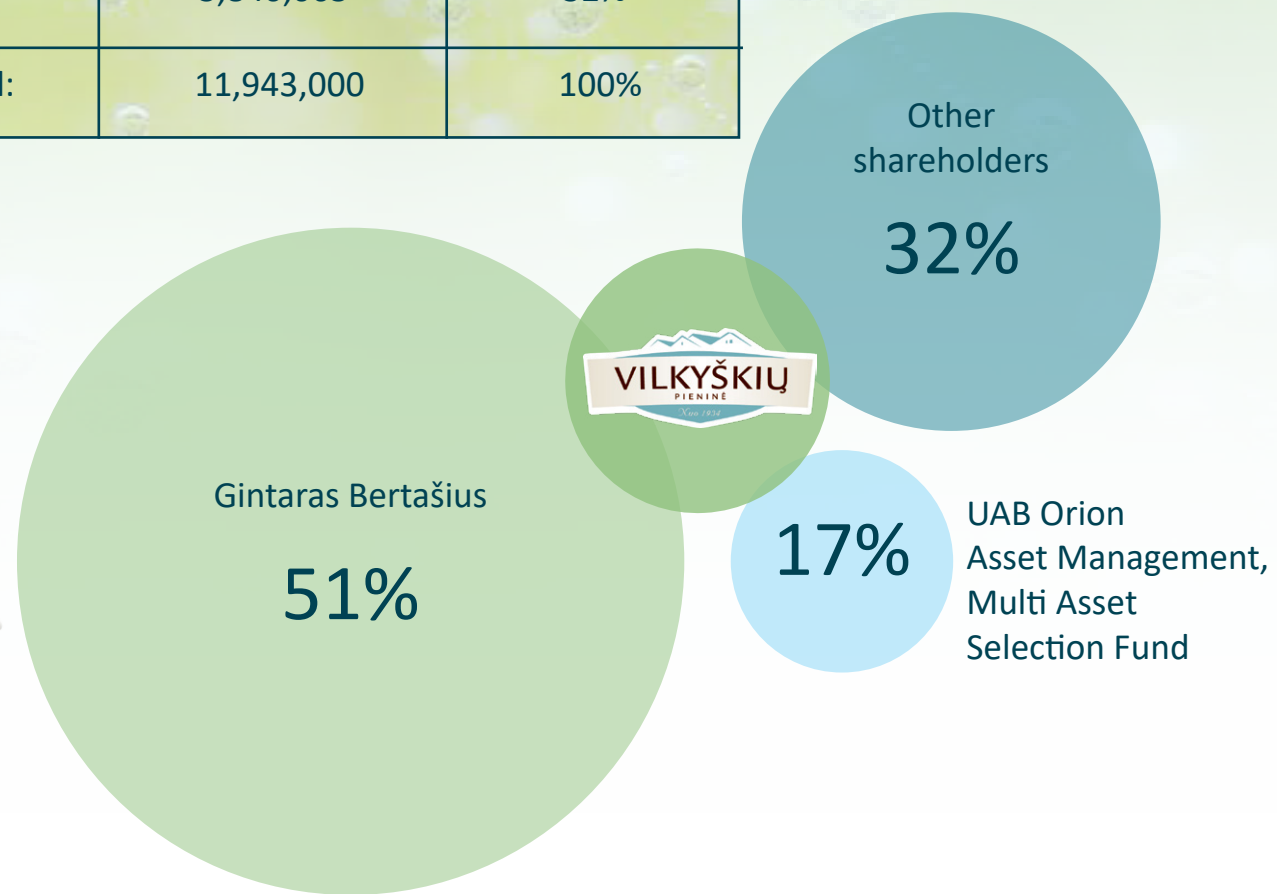
- 1993 the Company established
- 1999-2000 the fully computerized and automated technological line of cheese production started to work in Vilkyškiai
- 2000 the Company has obtained a license to export its products to the European Union.
- 2001 The Company acquired Taurage workshop from Mažeikiai subsidiary of Pieno Žvaigždės AB
- 2004 Vilkyškių pieninė has obtained a license to export its products to Russia
- 2006 acquired “Modest” AB
- 2006 the Company have been included into the Current Trade List of Vilnius Stock Exchange
- 2007 implement development of main technological line of cheese production in Vilkyškiai
- 2008 acquired Kelmės pieninė
- 2008 installed the whey processing shop in Vilkyškiai
- 2008 these certificates of the standards ISO 9001:2000 and ISO 22000:2000 were presented to Vilkyškių pieninė AB
- 2009 Kelmės pieninė has obtained a license to export its products to Russia
- 2010 AB Vilkyškių pieninė set up new marketing and quality departments.
- 2011 AB “Modest” has obtained a license to export its products to Russia
- 2011 the Company began to participate in one of the largest food exhibitions: “Anuga” in Germany and “SIAL” in France
- 2011 brand of the company was changed. Vilvi trademark began to used in Export markets
- 2012 the second cheese plant development was implemented in Vilkyškiai.
- 2013 Vilkyškių pieninė AB / Vilkyškių brand won a nomination of “Brand of the Year 2013” as the most successful brand in Lithuania
Whey products plant extension was completed and that allowed to process up to 600 tons recycled product per day.
The building of milk truck washes, garage, warehouse, workshop with household and auxiliary facilities, administrative offices, engineering networks, parks and access was put into operation.
Acquired AB “Pieno logistika”
- 2014 the whey ultrafiltration project was implemented.
- 2015 With a view to improving treatment efficiency, in 2015 Vilkyškių pieninė AB completed the modernisation of its wastewater treatment plant.
AB Vilkyškių pieninė has signed a contract on connection to a gas distribution system with AB Lietuvos dujos.

SHAREHOLDERS

Multi Asset Selection

Fund

Shareholder	Shares	Ownership interest
Gintaras Bertašius	6,067,206	51%
UAB Orion Asset Management, Multi Asset Selection Fund	2,035,729	17%
Other shareholders	3,840,065	32%
Capital in total:	11,943,000	100%





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