ROKIŠKIO SŪRIS

ENDORSEMENT BY THE RESPONSIBLE PERSONS

27/04/2018

Pursuing Article 22 of the Law on Securities of the Republic of Lithuania and in accordance with the rules of preparation and submission of periodical and supplementary information, we, the undersigned – the Chief Executive Officer Dalius Trumpa and the Chief Financial Officer Antanas Kavaliauskas – approve that to our knowledge the audited financial statements of the year 2017 as well as annual consolidated financial statements of Rokiskio suris AB for the year 2017, are formed in accordance with the applicable accounting standards, they are true and show fair assets, obligations, financial state, profit and cash flows of the Company and total consolidated group. Also, to our best knowledge both the Company's annual report and the consolidated annual report make fair overview of the operations and business development, current state of the company Rokiskio suris AB and the overall group of Rokiskio suris AB, including description of the main risks and uncertainties.

Chief Executive Officer Dalius Trumpa

Chief Financial Officer Antanas Kavaliauskas

LIETUVOS RESPUBLIKA Akcinė bendrovė ROKIŠKIO SŪRIS „ROKIŠKIO SŪRIS" ROKIŠKIS

ROKIŠKIO SŪRIS AB
CONSOLIDATED AND THE PARENT COMPANY'S FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT
31 December 2017

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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Independent auditor's report

To the shareholders of Rokiškio sūris AB

Report on the audit of the stand-alone and consolidated financial statements

Our opinion

In our opinion, the stand-alone and consolidated financial statements give a true and fair view of the stand-alone and consolidated financial position of Rokiškio sūris AB ("the Company") and its subsidiaries ("the Group") as at 31 December 2017, and of their stand-alone and consolidated financial performance and their stand-alone and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Company's and the Group's stand-alone and consolidated financial statements comprise:

- the stand-alone and consolidated balance sheet as at 31 December 2017;
- the stand-alone and consolidated statements of income and comprehensive income for the year then ended;
- the stand-alone and consolidated statement of changes in equity for the year then ended;
- the stand-alone and consolidated statement of cash flows for the year then ended; and
- the notes to the stand-alone and consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

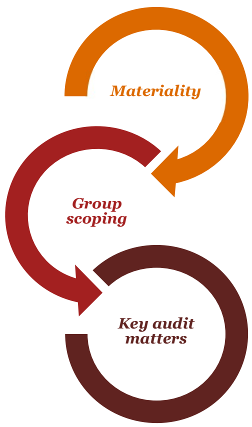
Independence
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the stand-alone and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2017 to 31 December 2017, are disclosed in note 34 to the financial statements.

Our audit approach

Overview



Overall Group materiality is EUR 1.95 million which represents 0.8% of the Group's total consolidated revenue.

Overall Company materiality is EUR 1.79 million which represents 0.8% of the Company's total revenue.

We tailored our audit scope based on the risk and size of entities within the Group and performed a full scope audit of three reporting units. At the Group level we tested the consolidation process and performed separate analytical procedures over the component not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements.

- Revenue recognition
- Valuation of accounts receivable

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the stand-alone and consolidated financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the stand-alone and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	EUR 1.79 million (2016: EUR 2.05 million)
Overall Group materiality	EUR 1.95 million (2016: EUR 2.26 million)
How we determined it	0.8% of the Group's and Company's total revenue
Rationale for the materiality benchmark applied	Significant fluctuations in the Company's and the Group's profit depend on the prevailing trends in global dairy markets. We have, therefore, chosen revenue as a benchmark for determining the materiality because, in our view, it provides us consistent information year-on-year basis, reflecting the Group's growth. Revenue and market share are also considered to be important business performance indicators.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 195 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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.

Key audit matter	***How our audit addressed the key audit matter***
Revenue recognition Refer to note 2.18 and note 5 'Segment reporting' in the financial statements The Group's and the Company's revenue in 2017 amounted to EUR 243.6 million and EUR 224 million, respectively, and mostly consists of sales of goods. The Company recognises revenues from sales of goods based on the quantity of goods dispatched and the agreed prices. Revenue is recognised only when all significant risks and benefits arising from ownership of goods are transferred to the customer based on the agreed incoterms. Revenue is recognised net of discounts provided. Although revenue recognition involves only limited judgement,	We audited revenue recognition through a combination of controls testing and substantive testing. We evaluated the design and tested operating effectiveness of key controls in relation to the recognition of revenue, with particular focus on controls over the matching of invoices to related shipping documents and to the agreed prices as indicated in the sale orders or agreements. We did not identify any exceptions that would have impact on our audit approach. We reviewed the accounting policy for revenue recognition in respect of all material revenue streams, and assessed its compliance with the

due to the size and volume of transactions it is an audit area which requires significant time and resources and is therefore considered to be a key audit matter.

International Financial Reporting Standards as adopted by the European Union.

We also performed the following substantive testing procedures, as a result of which no material exceptions were noted:

- We obtained a sample of transactions conducted with customers during the year and either obtained third party confirmations of the transactions or, where no confirmations were received, reconciled the transactions to the signed agreement or sale order, the shipping documents, the invoices and subsequent receipts of payments from the customers.
- We selected a sample of transactions conducted before and after the year-end and evaluated whether revenue was recognised in an appropriate period based on the transfer of significant risks and rewards as defined in incoterms and shipping documents.
- We reviewed the classification of various sales incentives provided by retail chains, such as publication of advertisements in a supermarket's newspaper, listing fees etc.
- We selected a sample of credit invoices, discounts and returns after the year-end and checked them to ensure that they were calculated and recorded in the appropriate period.
- Our work also included testing a sample of revenue records to assess appropriateness of correspondence with the General Ledger accounts.

Valuation of accounts receivable

Refer to note 2.10, note 4 'Critical accounting estimates and judgments' and note 21 'Trade and other receivables' in the financial statements.

The Group's and the Company's trade receivables amounted to EUR 31.3 million and EUR 48.6 million, respectively, as at 31 December 2017, before taking into account the provision for impairment of doubtful receivables.

The management of the Company has identified certain indications of impairment and therefore has recognised a provision for impairment

We performed the following audit procedures for testing the adequacy of allowance for doubtful trade receivables:

- We reviewed the ageing analysis of trade receivables as at 31 December 2017 and tested its reliability on the basis of a selected sample of invoices.
- For the sample of the amounts overdue more than 90 days, we obtained and reviewed payments received after the year-end. We also enquired whether there were any collateral received or insurance paid in respect of the related receivables.

amounting to EUR 1.4 million. In estimating this amount, management considered such factors as the possible risk of the trade receivables being not recovered either on time, or in full. Such an estimate requires significant judgement and it was, therefore, considered as an area of greater focus for the audit.

- We performed a retrospective review of the prior period estimates over the doubtful receivables by comparing them to the results of the financial year 2017. We noted that during the year 2017 the management has written-off receivables that were previously provided for the amount of EUR 1.49 million, as based on their assessment and discussion with customer the amount was considered as no longer recoverable. No significant reversals of the provision for impairment were accounted for and the management followed a conservative approach in making the estimates.
- We reviewed the minutes of the Credit Committee containing the results of regular analysis of possible impairment indications.

Based on the results of our testing, we found that the allowance for doubtful trade receivables was adequate.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Accordingly, based on the size and risk characteristics, we performed a full scope audit of the financial information for the following entities within the Group: Rokiškio pienas UAB, Rokiškio pieno gamyba UAB, Rokiškio sūris AB (parent company). At the Group level we tested the consolidation process and performed separate analytical procedures over the component not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, including the corporate governance report and the social responsibility report (but does not include the financial statements and our auditor’s report thereon), which we obtained prior to the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information, including the consolidated annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings implementing Article 19 of Directive 2013/34/EU.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year ended 31 December 2017, for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

The Company and the Group presented the social responsibility report as a part of the consolidated annual report.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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 and the Group'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 and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group'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 scepticism 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.
- 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 and the Group'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 and the Group'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 and the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Appointment

We were first appointed as auditors of the Company and the Group on 1996. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 21 years.

The certified auditor on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
4 April 2018

Approved
on _____________2018
MINUTES No.______

(All tabular amounts are in EUR '000 unless otherwise stated)

Income statement

Group				Company	
2017	**2016**		**Notes**	**2017**	**2016**
243,566	226,196	Sales	5	223,976	205,058
(215,416)	(191,509)	Cost of sales	11	(201,511)	(180,199)
28,150	34,687	**Gross profit**		22,465	24,859
(12,709)	(15,714)	Selling and marketing expenses	6,11	(11,003)	(13,311)
(7,627)	(7,973)	General and administrative expenses	7,11	(4,810)	(5,010)
2,474	2,306	Other income	8	6,499	8,936
(1,856)	(1,881)	Other expenses	9	(1,862)	(1,880)
(102)	298	Other (losses)/gains	10	(72)	(176)
8,330	11,723	**Operating profit/(loss)**		11,217	13,418
(40)	(116)	Finance costs	12	-	(75)
8,290	11,607	**Profit/(loss) before income tax**		11,217	13,343
(134)	(1,156)	Income tax expense	13	(196)	(792)
8,156	10,451	**Profit/(loss) for the year**		11,021	12,551
		Profit/(loss) for the year attributable to:			
8,156	10,451	Owners of the Company			
	-	Non-controlling interest			
8,156	10,451				
0.25	0.32	**Basic and diluted earnings/(deficit) per share (in EUR per share)**	14	0.33	0.38

The accompanying notes are an integral part of these annual financial statements.

These financial statements were authorised for issue on 4 April 2018 by the Board of Directors and signed on behalf of the Board of Directors by the Managing Director and the Finance Director.

Dalius Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

(All tabular amounts are in EUR '000 unless otherwise stated)

Statement of comprehensive income

Group 2017	Group 2016		Notes	Company 2017	Company 2016
8,156	10,451	**Profit/(loss) for the year**		11,021	12,551
		Other comprehensive income			
-	-	Gain on revaluation of property, plant and equipment		-	-
-	-	Deferred income tax on revaluation		-	-
-	-	**Other comprehensive income for the year**		-	-
8,156	10,451	**Total comprehensive income/(loss) for the year**		11,021	12,551
		Total comprehensive income/(loss) for the year attributable to:			
8,156	10,451	Owners of the Company		-	-
		Non-controlling interest		-	-
8,156	10,451			-	-

Dalius Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

The accompanying notes are an integral part of these annual financial statements.

Approved
on ____________2018
MINUTES No.______

(All tabular amounts are in EUR '000 unless otherwise stated)

Balance sheet

Group				Company	
At 31 December				At 31 December	
2017	2016		Notes	2017	2016
		ASSETS			
		Non-current assets			
58,640	54,172	Property, plant and equipment	15	36,847	34,701
2	2	Intangible assets	16	2	2
159	159	Investments in subsidiaries	17	5,054	5,054
7,760	-	Held-to-maturity investments	31	7,760	-
-	1,134	Deferred income tax assets	18	-	1,045
546	1,997	Prepayments for non-current assets	21	76	910
6,962	3,159	Loans granted	19	6,843	2,929
74,069	60,623			56,582	44,641
		Current assets			
34,665	34,190	Inventories	20	32,073	31,897
4,296	4,233	Loans granted	19	4,505	4,317
32,452	39,853	Trade and other receivables	21	48,856	45,043
1,462	1,147	Prepaid income tax		-	321
15,715	2,366	Cash and cash equivalents	22	5,854	1,074
88,590	81,789			91,288	82,652
162,659	142,412	**Total assets**		147,870	127,293
		EQUITY			
		Attributable to owners of the Company			
10,402	10,402	Share capital	23	10,402	10,402
18,073	12,011	Share premium		18,073	12,011
7,606	11,668	Reserve for acquisition of treasury shares	25	7,606	11,668
-	(5,102)	Treasury shares	24	-	(5,102)
19,933	22,957	Other reserves	25	13,871	16,318
78,082	70,130	Retained earnings		74,824	64,584
134,096	122,066	**Total equity**		124,776	109,881
		LIABILITIES			
		Non-current liabilities			
2,060	3,581	Deferred income tax liability	18	1,170	2,500
892	397	Deferred income	27	31	157
683	683	Non-current provisions	29	307	307
3,635	4,661			1,508	2,964
		Current liabilities			
-	-	Income tax liabilities		-	-
1,862	1,862	Borrowings	26	1,862	1,862
216	245	Deferred income	27	79	162
22,446	13,174	Trade and other payables	28	19,321	12,100
404	404	Current provisions	29	324	324
24,928	15,685			21,586	14,448
28,563	20,346	**Total liabilities**		23,094	17,412
162,659	142,412	**Total equity and liabilities**		147,870	127,293

Dalius Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

The accompanying notes are an integral part of these annual financial statements.

(All tabular amounts are in EUR '000 unless otherwise stated)

The Company's statement of changes in equity

	Notes	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2016		**10,402**	**12,011**	**11,668**	**(3,426)**	**18,615**	**52,078**	**101,348**
Comprehensive income								
Profit/(loss) for the year		-	-	-	-	-	12,551	12,551
Transfer to retained earnings (transfer of depreciation of revalued assets and disposals of revalued assets, net of deferred income tax)	25	-	-	-	-	(2,297)	2,297	-
Total comprehensive income for 2016		-	-	-	-	**(2,297)**	**14,848**	**12,551**
Transactions with owners								
Acquisition of treasury shares		-	-	-	(1,676)	-	-	(1,676)
Dividends for 2015	25	-	-	-	-	-	(2,342)	(2,342)
Total transactions with owners for 2016		-	-	-	**(1,676)**	-	**(2,342)**	**(4,018)**
Balance at 31 December 2016		**10,402**	**12,011**	**11,668**	**(5,102)**	**16,318**	**64,584**	**109,881**
Comprehensive income								
Profit/(loss) for the year		-	-	-	-	-	11,021	11,021
Transfer to retained earnings (transfer of depreciation of revalued assets and disposals of revalued assets, net of deferred income tax)	25	-	-	-	-	(2,447)	2,447	-
Total comprehensive income for 2017		-	-	-	-	**(2,447)**	**13,468**	**11,021**
Transactions with owners								
Cancellation of treasury shares		(1,040)	-	(4,062)	5,102	-	-	
Issuance of shares		1,040	6,062	-	-	-	-	7,102
Dividends for 2016	25	-	-	-	-	-	(3,228)	(3,228)
Total transactions with owners for 2017		-	**6,062**	**(4,062)**	**5,102**		**(3,228)**	**3,874**
Balance at 31 December 2017		**10,402**	**18,073**	**7,606**	-	**13,871**	**74,824**	**124,776**

Dalius Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

The accompanying notes are an integral part of these annual financial statements.

(All tabular amounts are in EUR '000 unless otherwise stated)

The Group's statement of changes in equity

		Attributable to owners of the Company						
	Notes	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2016		**10,402**	**12,011**	**11,668**	**(3,426)**	**25,776**	**59,202**	**115,633**
Comprehensive income								
Profit/(loss) for the year		-	-	-	-	-	10,451	10,451
Transfer to retained earnings (transfer of depreciation of revalued assets and disposals of revalued assets, net of deferred income tax)	25	-	-	-	-	(2,819)	2,819	-
Total comprehensive income for 2016		-	-	-	-	**(2,819)**	**13,270**	**10,451**
Transactions with owners								
Acquisition of treasury shares		-	-	-	(1,676)	-	-	(1,676)
Dividends for 2015	25	-	-	-	-	-	(2,342)	(2,342)
Total transactions with owners for 2016		-	-	-	**(1,676)**	-	**(2,342)**	**(4,018)**
Balance at 31 December 2016		**10,402**	**12,011**	**11,668**	**(5,102)**	**22,957**	**70,130**	**122,066**
Comprehensive income								
Profit/(loss) for the year		-	-	-	-	-	8,156	8,156
Transfer to retained earnings (transfer of depreciation of revalued assets and disposals of revalued assets, net of deferred income tax)	25	-	-	-	-	(3,024)	3,024	-
Total comprehensive income for 2017		-	-	-	-	**(3,024)**	**11,180**	**8,156**
Transactions with owners								
Cancellation of treasury shares		(1,040)	-	(4,062)	5,102	-	-	-
Issuance of shares		1,040	6,062	-	-	-	-	7,102
Dividends relating to 2016	25	-	-	-	-	-	(3,228)	(3,228)
Total transactions with owners for 2017		-	**6,062**	**(4,062)**	**5,102**	-	**(3,228)**	**3,874**
Balance at 31 December 2017		**10,402**	**18,073**	**7,606**	-	**19,933**	**78,082**	**134,096**

Dalius Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

The accompanying notes are an integral part of these annual financial statements.

(All tabular amounts are in EUR '000 unless otherwise stated)

Statement of cash flows

Group				Company	
Year ended 31 December				Year ended 31 December	
2017	2016		Notes	2017	2016
		Cash flows from operating activities			
32,129	30,810	Cash generated from/(used in) operations	32	14,818	15,891
(40)	(116)	Interest paid		-	(75)
(676)	(1,960)	Income tax paid		-	-
31,413	28,734	Net cash generated from/(used in) operating activities		14,818	15,816
		Cash flows from investing activities			
(11,969)	(10,742)	Purchases of property, plant and equipment	15	(7,504)	(6,243)
(539)	(1,997)	Prepayments for purchases of property, plant and equipment		(78)	(910)
(7,760)	-	Purchase of investments	31	(7,760)	-
(556)	(472)	Loans granted to farmers and employees		(556)	(472)
(4,707)	-	Other loans granted		(4,707)	-
234	99	Proceeds from sale of property, plant and equipment	32	136	841
850	83	Government grants received	27	56	83
2,194	1,986	Other loan repayments received		2,079	1,813
315	381	Interest received		386	381
-	-	Dividends received	33	4,036	6,498
(21,938)	(10,662)	Net cash (used in)/generated from investing activities		(13,912)	1,991
		Cash flows from financing activities			
(3,228)	(2,341)	Dividends paid	25	(3,228)	(2,342)
7,102	-	New issuance of shares	23	7,102	-
-	(1,676)	Purchase of treasury shares	24	-	(1,676)
4,080	78,895	Loans received		4,080	78,895
(4,080)	(92,011)	Repayments of borrowings		(4,080)	(92,011)
3,874	(17,133)	Net cash (used in)/generated from financing activities		3,874	(17,134)
13,349	**939**	**Net (decrease)/increase in cash and cash equivalents**		**4,780**	**673**
2,366	1,427	Cash and cash equivalents at the beginning of the year	22	1,074	401
15,715	**2,366**	**Cash and cash equivalents at the end of the year**	**22**	**5,854**	**1,074**

Dalius Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

The accompanying notes are an integral part of these annual financial statements.

(All tabular amounts are in EUR '000 unless otherwise stated)

Notes to the financial statements

1. General information

Rokiškio Sūris AB ("the Company") is a public limited liability company based in Rokiškis. The Company's code is 173057512, address: Pramonės g. 3 LT-42150 Rokiškis, Lithuania.

The Company's core line of business is the production and trade in fermented cheese, whey products and skimmed milk powder.

The shares of Rokiškio Sūris AB are quoted on the Baltic Main List (ticket: RSU1L) of NASDAQ OMX Vilnius stock exchange.

The consolidated group ("the Group") consists of the Company and its two branches, and four subsidiaries (2016: two branches and four subsidiaries). Information on the Group companies and branches is presented below:

	Operating as at 31 December				**Group's ownership interest (%) as at 31 December**	
Branches	**2017**	**2016**		**Subsidiaries**	**2017**	**2016**
Utenos Pienas	Yes	Yes		Rokiškio Pienas UAB	100.00	100.00
Ukmergės Pieninė	Yes	Yes		Rokiškio Pieno Gamyba UAB	100.00	100.00
				Jekabpils Piena Kombinats SIA	100.00	100.00
				*Kaunata SIA**	60.00	60.00

* This subsidiary was not consolidated in the Group's financial statements as it was not material (see information below).

Kaunata SIA, company code 240300369, VAT payer's code: LV42403003695, address: S. Rogs, Kaunatas pag. Rezekne novads.
Results of operations for the year ended 31 December 2017 (unaudited) are as follows:
Total assets: EUR 345,310;
Property, plant and equipment: EUR 52,586;
Results of operations: EUR 30,547.
Core line of business of the subsidiary: collection and realisation of milk. The company is the main supplier of raw milk to company Jekabpils Piena Kombinats SIA (subsidiary of Rokiškio Sūris AB).
Kaunata SIA was accounted for at cost.

On 29 December 2016, the Company sold its 100% shareholding (3 member shares) in Žalmargė KB.
All the above-listed subsidiaries and branches have been registered in Lithuania, except for Jekabpils Piena Kombinats SIA and Kaunata SIA which have been registered in Latvia.

The Group's and the Company's main line of business is the production of ferment cheese and a wide range of milk products.

The average number of the Company's employees during the year ended 31 December 2017 was 993 (2016: 1,018). The average number of the Group's employees during the year ended 31 December 2017 was 1,542 (2016: 1,577).

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements. The financial year of the Company and other Group companies coincides with the calendar year.

The financial statements have been prepared under the historical cost convention, as modified for available-for-sale financial assets measured at fair value and property, plant and equipment measured at revalued amount.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates (Note 4).

Accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except as follows:

a) Adoption of new and/or amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The following IFRSs and amendments thereto were adopted by the Company and the Group for the first time for the financial year ended 31 December 2017:

Recognition of deferred tax assets for unrealised losses – Amendments to IAS 12. The amendments have clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax assets for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The management has not assessed the impact of the application of this standard, as the Company and the Group do not use debt instruments held to maturity.

Disclosure initiative – Amendments to IAS 7. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. Reconciliation of liabilities arising from financing activities is disclosed in Note 3.2.

Other standards, amendments and interpretations that became effective for the financial year beginning on 1 January 2017 are not relevant to the Company and the Group.

B) Standards, amendments and interpretations that have been endorsed by the European Union but are not yet effective and have not been early adopted by the Company and the Group:

IFRS 9, *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018). The main features of the new standard are as follows:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company and the Group will apply IFRS 9 starting from 1 January 2018 using the modified retrospective approach.

The Group has assessed the expected initial impact of the application of IFRS 9 on the financial statements. The ultimate impact of the adoption of IFRS 9 might be different from assessments, as the Group has not yet completed the analysis of controls and the new accounting principles might change until the Group releases the complete version of the financial statements including the date of the application of the standard. At the date of issue of these financial statements the Group's management estimated that the opening balance of the Company's and the Group's equity at 1 January 2018 could decrease within a range between EUR 300 thousand and EUR 600 thousand as a result of the adoption of the standard.
The Company and the Group developed and installed the expected credit losses (ECL) assessment model which comprises three main financial asset categories: the portfolio of loans granted, trade receivables, and other financial assets.

As regards loans, the ECL model is based on the financial information of the Company's and the Group's debitors and the assessment of collaterals as security of loan repayment. The Company and the Group carried out a separate assessment of collaterals as security of loan repayment and determined that the new standard will have no material impact on the expected credit loss of loans granted.
The Company and the Group made ECL calculations in respect of the portfolio of amounts receivable by customer segments that share similar risk-related characteristics. Historical data of 3 years were used for the assessments.

The model of other financial assets applies simplified assumptions of the debt securities model. The debt securities model is based on external credit ratings. According to the management, there are no indications of impairment of debt securities, since the debt securities of the Company and the Group consist of the Lithuanian Government securities.

IFRS 15, *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the commitment to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Company and the Group will apply IFRS 15 starting from 1 January 2018 using the modified retrospective approach. The Company and the Group have assessed the impact of amendments to this standard on the Company's and the Group's financial statements. With the help of analysis and the 'Five Step' approach, the Company and the Group performed an assessment and determined that the amendments to the standard will have no impact or will have insignificant impact on the Company's and the Group's financial statements to be prepared as from 1 January 2018. The Company and the Group do not have any long-term contracts with multiple-element modifications, nor have they any take-or-pay arrangements, sale incentives, material contracting costs or material prepayments. The main sale contracts are signed for the term of one year and coincide with the reporting period. All subsequent value adjustments for previous periods are not made, and contract modifications are rare.

Following the application of IFRS 15, the delivery of goods to customers may be regarded as a separate performance obligation under IFRS 15. The Company and the Group assessed the amount of open contracts in which the element of the delivery of goods is not yet fully executed and determined it to be immaterial. Therefore, no relating adjustments will be made.

IFRS 16, *Leases* (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company and the Group plan to adopt IFRS 16 starting from 1 January 2019. The Company and the Group are currently assessing its impact on the financial statements. A detailed analysis of the adoption of the standard will be performed in 2018.

Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* – Amendments to IFRS 4 (effective, depending on the approach, for annual periods beginning on or after 1 January 2018). The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches. (1) The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued ('overlay approach'). In addition, the amended standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39. The amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility. The amendment will have no impact on the Company's and the Group's financial statements since they are not engaged in any insurance activities.

c) Standards, interpretations and amendments that have not yet been adopted by the European Union and that have not been early adopted by the Company:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB; not yet adopted by the EU). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The Company and the Group believe the amendments will have no significant impact on their financial statements.

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows: (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised

to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The Company and the Group believe the amendments will have no impact on their financial statements since they do not conduct any share-based payment transactions.

Annual improvements to IFRSs 2014–2016 cycle (effective for annual periods beginning on or after 1 January 2017 (changes to IFRS 12) or 2018 (changes to IFRS 1 and IAS 28)); not yet adopted by the EU). The improvements impact three standards. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5. IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by- investment choice for measuring investees at fair value. Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The Company and the Group have not assessed the impact of these amendments on their financial statements.

Transfers of Investment Property – Amendments to IAS 40 (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU); The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer. The Company and the Group have not assessed the impact of the standard on their financial statements.

IFRIC 22, Foreign currency transactions and advance consideration (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework. The Company and the Group have not assessed the impact of the interpretation on their financial statements.

IFRS 17, Insurance Contracts (effective for annual periods beginning on or after 1 January 2021; not yet adopted by the EU). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. These amendments to the standard will have no impact on the Company's and the Group's financial statements because the Company and the Group are not engaged in any insurance activities.

IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgements or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgement or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgements and estimates required by the Interpretation. The Company and the Group plan to adopt the interpretation as soon as it becomes effective.

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Company and the Group have not assessed the impact of the amendment to the standard on their financial statements.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in the investee. The Company and the Group have not assessed the impact of the amendment to the standard on their financial statements.

Annual Improvements to the IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Company and the Group have not assessed the impact of these amendments on their financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and minority interest

The group treats transactions with non-controlling interest as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.
When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.
In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 Stand-alone financial statements

Subsidiaries in the stand-alone financial statements are accounted at cost less impairment charge – that is the income from the investment is recognized in full where Company receives distributions from accumulated profits of the investee. Distributions received from accumulated profits arising before the date of acquisition are tested for impairment.

2.4 Foreign currency translation

(a) Functional and presentation currency

The items shown in the financial statements of the Company and each entity of the Group are valued by the currency of the original economic environment wherein a specific company operates (hereinafter the "functional currency"). These financial statements have been presented in euros (EUR), which is the Company's (and the Group's each entity's) functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Property, plant, and equipment

Property, plant and equipment is shown at revalued amount, based on periodic valuations of assets, less subsequent accumulated depreciation and impairment.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity (other reserves). Decreases in the carrying amount on subsequent revaluations that offset previous increases of the carrying amount of the same asset are charged in other comprehensive income and debited against revaluation reserve in equity all other decreases are charged to the income statement. Increases in the carrying amount on subsequent revaluations that offset previous decreases of the carrying amount are recognised in the income statement; all other increases in the carrying amount on revaluation of property, plant and equipment are recognised in other comprehensive income and added to revaluation reserve in shareholders' equity. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings net of deferred income tax.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets only when it is probable that future economic benefits associated with the item will flow to the Company or the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the Group.

Useful lives of property, plant and equipment are given in the table below:

Buildings	7-75 years
Plant and machinery	2-25 years
Motor vehicles	2-10 years
Equipment and other property, plant and equipment	2-25 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress is transferred to appropriate group of property plant and equipment when it is completed and ready for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with carrying amount and are included in operating profit.

2.6 Intangible assets

(a) Computer software
Software assets expected to provide economic benefit to the Company and the Group in future periods are valued at acquisition cost less subsequent amortisation. Software is amortised on the straight-line basis over the useful life of 1 to 5 years.

(b) Contractual customer relationships
Contractual customer relationships recognized as intangible asset upon business acquisition are accounted for at cost less accumulated amortization and impairment. Contractual customer relationships are amortised on the straight-line basis over the estimated useful life of 2 years.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Financial assets

a) Loans and receivables

The Group classifies its financial assets in a category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment or investment matures within 12 months of the end of the reporting period.

Available-for-sale financial assets are recognised initially at fair value plus transaction costs and subsequently measured at fair value. Changes in fair value are recognised in other comprehensive income.

Upon the disposal or impairment of available-for-sale investments, the accumulated fair value adjustment recognised in equity is included in profit or loss in the statement of comprehensive income.

The fair value of investments traded in active financial markets is based on quoted closing market prices at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and other valuation models.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement.

c) Held-to-maturity financial assets

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are initially recorded at fair value. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method less any recognised impairment losses which reflect irrecoverable amounts.

Proceeds from held-to-maturity financial assets are recognised through profit or loss using the effective interest method.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Loans granted, trade and other receivables

Loans granted and amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less the amount of impairment loss. A provision for impairment of amounts receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The impairment amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement within 'general and administrative expenses'. Bad debts are written off during the year in which they are identified as irrecoverable.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

2.12 Share capital

(a) Ordinary shares

Cash and cash equivalents are carried at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

(b) Treasury shares

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid, including any attributed incremental external costs, is deducted from shareholders' equity as treasury shares until they are sold, reissued or cancelled. No gain or loss is recognised in the income statement on the sale, issuance or cancellation of treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

2.13 Reserves

(a) Other reserves

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. This reserve may be used only for the purposes approved by annual general meeting of shareholders.

Legal reserve is included into other reserves. A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

Revaluation reserve is included into other reserves.

(b) Reserve for acquisition of treasury shares

This reserve is maintained as long as the Group is involved in acquisition/disposal of its treasury shares. This reserve is compulsory under the Lithuanian regulatory legislation and should not be lower than the acquisition cost of treasury shares acquired.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the amount at initial recognition and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest expense on borrowing is expensed in the statement of comprehensive income.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
Profit is taxable at a rate of 15 per cent in accordance with the Lithuanian regulatory legislation on taxation.

Deferred income tax is recognised using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent it is probable that they will reduce the taxable profit in future. However the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 *Leases – where the Group is the lessee*

(a) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life or lease term of the asset.

(b) Operating lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.17 Employee benefits

(a) Social security contributions

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from sales of goods is recognised only when all significant risks and benefits arising from ownership of goods is transferred to the customer.

Revenue from transportation services in recognised in the period when services are performed.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Earnings per share

Basic earnings per share are calculated by dividing net profit attributed to the shareholders from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Company and the Group and held as treasury shares.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors that makes strategic decisions.
The Group's management distinguished the following operating segments of the Group: hard cheese, semi-hard cheese, butter, milk cream, sour cream, sour milk, yogurt, curd, curd cheese and other. These segments were combined into two main reportable segments based on the similar nature of products production process types of customers and the method of distribution.

2.22 Government grants and subsidies

Government grants are recognised at fair value where there is sufficient evidence that the grant will be received and the Group and the Company will comply with all attached conditions.

Government grants received to finance acquisition of property plant and equipment are included in non-current deferred income in the balance sheet. They are recognised as income on a straight-line basis over the useful life of property plant and equipment concerned.

2.23 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group and the Company have a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specified to the obligation. The increase in the provision due to passage of time is recognised as operating expenses.

2.24 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

3. Financial risk management

3.1 Financial risk factors

The Group's and the Company's activities expose them to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.
Risk management is carried out by the Company's management. There are no written principles for overall risk management in place.

(a) Market risk

(i) Foreign exchange risk
The Company and the Group operate internationally, however, their exposure to foreign exchange risk is set at minimum level, since sales outside Lithuania are performed mostly in the euros.

(ii) Cash flow and fair value interest rate risk
The Company's and the Group's interest rate risk arises from interest-bearing loans and borrowings. Borrowings with variable interest rates expose the Group to cash flow interest rate risk. Borrowings with fixed interest rates expose the Group to fair value interest rate risk. In 2017 and 2016, loans granted by the Group at a fixed interest rate were denominated in the euros. In 2017 and 2016, the Company and the Group did not have borrowings with variable interest rates. Borrowings were denominated in the euros.

As at 31 December 2017, the Company's and the Group's net assets sensitive to changes in interest rate amounted to EUR 5,515 thousand (31 December 2016: the Company's and the Group's net assets sensitive to changes in interest rate amounted to EUR 1,895 thousand). If interest rate increased/decreased by 0.5 percentage point (2016: 0.5 percentage point), the Company's and the Group's profit would increase/ decrease by EUR 28 thousand (2016: profit would increase/decrease by EUR 9 thousand).

(b) Credit risk

Credit risk arises from cash at bank, loans granted, and trade receivables.

As at 31 December 2017, the Company's and the Group's all cash balances were held at banks that had external credit ratings from 'A+' to 'BBB', as set by the rating agency Fitch Ratings (31 December 2016: from 'A+' to 'BBB').

i) Maximum exposure to credit risk
The table below summarises the Company's and the Group's credit risk exposures relating to on-balance sheet items. Maximum exposure to credit risk before collateral held or other credit enhancements as at 31 December:

(All tabular amounts are in EUR '000 unless otherwise stated)

Group 2017	Group 2016		Company 2017	Company 2016
15,714	2,366	Cash and cash equivalents at banks	5,854	1,074
29,902	38,348	Trade receivables	47,210	44,122
11,258	7,392	Loans granted	11,348	7,246
56,874	48,106		64,412	52,442

ii) Credit quality of financial assets
The Group does not classify amounts receivable and other financial assets exposed to credit risk according to credit quality. Credit risk is managed through established credit limits for a major customers and monitoring of overdue receivables and loans. Credit limits and overdue receivables are continuously monitored by the Company's and the Group's management.

The table below presents credit limits, if management has established for the major customers and amounts receivable from them before allowance as at 31 December 2017.

Group Credit limit	Group Amount receivable		Company Credit limit	Company Amount receivable
4,000	3,699	Customer A	4,000	3,699
2,800	2,546	Customer B	2,800	2,546
4,000	2,068	Customer C	4,000	2,068
2,500	1,446	Customer D	2,500	1,446
4,345	2,953	Customer E	-	-
2,028	1,505	Customer F	-	-
1200	820	Customer G	-	-

The table below presents credit limits established for the major customers and amounts receivable from them as at 31 December 2016.

Group Credit limit	Group Amount receivable		Company Credit limit	Company Amount receivable
5,500	4,563	Customer A	5,500	4,563
4,500	3,004	Customer B	4,500	3,004
2,600	2,598	Customer C	2,600	2,598
2,500	2,193	Customer D	2,500	2,193
2,000	1,520	Customer E	2,000	1,520
4,345	5,770	Customer F	-	-
2,028	1,491	Customer G	-	-

In 2016, amounts receivable from some customers exceeded the credit limits established by the Group's management; however, in the opinion of the Group's management, these customers do not give rise to significant credit risk (amounts receivable are not past due).

The table below summaries concentration of the loans granted:

Group 2017	Group 2016		Company 2017	Company 2016
8,435	4,088	Loans granted in excess of EUR 580 thousand	9,299	4,952
722	1,233	Loans granted in excess of EUR 290 thousand, but not in excess of EUR 580 thousand	722	798
2,101	2,071	Loans granted not in excess of EUR 290 thousand	1,327	1,496
11,258	7,392		11,348	7,246

Loans in excess of EUR 580 thousand were granted to four business entities and one natural person.

(All tabular amounts are in EUR '000 unless otherwise stated)

(c) Liquidity risk

Prudent liquidity risk management allows maintaining sufficient cash and availability of funding under committed credit facilities.

The table below summarises the Group's and the Company's financial liabilities. The financial liabilities are classified into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Accounts payable and other financial liabilities due within 3 months or less are equal to their carrying amounts as the impact of discounting is insignificant.

Company

At 31 December 2017	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Borrowings from banks and other financial liabilities	1,862	-	-	-
Trade payables	16,028	-	-	-
		-	**-**	**-**

At 31 December 2016	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Borrowings from banks and other financial liabilities	1,862	-	-	-
Trade payables	9,230	-	-	-
	11,092	**-**	**-**	**-**

Group

At 31 December 2017	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Borrowings from banks and other financial liabilities	1,862	-	-	-
Trade payables	18,229	-	-	-
		-	**-**	**-**

At 31 December 2016	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Borrowings from banks and other financial liabilities	1,862	-	-	-
Trade payables	9,449	-	-	-
	11,311	**-**	**-**	**-**

3.2 Capital risk management

The Company's and the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company and the Group define their capital as equity and debt, less cash and cash equivalents.

(All tabular amounts are in EUR '000 unless otherwise stated)

As at 31 December, the Group's and the Company's capital structure was as follows:

Group 2017	Group 2016		Company 2017	Company 2016
1,862	1,862	Borrowings	1,862	1,862
(15,714)	(2,366)	Less: cash and cash equivalents	(5,854)	(1,074)
(13,852)	(504)	Net debt	(3,992)	788
134,096	122,066	Shareholders' equity	124,776	109,881
120,244	121,562	Total capital	120,784	110,669

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than EUR 40 thousand (the authorised share capital of a private company must not be less than EUR 2.5 thousand) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2017 and 31 December 2016, the Company and its subsidiaries registered in Lithuania complied with these requirements.

3.3 Fair value estimation

Trade payables and trade receivables accounted for in the balance sheet should be settled within a period shorter than three months therefore it is deemed that their fair value equals to their carrying amount less impairment. Interest rate on the borrowings received by the Company is subject to repricing at least every six months therefore it is deemed that their fair value equals their carrying amount. Companies and Group issued loans fair value disclosed in Note 19. Property, plant and equipment fair value disclosed in Note 15.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The three levels of the fair value hierarchy have been defined as follows:
Level 1 includes the fair value of assets which is established based on quoted prices (unadjusted) in active markets for identical assets.
Level 2 includes the fair value of assets which is established based on other directly or indirectly observable inputs.
Level 3 includes the fair value of assets which is established based on unobservable inputs.

4. Critical accounting estimates and judgements

Provision for impairment of loans and amounts receivable

Provision for impairment of amounts receivable and loans granted was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Company and the Group could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

Estimates of useful lives of property, plant and equipment

The Company and the Group have old buildings and machinery, where the useful lives are estimated based on the expected product lifecycles. However, economic useful lives may differ from the currently estimated as a result of technical innovations and actions of competitors.

Revaluation of property, plant and equipment

The valuation of property, plant and equipment, except for motor vehicles, at the Group and the Company as at 31 December 2015 was conducted by independent property valuer Ober-Haus UAB. The fair value estimation was based on the comparable sales price method. The valuation of other categories of assets was based on the replacement cost method. The valuation of motor vehicles was conducted by the Company's experts who established the fair value using the comparable sales price method. Assets that were evaluated using the replacement cost method were tested for impairment as a result of which no indications for possible impairment were identified.
The Company's management believes the values of property, plant and equipment adjusted under these methods as of 31 December 2017 and 31 December 2016 approximated the fair value (Note 15).

Inventory write-down to net realizable value

The Group and the Company recognise inventory at the lower of cost and net realizable value. The Group and the Company assess whether the value of inventory recognised at cost is not lower that its net realisable value based on the historical data and actual results of inventory items sold below cost after the financial year end. If the recognised inventory write-down to net realisable value was 5 % higher/lower, the Group's and the Company's profit before income tax for the year 2017 would be EUR 96 thousand lower/ higher (2016: EUR 62 thousand, respectively).

5. Segment reporting

Operating segments and reportable segments

The Group's management has distinguished the following operating segments of the Group: hard cheese, semi-hard cheese, butter milk, cream, sour cream, sour milk, yogurt, curd, curd cheese and other. These segments were combined into two main reportable segments based on the similar nature of products, production process, types of customers and the method of distribution.

The main two reportable business segments of the Group are as follows:

- Fresh milk products
- Cheese and other dairy products

Other operations of the Group mainly comprise milk collection activity the size of which is insufficient to be reported separately. Transactions between the operating segments are on normal commercial terms and conditions. The segment of fresh milk products includes 2 external customers each generating 10% of total revenue of the segment.

(All tabular amounts are in EUR '000 unless otherwise stated)

The table below summarises segment information for the years ended 31 December 2017 and 2016:

	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
2017				
Sales	79,429	223,976	29,933	333,338
Inter-segment sales	(264)	(60,354)	(29,154)	(89,772)
Sales to external customers	**79,165**	**163,622**	**779**	**243,566**
Segment's gross profit	**15,038**	**13,156**	**(44)**	**28,150**
Depreciation and amortisation	**3,060**	**6,032**	**41**	**9,133**
Income tax expense (benefit)	**62**	**(196)**	**-**	**(134)**
Total assets	57,989	140,090	3,226	201,305
Elimination of intercompany transactions				(38,646)
Total assets, less intercompany transactions				**162,659**
Additions to non-current assets (other than financial instruments and deferred tax assets)	5,546	8,414	6	13,966
Total liabilities	44,124	23,092	2,696	69,912
Elimination of intercompany transactions				(41,349)
Total liabilities less intercompany transactions				**28,563**

	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
2016				
Sales	67,255	205,058	21,330	293,643
Inter-segment sales	(61)	(47,423)	(19,963)	(67,447)
Sales to external customers	**67,194**	**157,635**	**1,367**	**226,196**
Segment's gross profit	**18,150**	**16,628**	**(91)**	**34,687**
Depreciation and amortisation	**3,344**	**4,231**	**207**	**7,782**
Income tax expense (benefit)	**(364)**	**(792)**	**-**	**(1,156)**
Total assets	48,950	119,514	3,251	171,715
Elimination of intercompany transactions				(29,303)
Total assets, less intercompany transactions	**-**	**-**	**-**	**142,412**
Additions to non-current assets (other than financial instruments and deferred tax assets)	4,487	6,242	13	10,742
Total liabilities	32,076	2,864	17,412	52,352
Elimination of intercompany transactions	-	-	-	(32,007)
Total liabilities less intercompany transactions	-	-	-	**20,346**

(All tabular amounts are in EUR '000 unless otherwise stated)

Geographical information

All assets of the Company are located in Lithuania. The Company's sales by markets can be analysed as follows:

	Sales revenue		Total assets		Capital expenditure	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Lithuania	76,403	67,482	147,870	127,293	8,414	6,242
Europe Union countries	120,591	97,572		-		-
Near East	479	21,017		-		-
North America	7,197	10,305		-		-
Far East	10,091	5,063		-		-
Other countries	9,215	3,619		-		-
	223,976	205,058	147,870	127,293	8,414	6,242

The breakdown of the Group's assets by geographical segments is presented below. The Group's sales by markets can be analysed as follows:

	Sales revenue		Total assets		Capital expenditure	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Lithuania	84,137	80,155	158,717	138,444	13,960	10,742
Europe Union countries	132,447	106,037	3,942	3,968	6	
Near East	479	21,017		-		-
North America	7,197	10,305		-		-
Far East	10,091	5,063		-		-
Other countries	9,215	3,619		-		-
	243,566	226,196	162,659	142,412	13,966	10,742

Sales are allocated based on the country in which the customers are located.

The breakdown of the Company's revenue by category:

	2017	**2016**
Revenue from sales of goods	215,801	195,270
Other revenue (milk transportation)	8,175	9,788
	223,976	205,058

The breakdown of the Group's revenue by category:

	2017	**2016**
Revenue from sales of goods	242,158	224,542
Revenue from other services	1,408	1,654
	243,566	226,196

(All tabular amounts are in EUR '000 unless otherwise stated)

6. Selling and marketing expenses

Group 2017	Group 2016		Company 2017	Company 2016
4,416	4,505	Transportation services	4,121	4,182
3,079	2,600	Wages and salaries	1,802	1,447
555	2,075	Intermediation services	555	2,075
1,000	867	Product image creation and advertising expenses	142	174
1,184	794	Repair and maintenance	1,113	716
578	495	Depreciation of property, plant and equipment	538	470
537	1,038	Warehousing services	537	1,038
1,360	3,340	Other expenses	2,195	3,209
12,709	15,714		11,003	13,311

7. General and administrative expenses

Group 2017	Group 2016		Company 2017	Company 2016
3,195	2,556	Wages and salaries	2,107	1,700
48	102	Taxes (other than income tax)	11	49
(1,113)	98	Provisions for impairment of loans granted and doubtful receivables and write-offs of loans and receivables (reversals)	(1,113)	51
290	284	Consultations	253	225
614	465	Depreciation of property, plant and equipment and amortisation of intangible assets	413	368
258	244	Repairs and maintenance	222	211
1,971	2,464	Bonuses	1,164	1,164
88	105	Telecommunications and IT maintenance expenses	73	90
174	138	Insurance expenses	160	125
92	123	Bank charges	85	120
82	26	Business trips	61	14
31	150	Fines	7	43
176	31	Staff training	155	10
42	48	Membership fees	40	47
400	302	Charity and support	146	104
1,279	837	Other expenses	1,026	689
7,627	7,973		4,810	5,010

8. Other income

Group 2017	Group 2016		Company 2017	Company 2016
1,777	1,763	Income from goods resold	1,771	1,758
422	339	Interest income	398	307
275	204	Other income	4,330	6,871
2,474	2,306		6,499	8,936

The Company's other income comprises dividends received from subsidiary Rokiškio Pienas UAB and Rokiškio Pieno Gamyba UAB, insurance income and other service income (Note 33).

(All tabular amounts are in EUR '000 unless otherwise stated)

9. Other expenses

Group 2017	Group 2016		Company 2017	Company 2016
1,685	1,753	Cost of goods resold	1,681	1,750
171	128	Other expenses	181	130
1,856	1,881		1,862	1,880

10. Other operating (loss)/profit

Group 2017	Group 2016		Company 2017	Company 2016
(102)	(176)	Result of disposal of property, plant and equipment (Note 32)	(72)	(176)
-	474	Result of disposal of investments in subsidiary (Note 17)	-	-
(102)	298		(72)	(176)

11. Expenses by nature

Group 2017	Group 2016		Company 2017	Company 2016
163,451	122,058	Raw materials and consumables used	149,781	106,810
(475)	20,424	Changes in inventories of finished goods and work in progress	(176)	20,445
21,491	19,070	Wages and salaries including social security contributions	14,105	12,290
12,652	12,127	Transportation services	12,346	11,793
1,971	2,464	Bonuses	1,164	1,164
9,133	7,790	Depreciation and amortisation (Notes 15 and 16)	6,032	5,376
(383)	(220)	Amortisation of the Government grant for property, plant and equipment (Note 27)	(265)	(138)
555	2,075	Intermediation services	555	2,075
4,973	4,220	Repairs and maintenance	4,763	4,016
304	439	Cost of finished goods resold	14,461	19,206
(1,113)	98	Provisions for impairment of loans granted and doubtful receivables and write-offs of loans and receivables (reversals)	(1,113)	51
198	232	Taxes (other than income tax)	157	175
290	284	Consultations	253	225
102	121	Telecommunication and IT maintenance expenses	87	105
13,769	13,805	Utilities (energy)	8,126	8,386
8,834	10,209	Other	7,048	6,541
235,752	215,196	Total cost of sales, selling and marketing expenses and general and administrative expenses	217,324	198,520

(All tabular amounts are in EUR '000 unless otherwise stated)

12. Finance costs

Group 2017	Group 2016		Company 2017	Company 2016
		Interest expenses:		
40	116	– bank borrowings	-	75
-	-	– finance leases	-	-
40	116		-	75

13. Income tax

Group 2017	Group 2016		Company 2017	Company 2016
(804)	(1,042)	Current income tax	(764)	(587)
283	-	Prior year income tax corrections	283	
387	(114)	Deferred income tax (Note 18)	285	(205)
(134)	(1,156)	Income tax benefit/(expenses)	(196)	(792)

The income tax on the Company's and the Group's profit before tax differs from the theoretical amount that would arise when using the basic tax rate as follows:

Group 2017	Group 2016		Company 2017	Company 2016
8,290	11,607	(Loss)/profit before income tax	11,217	13,343
1,244	1,741	Tax calculated at a rate of 15% (Note 2.15)	1,683	2,001
173	142	Expenses not deductible for tax purposes	121	86
(45)	(110)	Income not subject to tax	(649)	(1,060)
(117)	(91)	Charity expenses deductible twice for tax purposes	(44)	(31)
(838)	(561)	Other expenses deductible for tax purposes	(658)	(295)
(283)	-	Prior year income tax corrections	(283)	-
-	35	Other	26	91
134	1,156	Income tax expense/(benefit)	196	792

Expenses not deductible for tax purposes include representation expenses, write-offs, etc. Income not subject to tax include interest on late payment and insurance benefits received.

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out the inspection of book-keeping and accounting records and impose additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

14. Earnings per share

Group 2017	Group 2016		Company 2017	Company 2016
8,156	10,451	Net profit/(loss) attributable to shareholders	11,021	12,551
33,195	35,868	Weighted average number of ordinary shares in issue (thousand)	33,195	35,868
(177)	(2,842)	Weighted average number of treasury shares held (thousand)	(177)	(2,842)
0.25	0.32	Basic earnings/(deficit) per share (EUR per share)	0.33	0.38

The Group has no dilutive potential ordinary shares, therefore, the diluted earnings per share are the same as basic earnings per share.

15. Property, plant, and equipment

Company	Buildings	Plant and machinery	Motor vehicles and other assets	Construction in progress	Total
At 1 January 2016					
Acquisition cost and revalued amount	13,813	69,579	32,258	1,560	117,210
Accumulated depreciation	(5,529)	(51,355)	(25,268)	-	(82,152)
Net book amount	8,284	18,224	6,990	1,560	35,058
Year ended 31 December 2016					
Opening net book amount	8,284	18,224	6,990	1,560	35,058
Additions		1,686	2,837	1,719	6,242
Disposals	(123)	(797)	(98)		(1,018)
Write-offs		(189)	(24)		(213)
Transfer from construction in progress		304	129	(433)	
Depreciation charge	(401)	(3,103)	(1,864)		(5,368)
Closing net book amount	7,760	16,125	7,970	2,846	34,701
At 31 December 2016					
Acquisition cost and revalued amount	13,581	70,053	34,472	2,846	120,952
Accumulated depreciation	(5,821)	(53,928)	(26,502)		(86,251)
Net book amount	7,760	16,125	7,970	2,846	34,701
Year ended 31 December 2017					
Opening net book amount	7,760	16,125	7,970	2,846	34,701
Additions		2,766	3,163	2,485	8,414
Disposals	(30)	(2)	(176)		(208)
Write-offs		(2)	(26)		(28)
Transfers from CIP	1,682	1,971	130	(3,783)	
Depreciation charge	(490)	(3,140)	(2,402)		(6,032)
Closing net book amount	8,922	17,718	8,659	1,548	36,847
At 31 December 2017					
Acquisition cost and revalued amount	15,098	70,150	34,704	1,548	121,500
Accumulated depreciation	(6,176)	(52,432)	(26,045)	0	(84,653)
Net book amount	8,922	17,718	8,659	1,548	36,847

(All tabular amounts are in EUR '000 unless otherwise stated)

Group	Buildings	Plant and machinery	Motor vehicles and other assets	Construction in progress	Total
At 1 January 2016					
Cost or revaluated amount	23,701	87,832	33,031	1,586	146,150
Accumulated depreciation	(8,937)	(60,110)	(25,496)	-	(94,543)
Net book amount	14,764	27,722	7,535	1,586	51,607
Year ended 31 December 2016					
Opening net book amount	14,764	27,722	7,535	1,586	51,607
Additions	34	2,715	2,901	5,092	10,742
Disposals	(126)	(44)	(105)		(275)
Write-offs		(96)	(24)		(120)
Transfers from CIP	91	542	146	(779)	
Depreciation charge	(776)	(4,967)	(2,039)		(7,782)
Closing net book amount	13,987	25,872	8,414	5,899	54,172
At 31 December 2016					
Cost or revaluated amount	23,680	90,114	35,292	5,899	154,985
Accumulated depreciation	(9,693)	(64,242)	(26,878)	-	(100,813)
Net book amount	13,987	25,872	8,414	5,899	54,172
Year ended 31 December 2017					
Opening net book amount	13,987	25,872	8,414	5,899	54,172
Additions	23	4,935	3,243	5,765	13,966
Disposals	(84)	(2)	(250)		(336)
Write-offs		(3)	(26)		(29)
Transfers from CIP	2,306	6,030	130	(8,466)	
Depreciation charge	(877)	(5,664)	(2,592)		(9,133)
Closing net book amount	15,355	31,168	8,919	3,198	58,640
At 31 December 2017					
Cost or revaluated amount	25,722	95,792	35,916	3,198	160,628
Accumulated depreciation	(10,367)	(64,624)	(26,997)		(101,988)
Net book amount	15,355	31,168	8,919	3,198	58,640

The Company's and the Group's property, plant and equipment was revaluated as at 31 December 2015. The valuation of assets, except for motor vehicles, was conducted by independent property valuer OBER HAUS Nekilnojamasis Turtas UAB. The valuation of real estate was based on the comparable sales price method by comparing sales prices in Lithuania. The valuation of other categories of assets was based on the replacement cost method. The valuation of motor vehicles was conducted by the Company's experts who established the fair value using the comparable sales price method. Gain arising on revaluation is disclosed in the tables on the movements in property, plant and equipment and was recorded under the line item of other comprehensive income. Assets that were evaluated using the replacement cost method were tested for impairment, as a result of which no indications for possible impairment were identified.

In 2017, no revaluations were carried out for property, plant and equipment, because in the management's opinion, no significant changes occurred in real estate market, nor in the Company's business, nor in the market prices of equipment and machinery. Consequently, there were no significant changes in the fair value of property, plant and equipment of the Group in 2017. The members of the Board of Directors used the assumption that the carrying amount of property, plant and equipment of Rokiškio Sūris AB, Rokiškio Pienas UAB and Rokiškio Pieno Gamyba UAB approximated its fair value, and made the decision not to perform the revaluation for the property, plant and equipment of Rokiškio Sūris AB Group, but to review the depreciation rates used for these assets.

Building and Motor vehicles and other assets were attributed to Level 2 of fair value hierarchy in 2017 and 2016. Property, plant and equipment within **Level 2** was measured using the comparable sales price method. This method was used for the measurement of real estate, the majority of motor vehicles and constructions in respect of which sale transactions or offer examples were observable in the market. The comparable real estate objects were selected due to the similarity with the object being measured with respect to size, purpose, location, intended use, condition, engineering support and other parameters. The valuation of real estate required adjustments to reflect differences between the objects being measured and comparable objects. Comparable objects selected are of the closest possible similarity with the objects being measured and differences are related only to the location and surroundings, the year of construction and the total area of the object. The valuation of motor vehicles was based on the supply data. The value calculated based on at least 2 or 3 comparable inputs was treated as the value of the assets. Comparable inputs selected were similar to the assets subject to valuation.

Meanwhile Plant and Machinery was attributed to Level 3 of fair value hierarchy. Property, plant and equipment within **Level 3** was measured using the replacement cost method. This method was used for the measurement of a part of special purpose movable property in respect of which no sale or offer market data was available. When estimating the value of movable property (plant and machinery) under the cost method the cost of replacing the item were equated to the acquisition cost of an item (replacement cost model of the valued item). For the purpose of valuation the impairment (depreciation) is established under the fragmentation calculation model. When establishing physical obsolescence it is assumed that the value of property being measured is written off in proportion to the number of years. The assets subject to valuation were classified into categories in respect of which the useful life up to 30 years depending on the group of asset was established based on the expert opinion of the valuer. When establishing functional obsolescence it is assumed that movable property (plant and machinery) produced and sold during the valuation is of higher efficiency than property already produced or still in the process of production. When establishing economic obsolescence the valuers assume that the economic situation is rather stable, therefore it is acceptable that economic obsolescence is equal to zero percent.
The valuation of movable property was based on the rationale that the asset cannot have no value if it is used, irrespective of that the asset is fully depreciated for accounting purposes. Therefore, a possible net book value of the asset was obtained from market data.

Construction in progress items were recently purchased from third parties, therefore their fair value agrees value in balance sheet.

As at 31 December 2015 the Company's and the Group's management have reviewed useful life rates applied to property, plant and equipment. It was estimated that the useful life should be extended for the most of the items. This change in estimate will be applied prospectively and the useful life will be adjusted during the year 2016. Had the useful life been not extended by the Company's and the Group's management, the Company's depreciation expenses would have been higher by EUR 632 thousand (the Group's depreciation expenses would have been higher by EUR 1.336 thousand).

As at 31 December 2017, the Company's and the Group's property, plant and equipment with a carrying value of EUR 6,020 thousand and EUR 13,367 thousand, respectively (31 December 2016: EUR 6,321 thousand and EUR 13,921 thousand, respectively) was pledged as a security for credit limit agreements.

(All tabular amounts are in EUR '000 unless otherwise stated)

Depreciation expenses of property plant and equipment are included in selling and marketing expenses, general and administrative expenses and cost of sales in the income statement, as well as in work in progress and finished goods in the balance sheet.

Had no revaluation been performed for property, plant and equipment, the net book amounts of the Group's and the Company's property, plant and equipment would have been as follows as of 31 December 2016 and 2017:

Company	**Buildings**	**Plant and machinery**	**Motor vehicles and other assets**	**Construction in progress**	**Total**
At 31 December 2016	4,407	5,822	4,960	2,846	**18,035**
At 31 December 2017	5,628	9,294	6,592	1,548	**23,062**

Group	**Buildings**	**Structures and machinery**	**Motor vehicles and other assets**	**Construction in progress**	**Total**
At 31 December 2016	7,433	12,030	5,249	5,899	**30,611**
At 31 December 2017	8,855	19,803	6,781	3,198	**38,637**

16. Intangible assets

Company	**Computer software**
At 1 January 2016	
Cost	712
Accumulated amortisation	(702)
Net book amount	10
Year ended 31 December 2016	
Opening net book amount	10
Additions	-
Amortisation charge	(8)
Closing net book amount	2
At 31 December 2016	
Cost	712
Accumulated amortisation	(710)
Net book amount	2
Year ended 31 December 2017	
Opening net book amount	2
Additions	1
Amortisation charge	(1)
Closing net book amount	2
At 31 December 2017	
Cost	713
Accumulated amortisation	(711)
Net book amount	2

(All tabular amounts are in EUR '000 unless otherwise stated)

Group	Contractual client relationship	Computer software	Total
At 1 January 2016			
Cost	262	713	975
Accumulated amortisation	(262)	(703)	(965)
Net book amount	-	10	10
Year ended 31 December 2016			
Opening net book amount	-	10	10
Additions			
Amortisation charge	-	(8)	(8)
Closing net book amount	-	2	2
At 31 December 2016			
Cost	-	713	713
Accumulated amortisation	-	(711)	(711)
Net book amount	-	2	2
Year ended 31 December 2017			
Opening net book amount	-	2	2
Additions	-	1	1
Amortisation charge	-	(1)	(1)
Closing net book amount	-	2	2
At 31 December 2017			
Cost	-	713	713
Accumulated amortisation	-	(711)	(711)
Net book amount	-	2	2

Amortisation expenses of computer software and other intangible assets are included in general and administrative expenses in the income statement.

17. Investments in subsidiaries

The Company's investments in subsidiaries as at 31 December 2017 are listed below:

	Investment cost	Impairment loss recognised	Investment value after impairment
Rokiškio Pienas UAB	105	-	105
Rokiškio Pieno Gamyba UAB	4,122	-	4,122
Jekabpils Piena Kombinats SIA	853	(122)	731
Kaunata SIA	96	-	96
	5,176	(122)	5,054

In 2016, Žalmargė KB was sold, which was fully provided for in the previous periods. Accordingly, there were no changes in the balance of the Company's investment value.
The Group's investments in subsidiaries consist of joint investments in Kaunata SIA.

18. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

(All tabular amounts are in EUR '000 unless otherwise stated)

Group 2017	Group 2016		Company 2017	Company 2016
		Deferred income tax assets:		
-	97	– to be realised after more than 12 months	-	97
987	1,037	– to be realised within 12 months	898	948
987	1,134		898	1,045
		Deferred income tax liabilities:		
(2,547)	(3,047)	– to be realised after more than 12 months	(1,668)	(2,068)
(500)	(534)	– to be realised within 12 months	(400)	(432)
(3,047)	(3,581)		(2,068)	(2,500)
(2,060)	(2,447)	Net deferred tax liability	(1,170)	(1,455)

The gross movement in deferred income tax assets was as follows:

Group 2017	Group 2016		Company 2017	Company 2016
(2,447)	(2,333)	At the beginning of the year	(1,455)	(1,249)
387	(114)	Recognised in the income statement (Note 13)	285	(206)
-	-	Recognised in other comprehensive income	-	-
(2,060)	(2,447)	At the end of the year	(1,170)	(1,455)

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same fiscal jurisdiction is as follows:

Company

Deferred income tax assets	Inventory write-down to net realisable value	Amortised cost of loans granted	Impairment of amounts receivable	Bonuses and vacation reserve	Total
At 1 January 2016	**743**	**209**	**440**	**265**	**1,657**
Recognised in the income statement	(558)	(112)		58	(612)
At 31 December 2016	**185**	**97**	**440**	**323**	**1,045**
Recognised in the income statement	102	(41)	(223)	15	(147)
At 31 December 2017	**287**	**56**	**217**	**338**	**898**

Deferred income tax liabilities	Revaluation of property, plant and equipment	Total
At 1 January 2016	**(2,905)**	**(2,905)**
Recognised in the income statement	405	405
At 31 December 2016	**(2,500)**	**(2,500)**
Recognised in the income statement	432	432
At 31 December 2017	**(2,068)**	**(2,068)**

(All tabular amounts are in EUR '000 unless otherwise stated)

Group

Deferred income tax assets	Inventory write-down to net realisable value	Amortised cost of loans granted	Impairment of amounts receivable	Bonuses and vacation reserve	Total
At 1 January 2016	**743**	**209**	**440**	**353**	**1,745**
Recognised in the income statement	(490)	(112)		(9)	(611)
At 31 December 2016	**253**	**97**	**440**	**344**	**1,134**
Recognised in the income statement	34	(41)	(223)	83	(147)
At 31 December 2017	**287**	**56**	**217**	**427**	**987**

Deferred income tax liabilities	Accelerated tax depreciation	Revaluation of property, plant and equipment	Total
At 1 January 2016	**(47)**	**(4,031)**	**(4,078)**
Recognised in the income statement	-	497	497
At 31 December 2016	**(47)**	**(3,534)**	**(3,581)**
Recognised in the income statement		534	534
At 31 December 2017	**(47)**	**(3,000)**	**(3,047)**

Deferred income tax assets and deferred income tax liabilities were calculated using a tax rate of 15% (2016: 15%) enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

(All tabular amounts are in EUR '000 unless otherwise stated)

19. Loans granted

Group 2017	Group 2016		Company 2017	Company 2016
1,652	1,553	Long-term loans to farmers	1,652	1,553
276	258	Long-term loans to employees	223	201
5,409	2,547	Other long-term loans	5,343	2,374
(375)	(1,199)	Less: provision for impairment of loans receivable	(375)	(1,199)
6,962	3,159	Long-term loans, net	6,843	2,929
1,285	1,726	Current portion of loans to farmers	830	1,226
38	35	Current portion of loans to employees	35	32
2,973	3,053	Other short-term loans granted	3,640	3,640
-	(581)	Less: provision for impairment of loans receivable	-	(581)
4,296	4,233	Current portion of long-term loans and short-term loans, net	4,505	4,317

At 31 December 2017 loans to farmers were granted with repayment terms ranging between 1 month and 4 years. The annual interest rate ranged between 1,1 and 6%. Majority part of loans granted to farmers were secured with pledges of assets (land, building) of the farmers. Most of loans granted to farmers are repaid not in the form of money but are offset with amounts payable for raw milk purchases from farmers.

In 2017, a portion of impairment of amounts receivable was reversed due to the refinancing of debtors carried out by third parties and the increase in the value of pledged assets.

Long-term loans to employees were granted with repayment terms ranging between 1 and 16 years.

Repayment terms of other long-term loans granted ranged between 1 and 5 years. The loans bear average weighted interest rate of 3.22% (2016: 3.52%). Other loans repayments are secured with pledges of assets or guarantees.

The fair value of borrowings is attributed to Level 2 in the fair value hierarchy.
The fair value of loans granted approximated their carrying amount.

Information on loans receivable that were past due as at 31 December is provided in the table below:

Group 2017	Group 2016		Company 2017	Company 2016
9,720	6,861	Loans granted not past due	9,810	6,715
1,456	531	Loans granted past due but not impaired	1,456	531
457	1,781	Impaired loans granted	457	1,781
11,633	9,173	Gross value of loans granted	11,723	9,027
(375)	(1,781)	Impairment of amounts uncollectible	(375)	(1,781)
11,258	7,392	Net amount	11,348	7,246

(All tabular amounts are in EUR '000 unless otherwise stated)

20. Inventories

Group 2017	Group 2016		Company 2017	Company 2016
1,897	2,303	Raw materials	385	777
7,773	4,494	Work in progress	7,568	4,265
25,654	27,892	Finished products	24,849	27,413
1,266	732	Other inventories	1,196	673
36,590	35,421	Total inventories at cost	33,998	33,128
(1,925)	(1,231)	Less: inventory write-down to net realizable value	(1,925)	(1,231)
34,665	34,190	Total inventories	32,073	31,897

Inventory write-down to net realizable value provision decreased due to sold inventory in 2017 and increase in production sales price.

As at 31 December 2017, inventories with the cost of EUR 34,665 thousand (31 December 2016: EUR 34,190 thousand) were pledged to the banks as a security for credit line agreements.

As at 31 December 2017, the Company's inventories held with third parties in Lithuania comprised 142 tons of skim milk powder; inventories held in USA comprised 391 tons of hard cheese; and inventories held in the warehouses based in the EU member states comprised 59.5 tons of hard cheese. The total value of these inventories is EUR 2,133 thousand.
As at 31 December 2016, the Company's inventories held with third parties in Lithuania comprised 1,334 tons of skim milk powder, 246.5 tons of whey protein concentrate and 67.2 tons of butter; inventories held in USA comprised 259 tons of hard cheese; and inventories held in the warehouses based in the EU member states comprised 61.7 tons of hard cheese and 17.1 tons of fresh fermented cheese. The total value of these inventories is EUR 4,332 thousand.

21. Trade and other receivables

Group 2017	Group 2016		Company 2017	Company 2016
		Non-current receivables		
-	-	Prepayments	-	-
-	-		-	-
		Current receivables		
29,902	38,348	Trade receivables	47,210	44,122
2,152	1,449	VAT receivable	1,278	865
398	56	Prepayments and deferred expenses	368	56
32,452	39,853		48,856	45,043

As at 31 December 2017 and 2016, no trade receivables of the Company were pledged as collateral. As at 31 December 2017 and 2016, the subsidiary's Rokiškio Pienas UAB trade receivables and claim rights to future trade receivables were pledged as collateral for amount not larger than EUR 6,000 thousand.

(All tabular amounts are in EUR '000 unless otherwise stated)

The information on receivables past due as at 31 December is provided in the table below

Group 2017	Group 2016		Company 2017	Company 2016
19,287	5,823	Trade receivable neither past due nor impaired	17,587	18,892
7,929	28,982	Trade receivable past due but not impaired	26,937	21,687
4,130	6,478	Impaired amounts receivable	4,130	6,478
31,346	41,283	Gross value	48,654	47,057
(1,444)	(2,935)	Impairment charge	(1,444)	(2,935)
29,902	38,348	Net value of trade receivables	47,210	44,122

The Group received no collaterals as a security for impaired amounts receivable. As at 31 December 2017, the Company's trade receivables from Rokiškio Pieno Gamyba UAB and Jekabpils Piena Kombinats SIA amounted to EUR 25,496 thousand and EUR 248 thousand, respectively (31 December 2016: the Company's trade receivables from Rokiškio Pieno Gamyba UAB and Jekabpils Piena Kombinats SIA amounted to EUR 16,901 thousand and EUR 248 thousand, respectively).
In 2017, the Company and the Group wrote down the overdue amount receivable of EUR 1,491 thousand, for which impairment was previously recognised, as according to the management the amount is not recoverable.

Trade receivables that are less than 360 days past due are not considered impaired if the Group does not possess other negative information about the solvency status of customers. The ageing analysis of trade receivables past due but not impaired as at 31 December is as follows:

Group 2017	Group 2016		Company 2017	Company 2016
6,293	18,838	Up to 30 days	12,347	11,718
2,269	7,648	31 to 60 days	9,871	7,636
466	2,433	61 to 90 days	5,638	2,274
401	63	More than 91 days	78	59
9,429	28,982		27,934	21,687

Receivables from the Group's companies were not offset, therefore, they were eliminated from the ageing analysis.

22. Cash and cash equivalents

Group At 31 December 2017	Group At 31 December 2016		Company At 31 December 2017	Company At 31 December 2016
41	41	Short-term deposits	41	41
15,674	2,325	Cash at bank and on hand	5,813	1,033
15,715	2,366		5,854	1,074

As at 31 December 2017, cash at bank balances pledged amounted to EUR 2,012 thousand (31 December 2016: EUR 784 thousand).

(All tabular amounts are in EUR '000 unless otherwise stated)

For the purposes of the cash flow statement, cash and cash equivalents comprise as follows:

Group At 31 December 2017	Group At 31 December 2016		Company At 31 December 2017	Company At 31 December 2016
41	41	Short-term deposits	41	41
15,674	2,325	Cash at bank and on hand	5,813	1,033
15,715	2,366		5,854	1,074

23. Share capital

As at 31 December 2016, the share capital was divided into 35,867,970 ordinary registered shares with par value of EUR 0.29 each.
On 28 October 2016, a decision was passed at the General Meeting of Shareholders to reduce the authorised share capital of Rokiškio Sūris AB by EUR 1,040,171.13 (one million forty thousand one hundred seventy one euros and 13 euro cents) through cancellation of the Company's 3,586,797 (three million five hundred eighty-six thousand seventy hundred and ninety seven) ordinary registered shares with par value of EUR 0.29 each.
After the cancellation of treasury shares redeemed and the reduction of the Company's share capital, a new version of the Articles of Association of Rokiškio Sūris AB was registered with the Lithuanian Register of Legal Entities on 18 January 2017. According to the new version, the share capital of Rokiškio Sūris AB amounts to EUR 9,361,540.17 (nine million three hundred sixty-one thousand five hundred forty euros and 17 euro cents) and is divided into 32,281,173 (thirty two million two hundred eighty-one thousand one hundred and seventy three) ordinary registered shares with par value of EUR 0.29 each.

The General Meeting of Shareholders held on 22 September 2017 adopted the following decisions:
1. To increase the Company's share capital by the use of additional contributions from EUR 9,361,540.17 (nine million three hundred sixty one thousand five hundred forty euros and 17 euro cents) to EUR 1,401,711.30 (ten million four hundred and one thousand seven hundred eleven euros and 30 euro cents) by issuing 3,586,797 (three million five hundred eighty-six thousand seven hundred ninety-seven) ordinary shares with par value of EUR 0.29 each (Hereinafter "New Shares");
2. To set the price for one newly issued share at EUR 1.98 (one euro and 98 euro cents). The total price of the issue of New Shares is EUR 7,101,858.06 (seven million one hundred and one thousand eight hundred fifty-eight euros and 6 euro cents). If not all New Shares are subscribed within the period designated for respective subscription, the Company's share capital will be increased by the amount of par values of the subscribed shares.

The right to acquire the Company's newly issued shares (3,586,797 ordinary shares) was transferred to Fonterra (Europe) Coöperatie U.A., a company established in New Zealand. The Company's code is 822560100. Registered office address: Barbara Strozzilaan 356-360, EurBld2, 3a, 1083 HN Amsterdam, the Netherlands. The newly issued shares were not publicly offered or marketed.

On 16 October 2017, Rokiškio Sūris AB signed the share subscription agreement with the strategic investor Fonterra (Europe) Coöperatie U.A. According to which Fonterra acquired a new issue of 3,586,797 ordinary shares of Rokiškio Sūris AB. This amounted to 10% of the Company's share capital and votes. The price of one share issue is EUR 1.98. The issue price of all subscribed shares is equal to EUR 7,101,858.06.
Upon the increase of the Company's share capital by the use of additional contributions, the Company's share capital increased from EUR 9,361,540.17 to EUR 10,401,711.30.

On 17 October 2017, the amended version of the Articles of Association of Rokiškio Sūris AB was registered with the Lithuanian Register of Legal Entities. According to the amended version, the Company's share capital was increased to EUR 10,401,711.30 and is divided into 35,867,970 ordinary shares with par value of EUR 0.29 each. All the shares are fully paid.

(All tabular amounts are in EUR '000 unless otherwise stated)

24. Treasury shares

	2017		2016	
	Number	Amount	Number	Amount
At the beginning of the year	3,586,797	(5,102)	2,414,579	(3,426)
Treasury shares acquired			1,172,218	(1,676)
Reduction of share capital (Note 23)	3,586,797	(5,102)		
	-	-	3,586,797	(5,102)

25. Other reserves and reserve for acquisition of treasury shares

Reserve for acquisition of treasury shares

In 2017 and 2016, no decisions were made regarding the establishment of the reserve for acquisition of treasury shares. As at 31 December 2017, the total amount of the Company's reserve for acquisition of treasury shares remained unchanged and was equal to EUR 7,606 thousand.

Other reserves

Non-distributable reserves of EUR 1,041 thousand can only be used to increase the share capital and non-distributable reserves (legal reserves) of Rokiškio Sūris AB, Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB amounting to EUR 1,113 thousand, EUR 556 thousand and EUR 223 thousand, respectively, can only be used to cover future operating losses, if any. The remaining amount of other reserves totalling EUR 11,718 thousand for the Company and EUR 17,002 thousand for the Group (2016: EUR 14,165 thousand and EUR 20,026 thousand, respectively) consists of the revaluation reserve of property, plant and equipment. (*See below for the disclosure of the revaluation reserve*).

Dividends

Dividends declared at the Company for the year 2016 were paid out in 2017 in the amount of EUR 0.10 per share (other than treasury shares) and in total amount of EUR 3,228 thousand (when par value of each share equals EUR 0.29).

Revaluation reserve

Revaluation reserve represents an increase in the value of property, plant and equipment as a result of its revaluation. This reserve may not be used to cover losses. Movements in revaluation reserve are given in the table below:

Company	**Revaluation reserve**	**Deferred income tax**	**Revaluation reserve net of tax**
At 1 January 2016	**19,367**	**(2,906)**	**16,461**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Note 15)	(2,702)	406	(2,296)
At 31 December 2016	**16,665**	**(2,500)**	**14,165**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Note 15)	(2,879)	432	(2,447)
At 31 December 2017	**13,786**	**(2,068)**	**11,718**

(All tabular amounts are in EUR '000 unless otherwise stated)

Group	Revaluation reserve	Deferred income tax	Revaluation reserve net of tax
At 1 January 2016	**26,878**	**(4,032)**	**22,846**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Notes 15, 18)	(3,317)	497	(2,820)
At 31 December 2016	**23,561**	**(3,535)**	**20,026**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Notes 15, 18)	(3,558)	534	(3,024)
At 31 December 2017	**20,003**	**(3,001)**	**17,002**

26. Borrowings

Group 2017	Group 2016		Company 2017	Company 2016
		Non-current		
-	-	Non-current borrowings	-	-
		Current		
1,862	1,862	Current and other borrowings	1,862	1,862
-	-	Finance lease liabilities	-	-
1,862	1,862		1,862	1,862
1,862	1,862	**Total borrowings**	1,862	1,862

The Company's and the Group's current borrowings consist of amounts payable to Fonterra (Europe) Coöperatie U.A. (Note 33), which are not subject to interest rates. Under the loan agreements signed with the banks, certain property, plant and equipment (Note 15), inventories (Note 20), trade receivables (Note 21) and cash balances in bank accounts (Note 22) were pledged as collateral.

The carrying amounts of the Group's borrowings (excluding finance lease liabilities) are denominated in the following currencies:

Group 2017	Group 2016		Company 2017	Company 2016
1,862	1,862	in EUR	1,862	1,862
1,862	1,862		1,862	1,862

The fair value of borrowings does not materially differ from the carrying amount.

As at 31 December 2017, the balance not withdrawn under the committed credit line facilities with the banks amounted to EUR 20,997 thousand (2016: EUR 20,951 thousand) for the Company and the Group.
The Group is not in breach of the set borrowing limits or financial covenants (where applicable).

(All tabular amounts are in EUR '000 unless otherwise stated)

27. Deferred income

Group 2017	Group 2016		Company 2017	Company 2016
642	779	Government grants at the beginning of the year	319	374
850	83	Government grants recognised	56	83
(384)	(220)	Recognised in the income statement	(265)	(138)
1,108	642		110	319
(892)	(397)	Less: non-current portion	(31)	(157)
216	245	Current portion	79	162

Deferred government grant is related to acquisition of property, plant and equipment using the European Union funds and the funds of the Lithuanian Government under the SAPARD, Rural Development Programme and other programmes. The Company has no obligation to repay or otherwise refund the grants received unless it breaches the contractual provisions contained in the agreements with the grantors.

28. Trade and other payables

Group 2017	Group 2016		Company 2017	Company 2016
18,229	9,449	Trade payables	16,028	9,230
1,484	1,309	Salaries, social security contributions and taxes	938	834
541	973	Advance amounts received and other payables	487	592
2,192	1,443	Accrued expenses	1,868	1,444
22,446	13,174		19,321	12,100

As at 31 December 2017, there were no amounts payable to Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB (31 December 2016: there were no amounts payable to Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB).

29. Provisions

Group 2017	Group 2016		Company 2017	Company 2016
		Non-current		
683	683	Non-current provisions	307	307
		Current		
404	404	Current provisions	324	324
1,087	1,087	**Total provisions**	631	631

As at 31 December 2017 and 2016, the Company's and the Group's current and non-current provisions consisted of provisions for pension benefits calculated in accordance with the legal acts of the Republic of Lithuania and provisions under the collective agreement of the Company and the Group.

(All tabular amounts are in EUR '000 unless otherwise stated)

30. Contingent liabilities and commitments

Contingent liabilities

As at 31 December 2017 and 2016, no guarantees were granted to third parties on behalf of the Group and the Company.

Capital expenditure commitments

As at 31 December 2017, there were no capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements (31 December 2016: there were no capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements).

Operating lease commitments – where the Group is the lessee

The Group leases cars, premises, plots of land under operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group			Company	
2017	**2016**		**2017**	**2016**
173	246	Within 1 year	173	246
126	247	Later than 1 year but not later than 5 years	126	247
299	493		299	493

31. Held-to-maturity investments

Group			Company	
2017	**2016**		**2017**	**2016**
7,760	-	Investment in the Lithuanian Government securities	7,760	-
7,760	-		7,760	-

By the decision of the Board of Rokiškio Sūris AB of 28 June 2017, the Company acquired Lithuanian Government securities for EUR 7.76 million. Repurchase of the securities is scheduled for 29 March 2020.
The Lithuanian Government securities were acquired using free cash generated upon reducing the inventories of finished products in the warehouses. The Company had to sell the accumulated finished products even at a loss due to limitations of the useful life of finished products. Securities were purchased in order to establish a reserve for working capital.

(All tabular amounts are in EUR '000 unless otherwise stated)

32. Cash flows from operating activities

Reconciliation of profit before income tax to cash generated from operating activities:

Group At 31 December 2017	Group At 31 December 2016		Company At 31 December 2017	Company At 31 December 2016
8,290	11,607	Net profit (loss) before income tax	11,217	13,343
		Adjustments for:		
9,133	7,782	– depreciation (Note 15)	6,032	5,368
1	8	– amortisation and impairment (Note 16)	1	8
29	120	– write-off of property, plant and equipment and intangible assets (Notes 15 and 16)	28	215
102	176	– loss on disposal of property, plant and equipment (Note 10)	72	176
40	116	– interest expense (Note 12)	-	75
(315)	(381)	– interest income	(386)	(381)
694	(3,719)	– inventory write-down to net realisable value (reversal)	694	(3,719)
-	-	– impairment for doubtful receivables and write-offs of bad debts (Note 21)	-	-
(1,440)	-	– provisions (reversal) for loans granted to farmers and employees (Note 7)	(1,440)	-
	-	– loss on disposal of investments		-
(1,164)	(1,164)	– accrual for vacation reserve and bonuses	(1,164)	(1,164)
(384)	(220)	– amortisation of government grants received (Note 27)	(265)	(138)
-	-	– dividend income (Note 33)	(4,036)	(6,498)
		Changes in working capital:		
7,248	(4,003)	– amounts receivable and prepayments	(3,451)	(12,673)
(1,169)	22,243	– inventories	(871)	22,263
11,064	(1,755)	– amounts payable	8,387	(984)
32,129	30,810	Net cash generated from/(used in) operating activities	14,818	15,891

For the purpose of the cash flow statement, proceeds from disposal of property, plant and equipment comprised as follows:

Group At 31 December 2017	Group At 31 December 2016		Company At 31 December 2017	Company At 31 December 2016
336	275	Net book amount (Note 15)	208	1,018
(102)	(176)	Loss on disposal of property, plant and equipment (Note 10)	(72)	(176)
234	99	Proceeds from sale of property, plant and equipment	136	842

(All tabular amounts are in EUR '000 unless otherwise stated)

For the purpose of the cash flow statement, non-cash flows comprise loans offset with amounts payable:

Group			Company	
2017	2016		2017	2016
349	394	Repayments of loans granted to farmers and employees	346	391
135	153	Repayments of other loans	115	153
407	704	Income tax off-set with other taxes	407	704

33. Related-party transactions

Main shareholders of Company:

	At 31 December	
	2017	2016
Antanas Trumpa (Chairman of the Board of the Company)	19.46%	19.46%
Pieno Pramonės Investicijų Valdymas UAB (established in Lithuania)*	27.21%	27.08%
RSU Holding SIA (established in Latvia)*	24.96%	24.84%
Fonterra (Europe) Coöperatie U.A.	10.00%	0%
Other shareholders (legal entities and natural persons)	18.37%	18.62%
Rokiškio Sūris AB (treasury shares)	0%	10%

** Pieno Pramonės Investicijų Valdymas UAB is controlled by Mr Antanas Trumpa (as a principal shareholder holding 70.95% of the share capital and votes of Pieno Pramonės Investicijų Valdymas UAB). RSU Holding SIA is controlled by Mr Dalius Trumpa (as a single shareholder holding 100% of the share capital and votes of RSU Holding SIA). The group of persons acting in concert holds in total 81.86% (2016: 71.38%) of the Company's share capital and votes*.*

Members of the Board of Directors of Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA, Fonterra (Europe) Coöperatie U.A., and
Rokiškio Sūris AB and their family members are treated as related parties. All Fonterra group companies are also treated as related parties.

Certain cooperative societies engaged in the production of milk are treated as related parties of the Company because the Company can exercise a significant influence over daily activities of these cooperative societies through close family members of its directors and certain employees.

(All tabular amounts are in EUR '000 unless otherwise stated)

(i) The following transactions were carried out with related parties:

Group At 31 December 2017	Group At 31 December 2016		Company At 31 December 2017	Company At 31 December 2016
4,674	2,899	Purchase of milk from other related parties	33,636	22,748
-	181	Purchase of non-current assets	3	181
-	-	Purchase of inventory	7,082	10,602
68	502	Purchases of services	1,245	1,408
40	-	Sales of transportation services to other related parties	6,566	8,229
2,448	116	Sales of production and other inventories	54,895	38,087
-	-	Sale of non-current assets	-	784
20	20	Interest charges on credit facility	58	65

* The sales of products to Fonterra group companies are attributed to the period from 17 October 2017.

In order to properly indicate the internal turnover of Rokiškio Sūris AB, Rokiškio Pienas UAB, and Rokiškio Pieno Gamyba UAB, the management of the Group has decided that raw materials used in the production of exported products of Rokiškio Sūris UAB will be bought at a zero price, while the production generated by Rokiškio Pienas UAB and Rokiškio Pieno Gamyba UAB will be sold as a service, i.e. excluding the value of raw materials.
Transactions related to the purchase of milk, acquisition of non-current assets and inventories, purchase and sale of services and goods with related parties are carried out under normal market conditions, including Fonterra group companies.

The loan agreement was signed with Fonterra (Europe) Coöperatie U.A. in 2012 for the purpose of financing the acquisition of certain production facilities. The loan does not bear interest, assets are not pledged, and the Company has not issued any guarantees related to the loan. The repayment term is up to the year 2022. After the Company fulfils all the obligations under the loan agreement, the loan will be amortised over the last five years of the repayment term of the loan.

(ii) Year-end balances arising from transactions with related parties:

Group At 31 December 2017	Group At 31 December 2016		Company At 31 December 2017	Company At 31 December 2016
28	34	Non-interest bearing loans granted to directors (and their family members)	28	34
-	-	Loan receivable from Jekabpils Piena Kombinats SIA	864	864
298	298	Loan receivable from Dzūkijos Pienas KB	298	298
1,862	1,862	Loan payable to Fonterra (Europe) Coöperatie U.A.	1,862	1,862
369	540	Trade payables to other related parties	1,855	2,016
1,760	-	Trade receivables from other related parties	27,362	17,289

Based on Resolution No 4 of the shareholder of Rokiškio Pieno Gamyba UAB made on 28 April 2017 (Item No 4 of the Agenda), it was decided to approve the proposed appropriation of profit (loss) for 2016 for Rokiškio Pieno Gamyba UAB and allocate EUR 2,971,049 for the payment of dividends. Dividends were paid out to Rokiškio Sūris AB in May 2017.
Based on Resolution No 24 of the shareholder of Rokiškio Pienas UAB made on 28 April 2017 (Item No 4 of the Agenda), it was decided to approve the proposed appropriation of profit (loss) for 2016 for Rokiškio Pienas UAB and allocate EUR 1,065,430 for the payment of dividends. Dividends were paid out to Rokiškio Sūris AB in May 2017.

(iii) Compensation of key management personnel

Group At 31 December 2017	Group At 31 December 2016		Company At 31 December 2017	Company At 31 December 2016
222	210	Salaries	198	189
2,116	2,075	Bonuses/management bonuses paid	1,309	775
1,164	1,164	Accrual for management bonuses	1,164	1,164
505	53	Social security contributions	364	53
4,007	3,502	Total	3,035	2,181

Key management personnel includes 9 (2016: 9) members of the Board and directors.

34. Services rendered by the audit firm

Presented below are all services rendered by the audit firm to the Group / the Company in 2017 (in EUR thousands):

Group 2017		Company 2017
41	Audit of the financial statements under the agreement	26
19	Assurance and other related services	13
2	Business consultation services	2
1	Tax consultation services	-
63	Total	41

35. Events after the reporting period

On 4 February 2018, amendments were signed to the credit agreement with SEB Bankas AB, under which the final repayment date for the overdraft facility granted to the borrower (Rokiškio Sūris AB) was extended until 28 February 2019, and the credit line of EUR 4,100,100 (four million one hundred thousand) was granted. The interest rate set in the credit agreement was not subject to repricing, nor were any assets of the Company pledged as a collateral.

ROKIŠKIO
SŪRIS

CONSOLIDATED ANNUAL REPORT

2017

ROKISKIS APRIL 2018

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GENERAL INFORMATION

1. Reporting period of the submitted annual report

This consolidated annual report 2017 was prepared for the period 1 January 2017 to 31 December 2017.

2. Key information of the issuer:

Name of the issuer:	Rokiškio sūris, AB (hereinafter, the "Company")
Legal form:	Public limited liability company
Registration date and place:	28 February 1992, State Enterprise Centre of Registers
Registration number:	173057512
Address:	Pramonės g. 3, LT-42150 Rokiškis, Republic of Lithuania
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Telephone:	+370 458 55 200
Fax:	+370 458 55300
E-mail address:	rokiskio.suris@rokiskio.com
Website:	www.rokiskio.com
ISIN code:	LT0000100372
LEI code:	48510000PW42N5W74S87
Share ticker symbol at AB Nasdaq Vilnius	RSU1L

3. Information on the Company's group

As on 31 December 2017, the group of Rokiškio sūris, AB (hereinafter, the "Group") consists of the parent company Rokiškio sūris, AB, its two branches and four subsidiaries (in 2016: two branches and four subsidiaries).

Rokiškio sūris, AB (registration number 173057512, Pramonės g. 3, LT-42150 Rokiškis).

Branches of Rokiškio sūris, AB:

Rokiškio sūris, AB branch Utenos pienas (registration number 110856741, Pramonės g. 8, LT-28216 Utena);
Rokiškio sūris, AB branch Ukmergės pieninė (Registration number 182848454, Kauno g. 51, LT-20119, Ukmergė).

Subsidiaries of Rokiškio sūris, AB:

Rokiškio pienas, UAB, address of the registered office Pramonės g. 8, LT-28216 Utena. Registration number: 300561844. Rokiškio sūris, AB is the founder and the sole shareholder of Rokiškio pienas, UAB, holding 100% of shares and votes.

Rokiškio pieno gamyba, UAB, address of the registered office Pramonės g. 8, LT-28216 Utena. Registration number: 303055649. Rokiškio sūris, AB is the founder and the sole shareholder of Rokiškio, UAB, pieno gamyba, holding 100% of shares and votes.

Latvian company SIA Jekabpils piena kombinats (registration number 45402008851, address of the registered office Akmenu iela 1, Jekabpils, Latvia LV-5201). Rokiškio sūris, AB holds 100% of shares and votes in the company.

Latvian company SIA Kaunata (registration number 240300369, address of the registered office Rogs, Kaunata pag., Rezeknes nov., Latvia). Rokiškio sūris, AB holds 40 percent of member shares in the company, whereas Rokiškio pienas, UAB, holds 20 percent of member shares in the company.

4. Types of main activities of the Company and the Company group

Main activities of Rokiškio sūris, AB group:

- ***Operation of dairies and cheese making (NACE 10.51))***

Rokiškio sūris, AB:
The main activity of Rokiškio sūris, AB is production and sale of fermented cheeses, whey products, skimmed milk powder.

Branches of Rokiškio sūris, AB:
The main activity of Rokiškio sūris, AB branch Utenos pienas and Rokiškio sūris, AB branch Ukmergės pieninė is purchase of raw milk.

Subsidiaries:
The main activity of UAB Rokiškio pienas is sale of fresh milk products and fermented cheeses.
The main activity of UAB Rokiškio pieno gamyba is production of fresh milk products (milk, kefir, sour milk, butter, curd, curd cheese, sour cream, glazed curd cheese bars, desserts).
The activity of SIA Jekabpils piena kombinats is purchase of raw milk.
The activity of SIA Kaunata is purchase of raw milk.

5. Strategy and objectives of the Group

Rokiškio sūris, AB group in its activities is guided by a three year strategic plan approved by the Board, the main provisions of which are set forth below:

MISSION:

***Rokiškio sūris, AB* = Reliable Professionals in the Dairy Industry**

VISION:

Processing more than 1 million tonnes of raw milk per year, as Lithuania turns into Baltlandia.

OBJECTIVES:

- Regional leadership in milk processing sector.
- Flexible production and sales of top-quality products exceeding consumer expectations.
- Being the most attractive and reliable partner for farmers producing milk.
- Continuously increasing value for shareholders.

We seek objectives

- By increasing the volume of purchased and processed milk by 5 percent annually.
- We target at 3 percent net annual profit rate.

6. The most important events in the reporting period

On **18 January 2017,** a new version of the Articles of Association of Rokiškio sūris, AB was registered with the Register of Legal Entities of the Republic of Lithuania. The Articles of Association of the Company were amended due to decrease in the authorized capital of the Company by annulment of redeemed own shares. After the decrease of the authorised capital of the Company, i.e. annulment of 3,586,797 ordinary registered shares, the authorised capital of Rokiškio sūris, AB consisted of EUR 9,361,540.17, divided into 32,281,173 ordinary registered shares with the nominal value of EUR 0.29 each. The general meeting of shareholders of Rokiškio sūris, AB had taken the decision to reduce the authorized capital of the Company by annulment of redeemed own shares on 28 October 2016.

The annual general meeting of shareholders of Rokiškio sūris, AB held on **28 April 2017**:

1. Approved of the conclusion presented by the Audit Committee;
2. Approved of the audited consolidated financial statements of the Company for 2016;
3. Approved of the allocation of the profit (loss) of 2016:

	Item	kEUR
1.	Profit of the Company brought forward at the beginning of the reporting year	52,078
2.	Dividends approved by shareholders for 2015	(2,342)
3.	Transfers from other reserves	2,297
4.	Retained profit (loss) at beginning of the reporting year after dividend payout and transfer to reserves	52,033
5.	Net profit (loss) of the Company of the reporting year	12,551
6.	Total distributable profit of the Company	64,584
7.	Profit share for mandatory reserve	-
8.	Profit share for other reserves	-
9.	Profit share for dividend payout*	(3,228)
10.	*Profit share for annual payments (management bonuses) to members of the Board, employee bonuses and other goals as reported in the Income Statement*	*1,076*
11.	Retained profit (loss) at the end of the reporting financial year, carried forward to the next financial year	61,356

EUR 3,228,117.30 has been allocated to payment of dividends in total. EUR 0.10 has been allocated per one ordinary registered share.

On **28 June 2017,** the Company acquired treasury papers issued by the Government of the Republic of Lithuania for EUR 7.76 million. The treasury papers mature on 29 March 2020.
The treasury papers were purchased by use of available funds, which formed after reduction of the stock of finished products in the warehouses. The Company was forced to sell accumulated finished products even at a loss, as it was pressed by the expiry dates of the finished products. The treasury papers were acquired in order to create a working capital reserve that might become necessary if the crisis in the dairy industry (as in 2014-2016) repeats itself.

On **13 July 2017,** the management of the Company reached a preliminary agreement with the New Zealand company Fonterra regarding a possible investment of Fonterra into the share capital of the Company. Fonterra is one of the largest milk processing companies in the world and the biggest exporter of milk products in the world. This company, with its strong position in the global market, is the first not just financial but also strategic partner in the history of Rokiškio sūris, AB, for which long-term results and sustainable development of the company are most important.
It was agreed to make the planned investment of Fonterra by making a new share issue of Rokiškio sūris, AB. The agreed amount of the new share issue is 10% of the authorised capital of Rokiškio sūris, AB, without the pre-emptive right of all the shareholders to acquire shares of this issue.
The agreed price of one share in the potential share issue is EUR 1.98. This agreed price is the average weighted market price of one share of Rokiškio sūris, AB in 6 months in NASDAQ Vilnius securities exchange from 12 January 2017 to 12 July 2017.

The meeting of shareholders of Rokiškio sūris, AB held on **22 September 2017** adopted the following resolutions:

Regarding increase of the authorised capital of the Company with additional contributions

It was decided:

1. To increase the authorised capital of the Company with additional contributions from EUR 9,361,540.17 (nine million three hundred and sixty one thousand five hundred and forty euros 17 cents) to EUR 10,401,711.30 (ten million four hundred and one thousand seven hundred and eleven euros 30 cents), issuing no more than 3,586,797 (three million five hundred and eighty six thousand seven hundred and ninety seven) ordinary registered shares with the nominal value of EUR 0.29 each (hereinafter, the New Shares).
2. To set the issue price of one newly issued share at EUR 1.98 (one euro and 98 euro cents). The the issue price of the New Shares is EUR 7,101,858.06 (seven million one hundred and one thousand eight hundred and fifty eight euros and 6 euro cents).
   If not all the New Shares are subscribed within the shares subscription period, the authorised capital of the Company will be increased by the amount of nominal values of subscribed shares.
3. To instruct the Board of the Company to prepare and set detailed terms and procedure for subscription and payment for the New Shares.
4. After distribution of and payment for the New Shares, to initiate admission of all newly issued shares of the Company to the Main List of AB NASDAQ Vilnius and to authorise the Board of the Company to perform all related actions.

Regarding the removal of the pre-emptive right of shareholders of the Company to acquire newly issued shares; granting of the right to acquire newly issued shares of the Company

It was decided:

Following Article 20(1)(15) and Article 57(5) of the Law of the Republic of Lithuania on Companies, also the notification of the Board of the Company on removal of the pre-emptive right of shareholders of the Company to acquire newly issued shares and granting of the right to acquire the new shares**,** to remove for all shareholders of the Company the pre-emptive right to acquire up to 3,586,797 (three million five hundred and eighty six thousand seven hundred and ninety seven) ordinary registered shares issued by the Company.

On 13 July 2017, the management of the Company reached a preliminary agreement with the New Zealand company Fonterra regarding a possible investment of Fonterra into the share capital of the Company. This agreement will depend on the Due Diligence, the final legal arrangements and final terms. Fonterra is one of the largest milk processing companies in the world and the biggest exporter of milk products in the world. Referring to this agreement and raising of additional funds, the Company suggests to increase the authorised capital of the Company by removing the pre-emptive right for all shareholders of the Company to acquire newly issued shares.
Cooperation with the largest dairy corporation Fonterra enhances the prestige of the Company on the global market. The Company’s products get a better quality guarantee on the global dairy market and specialists of the Company have more opportunities to take over knowledge and experience from the top level milk processing experts.

For the above reasons, to grant the right to acquire newly issued shares of the Company (3,586,797 ordinary registered shares) to the New Zealand company Fonterra (Europe) Coöperatie U.A. Registration number: 822560100. Address of the registered office: Barbara Strozzilaan 356-360, EurBld2, 3a, 1083 HN Amsterdam, the Netherlands. The newly issued shares will not be offered and distributed to the public.

Regarding amendments to the Articles of Association of the Company and approval of the new version of the Articles of Association

It was decided:

Taking into account the adopted resolution to increase the authorised capital of the Company and the latest amendments to the Law of the Republic of Lithuania on Companies, to amend the Articles of Association of Rokiškio sūris, AB accordingly:

To amend paragraph 3.1 and to read it as follows:
“3.1.The authorised capital of the Company shall be EUR 10,401,711.30 (ten million four hundred and one thousand seven hundred and eleven euros 30 cents) divided into 35,867,970 (thirty five million eight hundred and sixty seven thousand nine hundred and seventy) ordinary registered shares, the nominal value of one share shall be EUR 0.29 (twenty nine euro cents).”
(If not all the New Shares are subscribed within the shares subscription period, it shall be regarded that the increase in the authorised capital of the Company has occurred and the amount of the authorised capital and the number of shares shall be changed in the Articles of Association of the Company according to the number of the New Shares subscribed.)

To amend paragraph 9.1 and to read it as follows:
“9.1. The company must, at a shareholder’s written request and not later than within 7 (seven) days from the receipt of the request, grant to the shareholder access to and/or submit to him copies of the following documents: the Articles of Association of the company, sets of annual and interim financial statements, annual and interim reports of the company, the auditor’s reports and audit reports, minutes of the general meetings of shareholders or other documents executing decisions of the general meetings of shareholders, the documents where shareholders are registered, the lists of members of the Board, also other documents of the company that must be publicly accessible under laws as well as minutes of the meetings of the Board or other documents executing decisions of the Board, unless these documents contain a commercial (industrial) secret of the company or confidential information. A shareholder or a group of shareholders who hold or control 1/2 of shares and more shall have the right to access all documents of the company subject to presenting to the company a written pledge in the form prescribed by the company not to disclose the commercial (industrial) secret.”

To amend paragraph 9.2 and to read it as follows:
“9.2. The document where shareholders of the company are registered, as submitted to the shareholders of the public limited liability company, must indicate particulars of each shareholder available to the company, and where a share belongs to several holders – particulars of each holder and representative thereof (the name, surname, personal ID number, place of residence or correspondence address of a natural person, where the natural person is a foreign citizen, his date of birth and the name of the country that issued personal identity documents shall be additionally indicated; the name, legal form, registration number, address of the registered office of a legal entity and the name, surname, personal ID number, place of residence or correspondence address of a representative of the legal entity, where the legal entity if a foreign legal entity, the name of the state, where that legal entity is registered, the register, where that legal entity is registered, and the date of its registration in that register shall be additionally indicated; the name of a fund without the status of a legal entity, the code assigned by the supervisory authority ant the above-indicated data about the fund management company) and the number of shares owned by the shareholder.”

Taking the above into account, to amend the Articles of Association of Rokiškio sūris, AB accordingly, approving their new version, and to authorise Antanas Trumpa, the Manager of the Company, to sign the Articles of Association.

On **13 October 2017,** the Company informed that it had completed negotiations with the strategic investor Fonterra (Europe) Coöperatie U.A. regarding investments into the Company and signed the Strategic Investment Agreement on 13 October 2017.

On **13 October 2017**, the Shareholders Agreement was also signed between the shareholders of the Company: (UAB Pieno pramonės investicijų valdymas, RSU Holding SIA, Antanas Trumpa and Ledina Trumpienė, Dalius Trumpa and Rasa Trumpienė), the strategic investor (Fonterra (Europe) Coöperatie U.A.), and the Company. The purpose of this agreement is:

- where appropriate, to regulate the relationships between the shareholders, the strategic investor and the Company;
- to ensure joint actions in development of the Company;
- to agree on specific terms and restrictions of disposal of the shares of the Company;
- to create a possibility for shareholders and the strategic investor to protect their interests related to their investments into the Company.

The group of the above-indicated natural persons and legal entities acting in concert notified that it intended, following provisions of Article 36 of the Law of the Republic of Lithuania on Securities, to make a mandatory takeover bid to buy up the remaining voting shares of the Company.

On **16 October 2017,** Rokiškio sūris, AB and the strategic investor Fonterra (Europe) Coöperatie U.A. signed the Share Subscription Agreement, under which Fontera acquired a new issue of 3,586,797 ordinary registered shares of Rokiškio sūris, AB. That makes 10% of the authorised capital and votes in the Company. The strategic investor, acquiring 3,586,797 ordinary registered shares in Rokiškio sūris, AB, invested EUR 7.1 million into the Company.

On **17 October 2017,** the amended Articles of Association of Rokiškio sūris, AB with the authorised capital increased to EUR 10,401,711.30, consisting of 35,867,970 ordinary registered shares, with the nominal value of EUR 0.29 each, were registered with the Register of Legal Entities. The authorised capital of the Company was increased after distribution of the new issue of 3,586,797 ordinary registered shares, which was acquired by the strategic investor Fonterra (Europe) Coöperatie U.A.

On **18 October 2017**, the Company has received a notification about the intention to make a takeover bid to buy up the remaining 6,594,316 voting shares in Rokiškio sūris, AB (which make 18.38 percent of all the outstanding shares and votes in the Company). The takeover bid to buy up the remaining voting shares in Rokiškio sūris, AB was made by a group of persons acting in concert – Antanas Trumpa, Ledina Trumpienė, Dalius Trumpa, Rasa Trumpienė, Pieno pramonės investicijų valdymas, UAB, RSU Holding SIA (Latvia) and Fonterra (Europe) Coöperatie U.A. (the Netherlands). The shareholding interest held by the group of persons acting in concert in Rokiškio sūris, AB consisted of 29,273,654 shares and votes, which amounted to 81.62 percent of all the outstanding shares and votes in Rokiškio sūris, AB.

The duty to make the mandatory takeover bid to buy up the remaining voting shares in Rokiškio sūris, AB appeared on 13 October 2017, when the Shareholders Agreement was signed.

On **20 November 2017**, the Supervision Service of the Bank of Lithuania approved the circular of the mandatory takeover bid made by Antanas Trumpa, Ledina Trumpienė, Dalius Trumpa, Rasa Trumpienė, Pieno pramonės investicijų valdymas, UAB, RSU Holding SIA (Latvia) and Fonterra (Europe) Coöperatie U.A. (the Netherlands), intended for purchase of ordinary registered shares of Rokiškio sūris, AB (legal entity code 173057512, address of the registered office: Pramonės g. 3, LT-42150, Rokiškis), paying EUR 2.75 (two euros and seventy five euro cents) for each share.

Upon implementation of the mandatory takeover bid to buy up the remaining voting shares in Rokiškio sūris, AB, the bidders acquired 89,071 (eighty nine thousand seventy one) ordinary registered shares in Rokiškio sūris, AB, ISIN code LT0000100372. The purchased shares amounted to 0.25 percent of the authorised capital of Rokiškio sūris, AB and 0.25 percent of all the votes.
The period of implementation of the takeover bid was 14 calendar days (from 24 November 2017 to 7 December 2017 (inclusive).
The mandatory non-competitive takeover bid to buy up the remaining voting shares in Rokiškio sūris, AB was implemented through the Takeover Bid market of AB Nasdaq Vilnius with intermediation of SEB bankas, AB.
More information on the terms of the mandatory non-competitive takeover bid and its implementation is available on the Company's website: http://www.rokiskio.com/lt/suris/pagrindinis-meniu/investuotojams/oficialus-pasiulymas-pirkti-akcijas.html

The extraordinary general meeting of shareholders of Rokiškio sūris, AB held on **13 December 2017**:

1. Removed all members of the Board of the Company: Antanas Kavaliauskas, Darius Norkus, Antanas Trumpa, Dalius Trumpa and Ramūnas Vanagas.
2. Elected the following persons to the Board of Rokiškio sūris, AB for a new term of 4 years: Paul M Campbell (Special Projects Director of Fonterra Co-operative Group Limited), Antanas Kavaliauskas (Finance Director of Rokiškio sūris, AB), Darius Norkus (Sales and Marketing Director of Rokiškio sūris, AB), Antanas Trumpa (Manager of Rokiškio sūris, AB), Ramūnas Vanagas (Business Development Director of Rokiškio sūris, AB).

In the meeting of the Board of Rokiškio sūris, AB held on **13 December 2017,** Antanas Trumpa was elected Chairman of the Board, the Finance Director of the Company Antanas Kavaliauskas was elected Deputy Chairman of the Board and Dalius Trumpa was appointed to the office of the Manager of the Company as from 1 January 2018.

7. Significant developments after the end of the fiscal year

On 4 February 2018, amendments were signed to the credit agreement with SEB Bankas AB, under which the final repayment date for the overdraft facility granted to the borrower (Rokiškio Sūris AB) was extended until 28 February 2019, and the credit line of EUR 4,100,100 (four million one hundred thousand) was granted. The interest rate set in the credit agreement was not subject to repricing, nor were any assets of the Company pledged as a collateral.

Other information on major developments after the end of fiscal year is provided in comment 35 to the consolidated report of Rokiškio sūris, AB and the financial report of the parent company of 31 December, 2017 (page 60).

INFORMATION ON THE OPERATIONS OF THE COMPANY AND THE GROUP OF COMPANIES

8. Business environment of the Group of Companies

Basic Provisions

Who we are:

- We process more than 500 thousand tonnes of milk at three milk processing plants

- We manufacture and sell more than 35 thousand tonnes of different cheeses.
- We export approximately two-thirds of our production.
- We are a responsible employer to more than 1,600 employees.

The Company's operations cover raw milk procurement, the manufacture of various dairy products and their sales on the local and export markets.

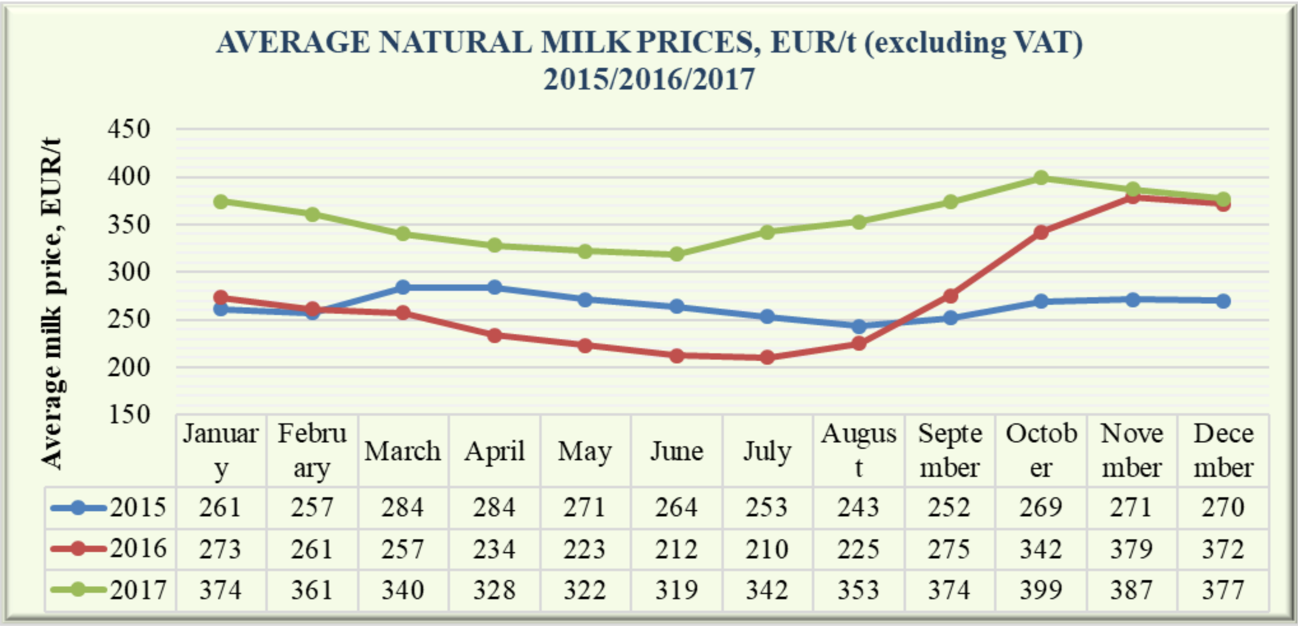
Raw milk procurement

In accordance with the data of ŽŪIKVC (ŽŪMPRIS), 1,402.46 thousand tonnes of natural fat content raw milk have been procured from the country's milk producers - 0.7% less than in 2016 (1,412.2 thousand tonnes in 2016). In 2017 the average natural milk procurement price amounted to EUR 296.5 per tonne – 39.4% more compared to the average natural milk procurement price in 2016. The volume of milk export amounted to 0.8 mio tonnes in 2017.

There were 272.10 thousand cows registered in Lithuania as of 1 January, 2018 – 4.7% less than in the same period last year. In the meantime, the number of dairy farms decreased by 12.2% and now amounts to 41.35 thousand.

In January 2018 the price of natural raw milk paid to the farmers selling more than 40 tonnes of milk per month was 4.7% higher than a year ago. Milk price fluctuations are mostly due to uncertainties in the export markets, particularly the growth of raw milk production in Europe, which results in the overproduction of dairy products.

The chart below shows the prices of raw milk Rokiškio sūris, AB paid by the Group to large farmers with European-size farms delivering more than 40 tonnes of raw milk per month in 2015-2016-2017.



	January	February	March	April	May	June	July	August	September	October	November	December
2015	261	257	284	284	271	264	253	243	252	269	271	270
2016	273	261	257	234	223	212	210	225	275	342	379	372
2017	374	361	340	328	322	319	342	353	374	399	387	377

The prices of dairy products began to shrink worldwide in October 2017. The situation on the export markets caused milk procurement prices to drop starting from November 2017. However, in 2017 the procurement price of natural milk still remained 34% higher than in the previous year 2016.
In the end of 2017 milk manufacturers, processors and representatives of the Ministry of Agriculture discussed the long – term strategy of the Lithuanian dairy sector which focuses of the consolidation of dairy farms, the increase of raw milk production and efforts to achieve that the annual sales of Lithuanian milk producers amount to 3 mio tonnes by the year 2030.

Manufacture of dairy products

Rokiškio sūris, AB Group is one of Lithuania's major dairy companies that manufactures and offers more than 300 products to its customers. This includes not only fermented cheeses bot also a variety of products obtained from whey, such as lactose, 80% WPC, 90% WPC. The Group manufactures milk powder, butter, processed cheeses, curd and curd products, other fresh dairy products.
Thanks to their excellent quality, the products manufactured by the companies of the Group have earned the trust of consumers both in the local and the export markets.

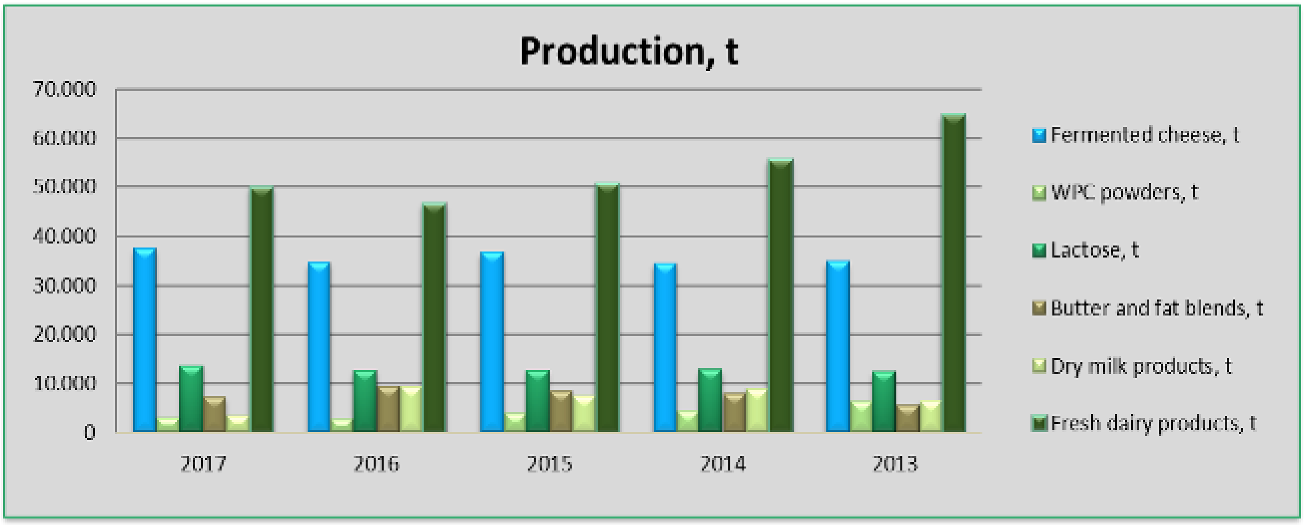
Rokišio sūris, AB Group carries out its production activity in the towns of Rokiškis (Rokiškio sūris, AB), Utena (Rokiškio pieno gamyba, UAB) and Ukmergė (Ukmergės pieninė, branch of Rokiškio pieno gamyba, UAB).

- Rokiškio sūris, AB (in Rokiškis) specialises in the production and marketing of fermented cheeses and products obtained from whey.
- Rokiškio pieno gamyba, UAB (Utena company) specialises in fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
- Rokiškio pieno gamyba, UAB (Ukmergė company) specialises in curd and curd products.
- Rokiškio pienas, UAB specialises in the marketing of the complete range of products of the Group in Lithuania, Latvia and Estonia. The company also markets dairy products manufactured by other foreign producers.

The following table and chart show changes in the production volumes of Rokiškio sūris, AB Group in 2013 - 2017:

Production / Year	2017	2016	2015	2014	2013
Fermented cheese, t	37.463	34.603	36.759	34.295	34.807
WPC powder, t	2.857	2.622	4.004	4.479	6.224
Lactose, t	13.661	12.746	12.774	12.878	12.510
Butter and fat blends, t	7.285	9.391	8.455	7.960	5.576

Dry milk products, t	3.335	9.234	7.379	8.721	6.573
Fresh dairy products, t	49.734	46.475	50.633	55.428	64.606



In 2017 the production of fermented cheeses at Rokiškio sūris, AB increased by more than 8% compared to 2016; cream production increased by 15%. It should be noted that compared to 2016, the production of hard cheeses increased by 2.2 times, the production of semi-hard cheeses dropped by 8% and the production of fresh cheeses remained unchanged The production of processed and smoked cheeses increased by 10%.

A review of production volumes of products obtained from whey in 2017 and 2016 shows that lactose production increased by 7%; there was also an increase in the production of whey protein concentrate. The growth in the production volume of the product was due to the manufacture of concentrate with different protein content, e.g. the production of WPC 34 decreased by 9% while that of WPC 80 grew by 10%.

90% WPC production technology was successfully invested into and installed in co-operation with one of the world's biggest dairy manufacturers – the New Zealand company Fonterra.

The large-scale reconstruction of the fresh dairy products facility at Utena plant that started in 2015 is in progress. The purpose of the reconstruction is to modernise the existing production technology which will enable to cut production costs and improve the product quality.

The laboratory of Rokiškis company started the deployment of laboratory information system - a project for transferring data into electronic environment which will offer new information management and analysis possibilities.

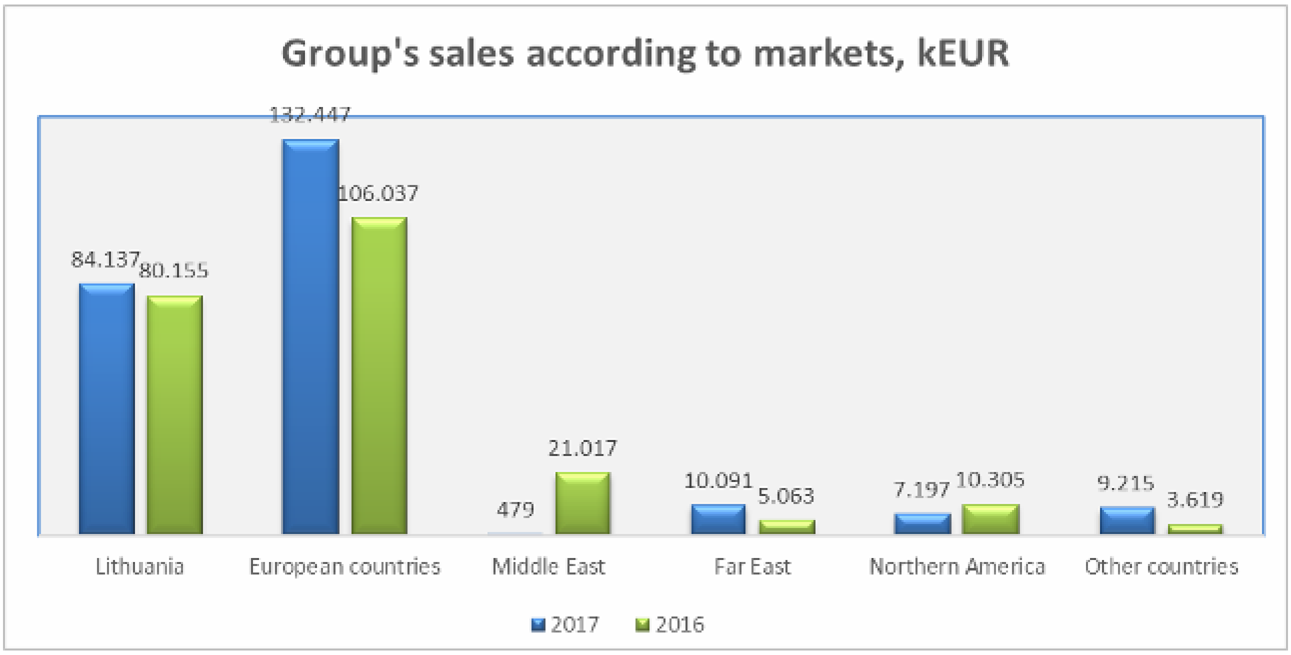
9. Sales of the Group of companies

In 2017 the sales revenue of the Group of companies amounted to EUR 243,566 thousand. Compared to 2016 (EUR 226,196 thousand), the sales revenue of the Group increased by 7.68%. The sales growth in 2017 was mostly thanks to the increase of sales prices in the second and third quarters of the year, particularly in the fats segment (butter).

As is the case each year, the largest share of the company's production is exported. Rokiškio sūris Group exports its products to 37 countries worldwide. As was the case in 2016, in 2017 the exports of the Group accounted for 65% of the total sales volume.

Sales of the Group of companies by different markets

Country	Sales				
	2017		2016		Change
	Thousand EUR	%	Thousand EUR	%	%
Lithuania	84,137	34.54	80,155	35.43	**4.97**
European countries	132,447	54.38	106,037	46.88	**24.91**
Middle East	479	0.20	21,017	9.29	**-97.72**
Far East	10,091	4.14	5,063	2.24	**99.31**
North America	7,197	2.96	10,305	4.56	**-30.16**
Other countries	9,215	3.78	3,619	1.6	**154.63**
Total:	243,566	**100**	**226,196**	**100**	**7.68**



Sales in export markets

As was the case in 2016, in the beginning of 2017 the Company operated at a loss due to the drop of prices in the global dairy products market and relatively high milk procurement prices. Starting from spring, the production prices experienced a sharp rise, causing the overall performance of the Group to rise every month. The prices of certain products, such as butter, exceeded all-time record prices by a good margin. In the beginning of October 2017 the sale price of butter reached the limit of EUR 6.65/t., but a gradual decline of the sale price of butter started in October. In the meantime, in 2016 the average sale price of butter was EUR 3.22/kg.

In 2017 the fastest growth of exports was to the Far East, particularly for fresh cheeses. In 2017 the exports to the Far East saw a two-fold increase and accounted for more than 4% of the total sales volume of the Group. After the Chinese market opened up for Lithuanian dairy producers in 2016, in 2017 the company sold some mozzarella cheese and lactose which also strongly contributed to the growth of exports to the Far East.

At the same time, sales to the Middle East declined considerably because clients in the Middle East stopped buying cheese and replaced it with vegetable fats in their recipes. The rise of sales to other countries was thanks to the sales of lactose to New Zealand.

There was also a notable increase of sales to European countries. This was caused by a series of factors: high demand for fresh cheeses during summer period, considerable growth of sales of hard cheese in Italy, the Netherlands and Croatia.

As before, the company also sells traditional products on its exports markets, including cheese, cream, milk powder and complementary products obtained during cheese production process – WPC and lactose. As before, fresh cheeses (Cagliata and Mozzarella) mostly go to Italy, the Netherlands and Spain.

The increase of sales to Asia where the strongest growth in the consumption of dairy products is expected in the immediate future, remains a major focus of Rokiškio sūris Group.

Local market sales

In 2017 the local market sales of Rokiškis Group amounted to 84 mio. EUR, or 5% more than in 2016. The growth of the sales turnover was mostly thanks to the increase of product prices due to the growth of the price of export dairy produce and new developments in the raw milk markets in 2017. The trend shifted in the end of 2017: lower prices of products are expected in 2018.

Rokiškis Group continues to be the second player on the local market with a market share of approx. 24%. Rokiškis group holds the leading or the second market position in numerous product categories; its performance is somewhat weaker in desserts categories. Rokiškis Group is the market leader in the categories of sour dairy products (kefir, buttermilk), cheeses, processed cheeses and butter.

The key group of products of the Company is Rokiškio Naminis that is one of he best recognised brands in FMCG (Fast Moving Consumer Goods) sector. The brand refers to the Lithuanian traditions and family values.

The company is not strongly involved in small market segments and focuses on mass-production which ensures lower costs and consistently high product quality.
Retail networks are the priority marketing channel for the Company; the Company works with them on the basis of mutual cooperation, including the manufacture of private labels.

A key factor is production quality stability which is essential for the implementation of the marketing strategy, as well as continuous strengthening the company’s brands. The company has a range of strong brands designated for various consumer groups which are associated with high quality products.

10. Achievements and awards

Rokiškio group is mostly famous for its cheese, so the range of cheese is continuously improved. The pride of the Company is Rokiškio GRAND hard cheese, its range is continuously expanded. Lithuanian consumers progressively recognize the cheese as their most preferable. This cheese received the gold stars of **Superior Taste Awards** (blind tasting by famous chefs organized by the International Taste and Quality Institute in Brussels).
Lithuanian men's basketball team also contributes to the recognition of the cheese: the Company is a long-time official sponsor of the team.

In November 2017, the Rokiškio GRAND hard cheese manufactured by Rokiškio sūris, AB received the "**Product of the Year - Gold Medal!"** award in the Lithuanian Product of the Year competition of the Lithuanian Confederation of Industrialists (LCA) for the 21st time.

The following products of Rokiškio sūris, AB were declared the most popular goods in their categories at the **2017 Most Popular Goods** competition organised for the eighth year in a row by the Lithuanian Association of Trade Undertakings:

- Kefir, curded milk, curded buttermilk - **Rokiškio NAMINIS kefir, 2.5% 0.9 kg package**
- Fermented cheese - **Visiems processed cheese, 45%, 240 g.**
- Processed cheese - **Visiems processed cheese, 330 g.**

The Company's products are an integral part of the Lithuanian identity: Rokiškio pienas was elected **the Most Lithuanian Supplier of the Year** by the Lithuanian Association of Trade Undertakings (bringing together Maxima, IKI and RIMI retail networks) for a number years. This evaluation obligates the Company to focus even more on product quality and freshness, emphasizing Lithuanian traditions and family values. Rokiškio Group considers it essential to encourage consumers to choose Lithuanian goods, and to increase their awareness about fresh, healthy and valuable products.

Rokiškio sūris, AB became the leader in the food industry sector in the Sector Leaders 2017 competition organised by Verslo žinios business newspaper. Organised for the first time, the Sector Leaders rating sought to identify 10 companies that were leaders in the main industry sectors of Lithuania. Only the companies from the 2017 list of TOP 100 Lithuanian businesses drawn up by Verslo žinios were assessed in the Sector Leaders 2017 rating. The rating was compiled by comparing undertakings operating in the same sector. The rating was compiled on the basis of 6 indicators - 2016 sales revenue, sales revenue growth compared to 2015, 2016 profit before tax, profitability for 2016 and proportion of the wage paid by the company to the average wage paid by undertakings operating in the same sector (average indicator for 2017).

11. Risk factors and risk management

Risk is understood as a hindrance to achieve the set targets due to potential evens or their possible impact on business. The Company's objectives also include long-term strategic goals and specific actions related to the operations. The Management of the Company is responsible for managing the Company's risks and the assessment of negative impact on the set targets and outcomes. The identification of specific risk and the management thereof is attributed to the respective functions implemented in the Company. Given the external and internal environment, the risk level is assessed when adopting both strategic and operational decisions. Risk management forms an integral part of the Company's operational processes, therefore potential risks are under permanent monitoring and evaluation.

Risk Factor	Source of Risk	Risk Management.
Environmental Factors	We consume a lot of energy and natural resources in our operations. This poses direct and/or indirect risk of environmental pollution, as does air pollution from technological equipment.	Replacement of vehicles with new ones, maintenance, operation conditions control. Selection of energy suppliers. Resource conservation, accounting and control measures. Control, automatisation and modernisation of technological processes. The monitoring of the consumption and impact of natural resources.
	The use of chemical substances. This poses a risk to employees, products, and the environment.	Staff training, personal protection measures. Accounting and control. Process automatisation.
	Physical environmental pollution: noise, odour, light	Control measurements and assessment. The deployment of technical measures. Focus on design works.
	Industrial and surface wastewater management. Release of industrial and surface wastewater containing pollutants.	Maintenance, operation conditions, process control. Analysis of the concentrations of contaminants, accounting of contaminant releases. The use of city wastewater purification reserves. Cleaning and maintenance of sand oil precipitators.
	Poor treatment of waste generated during operation poses environmental risk.	Waste separation, process management. Ensuring adequate storage conditions. Staff training. Transfer to legitimate managers.
	Regulation and compliance. The risk manifests itself in the large scope and developments of legal regulations.	Certified management system in compliance with ISO 14001:2015 Environmental management system. Requirements and usage guidelines. Continuous assessment of legal acts and developments.
	The interests of the population and self-government institutions related to the environmental	Disseminating information about important developments at the company in the local media and online.

	impact of the Company. The Company is located in the industrial area of the city and borders on other business undertakings as well as a residential area.	Active co-operation with self-government authorities, people's and business communities. Assessment of the impact of planned business operations in accordance with the established procedure.
Energy-related risk	The Company's operations involve high consumption of electricity, heat energy and water. The operation of all industrial and non-industrial equipment is based on electricity consumption. This poses a risk of uninterrupted electricity supply. Electricity, heat energy (steam) and water supply affects the industrial-technological process.	There are three 10KV high-voltage distribution facilities in the territory that feed energy to three power transformers. If voltage is lost in one substation, feeding continues from another one. Four water supply inlets are available: two from Rokiškio vandenys, UAB and two from own wells. Strict contractual terms and conditions for heat energy (steam) supply from Rokiškis ŠTR define maximum demand for pressure and temperature. Three hot water boilers are installed at the production facility.
Food safety and quality	In order to implement one of the key objectives of Rokiškio sūris, AB, i.e. to ensure food safety and quality and prevent product recalls, the existing potential risk factors (biological, chemical, physical) as well as the conditions conducive to the occurrence and increase thereof have been identified. Risk assessment has been performed to identify the probability of risk and the gravity thereof; Risk assessment covers the entire production chain – from raw materials procurement to delivery to the customer.	Identification of key active risk control measures; Assessment of the efficiency of operational controls to mitigate the risks to a tolerable level; The development of appropriate action plans aimed at the improvement of the control system; Constant risk management and the monitoring of set targets.
Information security	IT risks arise from the use of illegal software, lost and unrecoverable data and data vulnerability.	Only legal and licensed IT software is used to prevent possible risks. Configured firewall is used to prevent unauthorised access from the outside. Unauthorised data access is controlled by granting employees only those rights and roles that are necessary for their work. Test environment is used to test software modifications. Protection against accidental data loss is ensured through creation of back-up copies. Antivirus software is installed in all computers of the Company.

Occupational risk factors: **Physical factors**	Inadequate workplace equipment; Non-compliance with the minimum requirements to workplace equipment; Mobile self-propelled/non-self-propelled work equipment; Potentially dangerous machinery; Stability and firmness of construction works; Evacuation routes and exits; Fire detection and fire extinguishing; Electrical installations; The activities of other undertakings in the process of providing services and performing other works at the Company.	Workplaces and work equipment are under regular maintenance. Identified irregularities that might affect employee safety and health are addressed. Work equipment control devices are clearly visible, identifiable and appropriately labelled. Work equipment is equipped with a control system allowing to stop them fully and safely. Emergency stop devices are installed for this purpose. Where there is a risk that contact with the moving parts of a piece of work equipment may cause employee trauma, such parts must be covered and protective devices must be installed to prevent access to danger zones. Work equipment is appropriately labelled with safety and health warnings to ensure employee safety. Employees receive appropriate briefing on the use of work equipment, they receive on-site training at the workplace and are made aware of potential hazards related to work equipment. The installation and structure of mobile work equipment is designed to ensure minimum risk exposure for employees. Such equipment is under continuous maintenance, employees using the equipment receive training and undergo periodic health checks. The maintenance of potentially dangerous machinery is carried out in accordance with the Law on the Maintenance of Potentially Dangerous Machinery. Maintenance of potentially dangerous machinery is performed, supervisors of potentially dangerous machinery are appointed. Employees operating potentially dangerous machinery receive training, their qualification is reviewed on a regular basis, they undergo periodic health checks. Maintenance of construction works is performed in order to ensure stability and firmness of construction works in accordance with the construction technical regulation. The condition of construction works is under regular monitoring, periodic inspections of construction works are carried out. Evacuation routes are appropriately maintained and identified. Considering the size and the function of construction works, the equipment located

		inside as well as the characteristics of materials stored in the construction works, workplaces are provided with adequate fire extinguishing means and fire safety engineering systems, with due regard to the number of employees at the workplace. Fire extinguishers and fire safety systems are maintained and tested on a regular basis. Fire extinguishing means are adequately labelled. Workplaces are equipped with a ventilation system. Ventilation equipment is maintained and renovated on a regular basis. Danger zones of the workplaces are appropriately marked. Workplace floors are firm and stable. Employees are provided with special anti-slip footwear. Electrical installations are fitted in the manner that prevents the risk of fire and employees are protected against direct or indirect contact with electrical installations. Resistance of electrical installations is periodically measured in accordance with the procedure laid down in the laws. A description of the procedure for co-operation and co-ordinated action is prepared and coordinators are appointed to ensure employee safety and health in order to prevent the risks which arise from the activities of other undertakings as well as the risks to employees of such undertakings which arise from the activities of the Company.
Physical: **Noise**	Work equipment	The use of personal protection means, mandatory health checks for noise, staff trainings.
Chemical factors	Use of chemical substances during laboratory tests, cleaning process of work equipment and premises.	Occupational risk assessment in workplaces where chemical substances are used. Mandatory health checks. Awareness raising and training of employees. The use of personal protective means where there is exposure to hazardous chemical factors. Artificial ventilation system is installed.
Ergonomic factors	Manual work is present in many workplaces.	Occupational risk assessment. Mandatory health checks. Manual and power-driven carts are used to address ergonomic risk factors. Lifts are also used. Robot technology is deployed at the Company to prevent the lifting of heavy weight. Robotic milk sugar bagging line is installed. Cheese

		maturing facility is equipped with a cheese packaging device; a vacuum lift for shifting heavy cheeses is also installed.
Economic factors: The supply of raw materials	Small farms; Seasonality; The absence of a long-term state regulation system.	In order to mitigate potential risks and the effects thereof, milk producers receive milk price supplements for long-term co-operation, better milk quality indicators, loyalty and the balancing of milk production seasonality.
Produce sales	Internal competition among local manufacturers. Availability of cheaper Polish produce on the Lithuanian market. Growing quantity and range of cheaper products from other EU states.	Search for alternatives to imported products. Range expansion. Search for new markets.
Social factors	Employee qualification.	Staff training, workshops.

General economic risk factors:

Adverse factors related to raw milk production:

1. Decrease in the number of cows in Lithuania. In accordance with the data of the Register of Farm Livestock managed by the Agricultural Information and Rural Business Centre (ŽŪIKVC), as of 1 February 2018, the number of cows registered in Lithuania amounted to 271,581, or 4.6% less than in the same period of 2017. The number of dairy farms dropped by 12.1%. This change creates a risk of increased competition in the raw milk procurement market and a rise of raw milk prices.
2. Productivity of dairy cows. Poor cow productivity is determined by cow herds with insufficient genetic potential and prevailing inadequate feed base.
3. Unstable state regulatory instruments in the dairy industry. The process of creation of the dairy farms based on household business was, and continues to be rather slow. Absence of consistent national policy for the development of the sector, frequent changes of the conditions and volume of assistance, focus on milk prices rather than on investment support are among the factors which have adversely affected the development of farms and the improvement of veterinary and sanitary conditions.
4. Partial regulation of milk procurement prices, requiring that all farmers are paid the same price, regardless of the quality of raw milk they supply.
5. Decrease in the number of persons engaged in dairy production; population ageing and situations when elderly people have no one to pass their farms to.

Adverse factors related to the sale of products:
1. Decreasing population of Lithuania;
2. Strong competition both on the local and export markets;
3. Use of cheaper ingredients instead of dry dairy products;
4. Instability of product prices on export markets;

5. Lack of the Government's attention to the business and regional development, and the creation of jobs;
6. Ongoing embargo of Lithuanian products imposed by Russia;
7. Difficulties associated with access to new markets;
8. Production surplus on the EU markets;
9. Rigid policy with respect to the application of VAT and excise duty;
10. Unstable competitiveness due to euro/dollar exchange rate fluctuations;

Social risk factors:

1. Migration of young people from Lithuania;
2. Ageing population;
3. The lack of qualified labour in Lithuania.

These social factors do not depend from the actions of the Company alone. The Company might be forced to increase investment into the automatization of production processes, i.e. replace manual work with robots.

12. Information about the aims of financial risk management and the use of hedging measures

The Company and the Group face various financial risks in their operations. The general risk monitoring program of the Group focuses on uncertainties of the financial markets and aims to mitigate possible impact on the financial results of the Group's operations.

The Group has general liability insurance against claims arising from its operations and damages to the Group's products or services. The insurance policy is valid throughout the world.

Risk management is the responsibility of the Management of the Company. The Company does not have a written document which sets out the general principles of risk management.

A detailed description of the financial risk factors to which the Company and the Group are exposed is provided in comment 3 to the consolidated report of Rokiškio sūris, AB and the financial report of the parent company dated 31 December, 2017 (page 32).

13. Key aspects of the internal control and risk management systems associated with the formation of consolidated financial accounts

The supervision of the drawing up of the Company's consolidated financial accounts, the internal control and financial risk management systems and compliance with the laws on the drawing up of consolidated financial accounts is carried out by the Audit Committee.
The consolidated accounts of Rokiškio sūris, AB and the financial accounts of the Company are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for application in the European Union.

The Audit Committee supervises the preparation process of the financial accounts of the Company and Subsidiaries, reviews IFRS so as to ensure timely implementation of all changes to IFRS in the financial reports, analyses the transactions relevant to the operations of the Company and Subsidiaries, ensures information collection from the companies of the Group as well as timely processing and preparation of the information for financial accounting purposes, informs the Board

of the Company about significant internal control irregularities related to financial accounts that have been identified by external and internal audit and makes recommendations regarding ways of addressing them.
The preparation of IFRS-compliant financial statements involves the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates are based on the knowledge of the management about current situation and actions. The financial accounts include consolidated financial accounting of the Group and individual financial accounting of the Company.

Subsidiaries are the entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is normally exercised though the ownership of more than a half of the voting rights. When assessing whether the Group controls another company, the existence and effect of the shares or convertible potential shares with voting rights currently held is taken into account. Subsidiaries are fully consolidated from the date when the Group acquires control over these companies, and cease to be consolidated from the date when this control is lost.

The Audit Committee makes recommendations to the Board regarding the choice of external audit undertaking and monitors the way in which the external auditor and the audit undertaking complies with the principles of independence and impartiality.

14. Food safety and quality

Thanks to their flawless quality, the dairy products manufactured by the Company enjoy high international recognition. The internationally-certified food safety and environmental systems deployed by the Company ensure the possibility to offer a wide range of delicious products to the consumers. Experience obtained through many years of work as well as continuing attention to the deployment of new technologies allow the Company to maintain competitiveness in raw milk procurement and product sale markets.
Production of hard cheese is a long process which may take between a few months and a few years. Such production particularity does not allow instant response to changes in the cheese market which might influence operational results.

The Companies focus on food safety and quality in order to satisfy customer needs and comply with environmental requirements. Rokiškio sūris, AB was the first company in Lithuania to certify its Food Safety System, and the first milk processing undertaking to certify its Quality management and Environment management systems in accordance with the international ISO requirements (ISO 9001, ISO 14001).

Food safety is the most important aspect of the companies' performance. In an effort to enhance food safety, one of the companies of Rokiškio sūris, AB – the company in Rokiškis, upgraded the existing food safety system and was certified in accordance with the Certification scheme for the certification of food safety systems FSSC 22000 in 2013. The Scheme covers ISO 22000: 2005 and ISO/TS 22002-1:2009. The food safety scheme is recognised by the Global Food Safety Initiative GFSI *and can replace such previously recognised food safety standards as BRC, IFS and SQF).*

Rokiškio pieno gamyba, UAB (plant in Utena) and Rokiškio pieno gamyba, UAB branch Ukmergės pieninė (plant in Ukmerge) are both certified according to the requirements of Environmental Management (ISO 14001) and Food Safety (ISO 22000) international standards. In 2016 the Companies were certified in accordance with the requirements of the Scheme *Food Safety Management System under FSSC 22000*.

The requirements of the standards served as the framework for the development of rules designed to ensure the manufacturing of stable, uniform, high-quality and safe products in compliance with the policy of the organisation. The system covers the processes from the procurement of the raw materials till the satisfaction of consumer needs; it is reviewed and improved on a regular basis in order to maintain high product quality. Food safety, quality and environmental systems are reviewed on a regular basis and improved in order to ensure that all products are of a high quality and meet the expectations of the clients.

The international certification company BUREAU VERITAS Lit carries out surveillance audit in the Company every year and repeated system certification (re-certification) every 3 years. During the most recent integrated management system review the auditors issued a highly favourable assessment of Rokiškio sūris, AB, no irregularities were found.

Certification under the Food Safety System Certification Scheme FSSC 22000 serves to demonstrate that the Company's operations process and the resources related thereto are under control. The inter-connected processes are perceived and managed as a single system, which increases the Company's performance and efficiency. A properly operating food safety system allows to manage the identified risks both at critical and important control points related to production processes, transportation and consumption.

The Management of the Company performs annual review and approval of the food safety, quality and environmental policy which provides for continuous improvement. We believe it is never enough to "do things right". We know that the things we do right today will be done even better tomorrow!'"

The Company has created the atmosphere where every employee takes part in the struggle for the goals set and the tasks raised.
The Company has prepared and deployed effective minimum programmes which stipulate the conditions, measures and rules to prevent biological, chemical and physical pollution and help ensure the production of safe products.

Food safety system certification in accordance with the requirements of the new version of FSSC 22000 is planned in 2018 in order to improve the food safety management system currently used by the companies. They provide for additional requirements which necessitate a review of the current system. The main changes have to do with food safety risk assessment and control measures, assessment and control measures of exposure to the risk of counterfeiting, services, allergens management and environmental hygiene control.

In 2007 the State Food and Veterinary Service of the Republic of Lithuania conformed the compliance of dairy products to the requirements of the new EU hygiene regulations and issued the following veterinary approval numbers:

- Rokiškio sūris, AB LT 73-01 P EB;
- Rokiškio pieno gamyba, UAB LT 82-01 P EB;
- Ukmergės pieninė, Branch of Rokiškio pieno gamyba, UAB LT 81-01 EB.

The laboratory of Rokiškis company is certified in accordance with LST EN ISO/IES 17025 international standard. The operations of the laboratories of Utena and Ukmergė plants have been assessed under the description of the procedure for issuing laboratory certification authorisations of food management undertakings approved by the State Food and Veterinary Service.

In 2003, the public institution EKOAGROS certified that Rokiškio sūris, AB complies with the requirements laid down in EU Council Regulation EC No. 889/2008 and is a certified manufacturer of organic products: hard cheese BIO, Cagliata BIO, Mozzarella BIO, cheese Gouda BIO. The annual inspections and the certificates issued by the public institution EKOAGROS demonstrate that

the Company is in compliance with the established requirements. Strict requirements to the manufacturing process and component parts thereof apply in organic products production.
Special HALAL and KOSHER (Lactose, WPC, skimmed and full milk powder, whey powder, butter) quality certificates have been issued for certain products of the Company (Lactose, WPC, butter, skimmed milk powder, fermented cheeses).
Rokiškio sūris, AB has the status of a certified exporter to the Republic of South Korea.
Rokiškio sūris, AB is entered in the list of the Certification and Accreditation Administration of the People's Republic of China (23 August, 2016).
The activities of the State Food and Veterinary Service received a positive evaluation during the audit by competent Mexican authorities, which serves as a confirmation that the Company is also an authorised exporter to the country.

Rokiškio pieno gamyba, UAB and Ukmergės pieninė Branch of Rokiškio pieno gamyba, UAB became certified manufacturers of organic products in 2017.

15. Environment

The risks caused by manufacturing operations is managed in accordance with the Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (integrated pollution prevention and control) (IPPC Directive). Rokiškio sūris AB is classified as an installation required to hold IPPC permit. IPPC permit was issued on 30 December, 2005 and renewed on 12 September, 2014. The Company has introduced the best available manufacturing techniques (BREF), resource consumption and emission levels match those achieved in the European Union.
In 2017 the Company carried out four environmental monitoring measures designed to monitor environmental impact: 1) Rokiškio sūris, AB program for monitoring the releases of treated wastewater into wastewater receiver – Ruopiškio (Alsetos) lake in Rokiškis district; 2) program for monitoring the ground water of Rokiškio sūris, AB water extraction plant; 3) program for monitoring the ground water of Rokiškio sūris, AB petrol stations in Rokiškis and Obeliai. The three monitoring programs are being carried out by environmental engineering surveys undertaking Geoaplinka, UAB; 4) monitoring releases/emissions from emission sources. Statutory surveys are performed by authorised undertakings. Reports are submitted to the Environmental Protection Agency, no adverse impact has been identified.

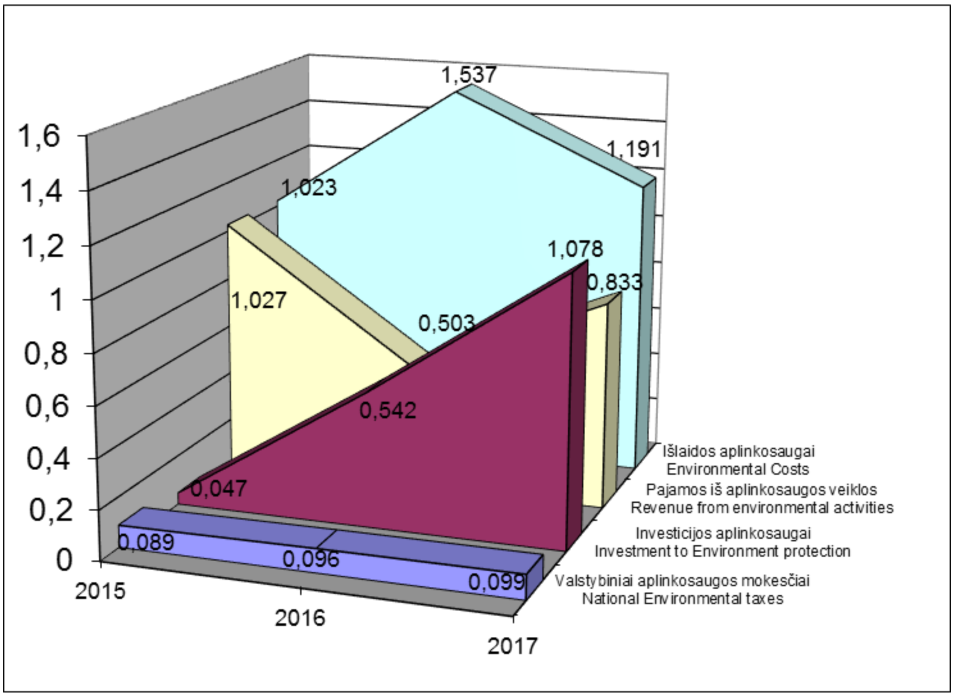
In order to manage its environmental risks, Rokiškio sūris, AB has voluntarily introduced ISO 14001 Environmental management system standard in 2001. The management system has been certified and independent surveys are being performed by Bureau Veritas Lit, UAB. The ISO 14001:2015/LST EN ISO 14001:2015 certificate is valid until 19 June, 2019.

External audit identified one irregularity in complying with the requirements of the international internal audit standard (ISO 14001:2005) in 2017. Plans for corrective action were made, internal audit was to be performed within three months to verify compliance with the new requirements. The requirements have been complied with, internal audit has been performed, the irregularity has been addressed. No comments were received and no irregularities were identified by internal audit controls in 2017.

When implementing its environmental policy, Rokiškio sūris, AB seeks to reduce environmental impact, implement pollution prevention measures, waste generation so that the operations do not cause undesired impact on air, water and soil. Seeking continuous improvement and mitigation of environmental risks, environmental targets have been set. The assessment and analysis of the operation is performed regularly.

Environmental activities (mio EUR)

Year	2015	2016	2017
State environmental fees	0.089	0.096	0.099
Investments in the sphere of environmental protection	0.047	0.542	1.078
Revenue from environmental activity	1.027	0.503	0.833
Expenditure for environmental activity	1.023	1.537	1.191



16. Research and development

Rokiškio sūris, AB is a good example of a successful business which serves to demonstrate that focus, persistent effort towards the goal and professionalism are not only instrumental in surviving under critical situations; moreover, having learned from its past mistakes, the company is able to present new challenges to its competitors. Rokiškio sūris can undoubtedly boast the richest history amongst all of Lithuania's dairies. Over the years, the company has established itself as a strong and reliable partner that does not seek short-term advantage; instead, it builds strong long-term relationships with businesses, consumers, clients and employees. The fact that Fonterra, the world's biggest dairy exporter from New Zealand, has joined the Company in 2017 is the best acknowledgement of our achievement. Fonterra invested more than EUR 7 mio into the Company and became the first-ever strategic rather than financial partner of the Company.

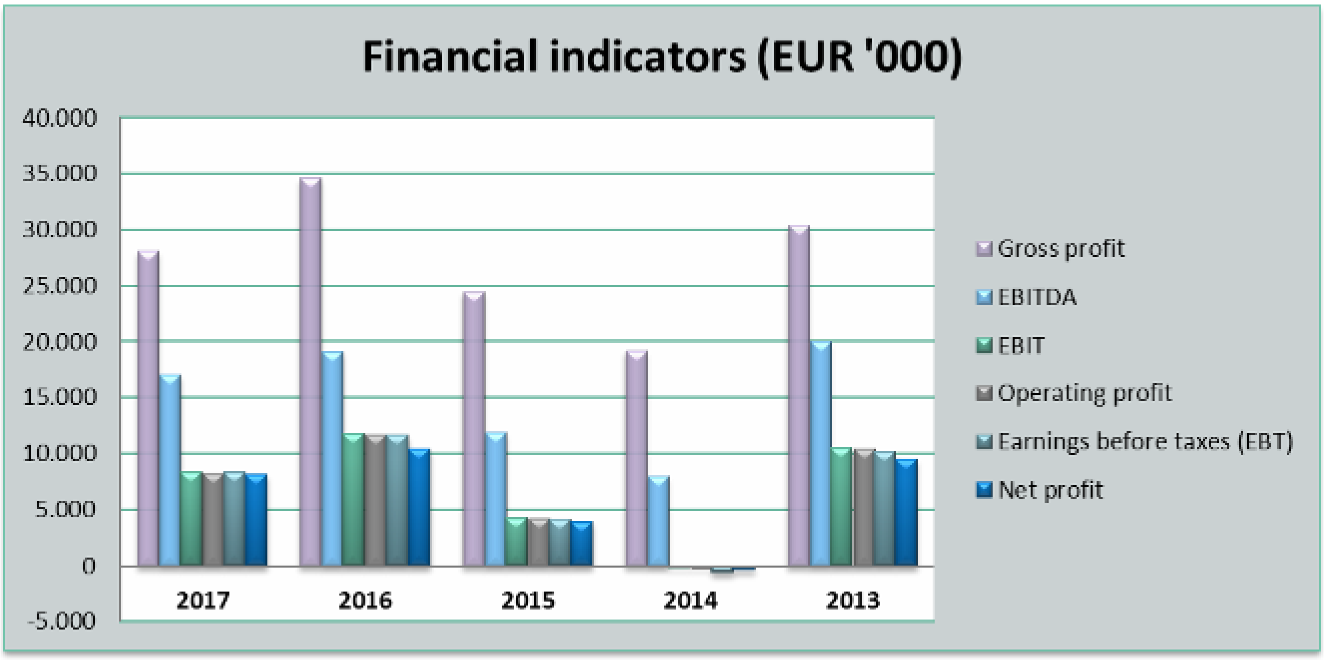
In co-operation with Fonterra, in the end of 2017 the Company started implementing a WPI project aimed at improving the efficiency and depth of cheese whey processing by isolating the most valuable whey proteins. The completion of the project will enable the Company to manufacture a whey product with a higher added value.

Strategic partnership with Fonterra will enable us to take the modernisation of the Company to a new level, adopt global business management experience, improve experts' skills, expand the product range by adding world-class dairy products with a high added value and by opening new export channels.

17. FINANCIAL PERFORMANCE

Financial performance (thou. EUR)	Values	2017	2016	2015
Sales revenues	Figure from the Statement of Comprehensive Income	243,566	226,196	196,504
Gross profit	Figure from the Statement of Comprehensive Income	28,150	34,687	24,550
EBITDA	EBIT + Depreciation + Amortization	17,042	19,174	11,926
EBIT	Net profit - Income Tax - Financial operation costs	8,330	11,723	4,267
Operational profits	Figure from the Statement of Comprehensive Income	8,330	11,723	4,267
Earnings before tax EBT	Net profit + Income tax	8,290	11,607	4,066
Net profit/loss	Figure from the Statement of Comprehensive Income	8,156	10,451	3,895
Fixed assets	Figure from the balance sheet	74,070	60,623	56,324
Current assets	Figure from the balance sheet	88,589	81,789	98,283
Total assets	Figure from the balance sheet	162,659	142,412	154,607
Shareholders ' equity	Figure from the balance sheet	134,096	122,066	115,633
Profitability (%)				
Return on assets [ROA]	Net profit / Average assets	5.35	7.04	2.64
Return on equity [ROE]	Net profit / Average equity	6.37	8.79	3.64
Gross profit margin	Gross profit / Sales revenues	11.56	15.33	12.49
EBITDA margin	Earnings before interest, tax and depreciation / Sales revenues	7.00	8.48	6.07
EBIT margin	Earnings before interest and tax / Sales revenues	3.42	5.18	2.17
Profitability rate [EBT margin]	Earnings before tax / Sales revenues	3.40	5.13	2.07
Net profit margin	Net profit / Sales revenues	3.35	4.62	1.98
Financial structure				
Debt-to-equity ratio	Liabilities / Shareholders ' equity	0.21	0.17	0.34
Equity capital to	Shareholders ' equity / Assets	0.82	0.86	0.75

assets ratio				
General liquidity ratio	Current assets / Current liabilities	3.56	5.00	2.86
Market value indicators				
Price/earnings ratio (P/E ratio)	Company's stock price / Earnings per share	11.00	5.53	12.91
Net earnings per share	Net profit / Weighted average number of ordinary shares in turnover	0.25	0.32	0.11



Profit/loss report

The 2017 sales revenue of the Group amounted to EUR 243,566. The main part of the revenue (67.2%) was the sales revenue of cheese and other dairy products (69.7% in 2016). Compared to 2016, the sales revenue of the Group increased by 7.7%. This was mostly the result of the increase of the price of fermented cheeses, WPC80, lactose, butter and export cream. In terms of quantity, in 2017 the sales of fermented cheeses increased by 10% compared to 2016.

The 2017 consolidated audited profit of Rokiškio sūris, AB amounted to EUR 8,156, i.e. 21.96% less than in 2016. The 2016 consolidated audited profits of the Group amounted to EUR 10,451 thousand. The decline of net profits in 2017 was due to the increase of the price of raw milk by more than 40%. The sale price of fermented cheeses and fresh dairy products (except butter) did not grow as fast the price of raw milk. This resulted in a lower profitability rate of fermented cheese and fresh dairy products.

The main segment, i.e. the sale of cheeses and other dairy products, generated approx. 72% of net profits. The remaining part of the profit came from the sale of fresh dairy products and other products the sales volume whereof accounts for merely 0.3%.

The 2017 net profit margin amounted to 3.35% (4.62% in 2016).

EDITDA amounted to EUR 17,042 thousand and was 11.1% less compared to 2016. The 2017 EBITDA margin amounted to 7.0%. (8.5% in 2016)

Costs:
In 2017 the sales costs of the Group amounted to EUR 215,416 thousand (EUR 191,509 thousand in 2016). In 2017 the sales costs increased by 12.5%, or EUR 23,907 thousand. This change was due to the increase of production cost because of the increase of milk procurement prices.

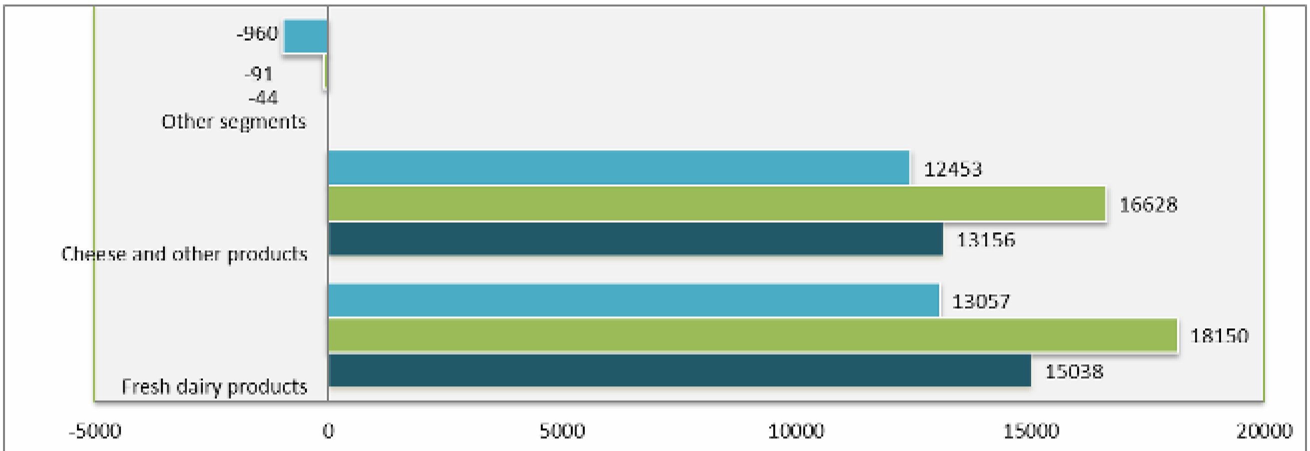
18. Operations of the Group of companies by segment

The business operations of Rokiškio sūris, AB comprise the following segments: hard cheese, semi-hard cheese, butter, milk, cream, sour cream, curded milk, yogurt, curd, curd cheese, etc. Based on similarities of products, manufacturing process, customer group and distribution method, the segments were combined into two main segments presented in the financial statements.
The Group's main business segments provided in financial statements are as follows:
- Fresh dairy products
- Cheese and other dairy products.
Other operations of the Group consist mostly of raw milk collection; the volume of the segment is too small to merit individual reporting. Transactions between the business segments are on normal commercial terms and conditions. There are 2 external customers in the fresh dairy products sector the individual revenues whereof account for more than 10% of the total segment revenue.

The below table indicates information on the impact of each segment to the financial operation results of the Group.

	2017	2016	Change (%)
Total sales revenue (thousand EUR)	**243,566**	**226,196**	**7.68**
Fresh dairy products	79,165	67,194	17.82
Cheese and other dairy products	163,622	157,635	3.80
Other segments	779	1,367	-43.01
Total gross profit (thousand EUR):	**28,150**	**34,687**	18.85
Fresh dairy products	15,038	18,150	-17.15
Cheese and other dairy products	13,156	16,628	- 20.88
Other segments	-44	-91	-51.65

Gross profit by segment (thousand EUR)



	Fresh dairy products	Cheese and other products	Other segments
2015	13057	12453	-960
2016	18150	16628	-91
2017	15038	13156	-44

2015 2016 2017

19. Investments

In 2017 the investments of Rokiškio sūris amounted to EUR 14 millions.

The investments started in 2016 were completed in 2017. As regards the manufacturing of WPC80 product, premises have been acquired, pipelines have been replaced, lactose packaging and permeate thickening equipment has been installed in lactose production facility.
Climate control, air and energy accounting, production process control, milk receiving, odour removal systems, air dehumidification and water desalination lines have been installed. New electrical loaders have been acquired for transporting semi-manufactured and finished products.
Cheese drying equipment in cheese-maturing chambers has been upgraded and Grand cheese cutting and vacuum-packaging lines have been installed. A transformer and an air compressor have been installed to ensure appropriate productivity.
Special vehicles for milk delivery and transportation of semi-finished and finished products have been acquired.
Major investments at the subsidiary in Utena were made into the fresh dairy products manufacturing facility, new pasteurisation, separation and packaging lines for products with a longer shelf life have been deployed. The dry dairy products manufacturing facility also received major investments: containers, pipelines, RO and ROP.
A milk separator, a curd packaging machine and a pasteuriser for improving the quality of the products has been acquired by the Ukmergė plant.

20. Plans and forecasts for the operations of the Group

The operational plans and objectives of Rokiškio sūris, AB are associated with the implementation of the updated 2018 – 2020 strategic plan of the Group of companies; the plan provides for an objective to increase milk procurement and processing volumes, improve production efficiency through process optimisation, manufacture high added-value products, enhance the trust in its products, promote healthy lifestyle and thus increase the per-capita consumption of dairy products.

In 2018 the Company plans to invest EUR 15.1 millions into the implementation of the objectives and investments towards the implementation and development of its objectives.

The main investment areas for 2018 include:

- Introduction of innovative production technology in the manufacturing process of fresh dairy products and continue investments related to the manufacture of WPC80 and a new WPI product.
- Increasing the competitiveness of the Company by focusing on the sales of cheeses, butter and products obtained from whey to the Far East and other global markets.
- Conservation of energy resources, curbing adverse environmental impact, improving working conditions for employees.
- Improving sanitary and hygiene levels in production units.
- Improving product quality.
- Addressing customer needs for the company's products.
- Improving the production of fresh dairy products.

In 2018 the Company will continue to invest into the completion of the investments started in 2017, i.e. investments into the production technology of the high-quality WPC80% and a new WPI product as well as investments into a product with a higher added-value – the long-maturity hard fermented cheese (it is planned to finish the construction of long-maturity cheese chambers and install new refrigeration equipment).
The investments into the cheese manufacturing facility will be used for the modernisation of the existing equipment as well as the optimisation and improvement of technological processes. It is planned to modernise the cleaning stations (CIP) in individual production units and install a curing solution filtration line in the curing facility. The reconstruction of milk and heating resources pipelines as well as the reconstruction of the Company's sewerage networks is also planned.

To facilitate the search for new markets and satisfy the needs of new clients, it is planned to introduce a cheese packaging and weighing line, a grating machine and cheese dosage and grinding lines. Besides, there are plans to upgrade other technological equipment by modernising the overall climate control system of production facilities.

In an effort to conserve energy resources, it is planned to carry out a reconstruction of the cooling pipelines, hot water preparation system, acquire a transformer, temperature and moisture control devices, vaporisers and heat exchangers for maturing chambers. Investments into the upgrading of the vehicle fleet are also planned.

The subsidiary in Utena will continue investing into the production of sour dairy products (containers, pipelines, CIP, packaging lines). A packaging machine, a heating device for the drying facility, a cooler and a spraying system will be installed at the dry dairy products manufacturing facility. A beater, containers and a packaging line will be installed and pipelines will be replaced in the butter manufacturing facility.

Plans in the sales markets

As was the case in 2017, the Company shall continue to focus on the Asian markets that continue to show a strong growth of demand for dairy products, thanks to the growing consumption and purchasing power. The newly-opened market of China, alongside with the Korean market, will further remain the main focus, as the Company expands its export horizons. In addition to lactose and Mozzarella, there is also a wish to offer hard cheeses, milk powder and perhaps even some products with a longer shelf life. Efforts to penetrate the markers of Japan, Singapore, Indonesia, Philippines and other Asian countries will continue.

A strong focus will remain on the former countries of the Soviet Union, such as Kazakhstan, Uzbekistan and Azerbaijan. The plans of the Company include expansion of the exports of high added-value products to other countries, i.e. enter retail markets rather than trading wholesale.

The Company plans to offer a new product to other European countries and the countries of the former Soviet Union (a grinded hard cheese with extra-long shelf life in retail packaging) which is already available on the local market. The new added-value product is expected to be first step of the Company in the retail non-local market.

In brief, considering the general trends on the global dairy market, it is reasonable to claim that the in the near future the USA, Middle East and Asia will have the highest potential for the Company.

A strong focus of the market structure will be on the production of a new whey-based WPI product. It is one of the major production tasks and investment areas.
In the sphere of fresh cheese production, Mozzarella cheese production will be further improved by adapting to the new needs of the market.
In the market of hard cheeses, the investments into the long-maturing chambers will offer a possibility to expand the production of long-matured cheeses.
In the segment of fresh dairy products, the production of fresh sour dairy products will be expanded, the existing technological processes in the production of dry products and butter will be improved.

INFORMATION ON THE COMPANY’S SHAREHOLDERS AND SHARES

21. Information on the Company’s Authorized capital

As December 31, 2017, the Authorized capital of Rokiškio sūris, AB consisted of:

Type of shares	Number of shares (units)	Par value EUR)	Total par value, (EUR)	Share of authorized capital (%)
Ordinary registered shares	35,867,970	0.29	10,401,711.30	100.00

22. Contracts of the Company with the financial brokerage undertakings

Rokiškio sūris, AB has a contract with FMĮ Orion Securities, UAB (address: 4, A.Tumėno g., LT-01109. Vilnius, phone No. +370 5 231 3833, info@orion.lt) regarding the administration of securities issued by the Company and provision of investment services.

23. Data about trade in issuer's securities on regulated markets

35,867,970 units of ordinary registered shares of Rokiškio sūris, AB are entered in **NASDAQ Vilnius official trading list for the Baltics** . (Vilnius Stock Exchange symbol RSU1L). Par value of one share: EUR 0.29.
The company has been listed since 25 July, 1995.
The Company’s shares are listed in OMX Baltic Benchmark index.

The Company has not issued debt securities for public stock trading.

The Company has not issued or registered debt securities for non-public stock trading.
There are no securities which do not certify participation in the Authorized Capital but the turnover whereof is regulated under the Law on Securities of the Republic of Lithuania.
There was no trading on other stock exchanges and other organised markets.

Trading statistics:

	2014	2015	2016	2017
Price at the most recent trading session, EUR	1.38	1.42	1.77	2.75
Highest price, EUR	1.75	1.50	1.84	2.99
Lowest price, EUR	1.38	1.35	1.30	1.65
Turnover, units	1,605,109	1,086,633	362,586	1,230,178
Turnover, mio EUR	2.55	1.51	0.55	2.75
Capitalisation, mio EUR	49.50	50.93	63.49	98.64

Share price and turnover dynamics during the reporting period

Price, EUR

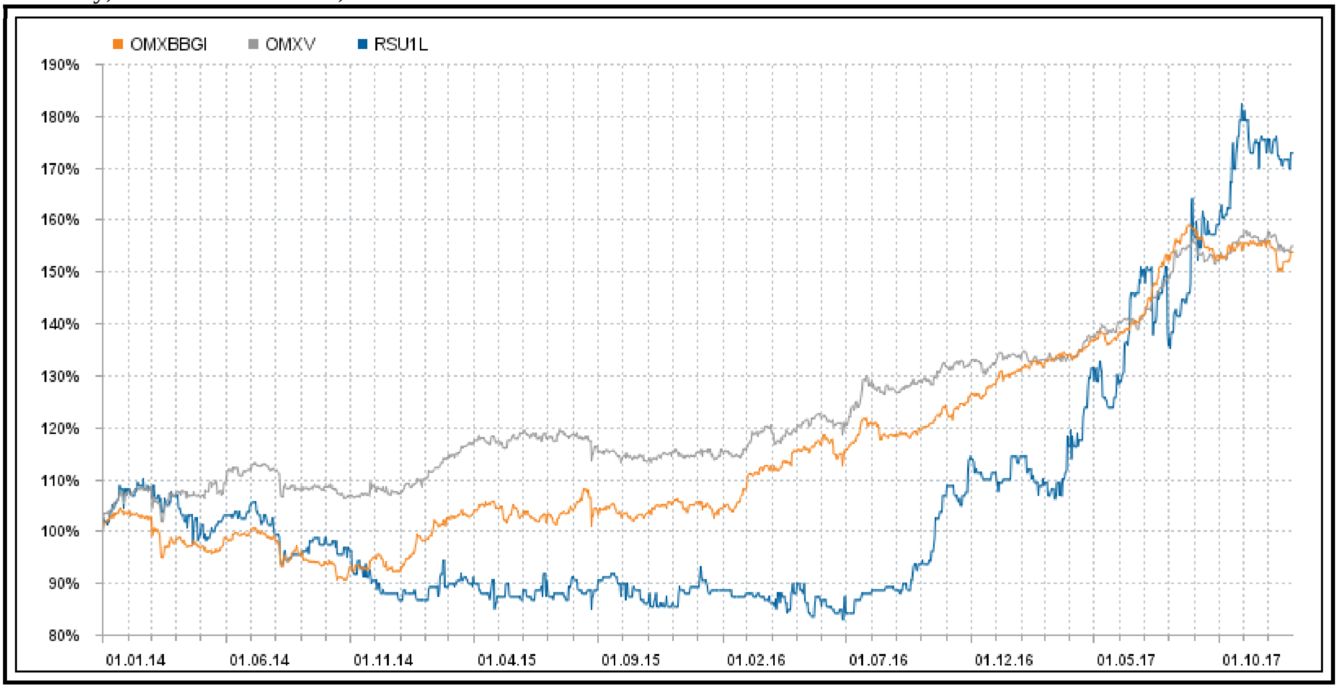
Source: NASDAQ Vilnius, AB website
http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&currency=0&date=&start=2017.01.01&end=2017.12.31&lang=en

Share price and turnover dynamics during 4 years' period

Source: NASDAQ Vilnius, AB website
http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&currency=0&date=&lang=en&start=01.01.2014&end=31.12.2017

Dynamics of the Company's shares (RSU1L), OMX Baltic Benchmark and OMX Vilnius indexes:

1 January, 2014 - 31 December, 2017



Source: NASDAQ Vilnius, AB website
http://www.nasdaqbaltic.com/market/?pg=charts&idx_main%5B0%5D=OMXBBGI&idx_main%5B1%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000128696&idx_equity%5B0%5D=LT0000100372&period=other&start=2014.01.01&end=2017.12.31&lang=en

Chart data:

Index/Shares	1 January, 2014	31 December, 2017	+/-%
OMX Baltic Benchmark GI	613.5	944.09	53.89
OMX Vilnius	421.6	653.29	54.95
RSU1L	EUR 1.59	EUR 2.75	72.96

24. Limitation on transference of securities:

There are no limitations to share packages or any claims against the Company or other holders of the securities.

25. Procedure for amending the Articles of Association

The procedure for amending the Articles of Association of the Company is provided in the laws of the Republic of Lithuania and the Articles of Association of the Company. Decisions to amend the Articles of Association of the Company are adopted by a qualified 2/3 majority of the votes held by the shareholders attending the meeting, except for the cases laid down in the Law on Stock Corporations of the Republic of Lithuania.
When the general meeting of shareholders adopts a decision to amend the Articles of Association of the Company, a new working of the Articles of Association shall be drawn up; it shall be signed by a person authorised by the general meeting of shareholders.
Any amendments of or additions to the Articles of Association of the Company shall enter into force only after they are registered in accordance with the procedure established in the laws of the Republic of Lithuania.

26. Information about the shareholders of the Company

As of 31 December, 2017, the total number of shareholders of Rokiškio sūris, AB was 5,389.

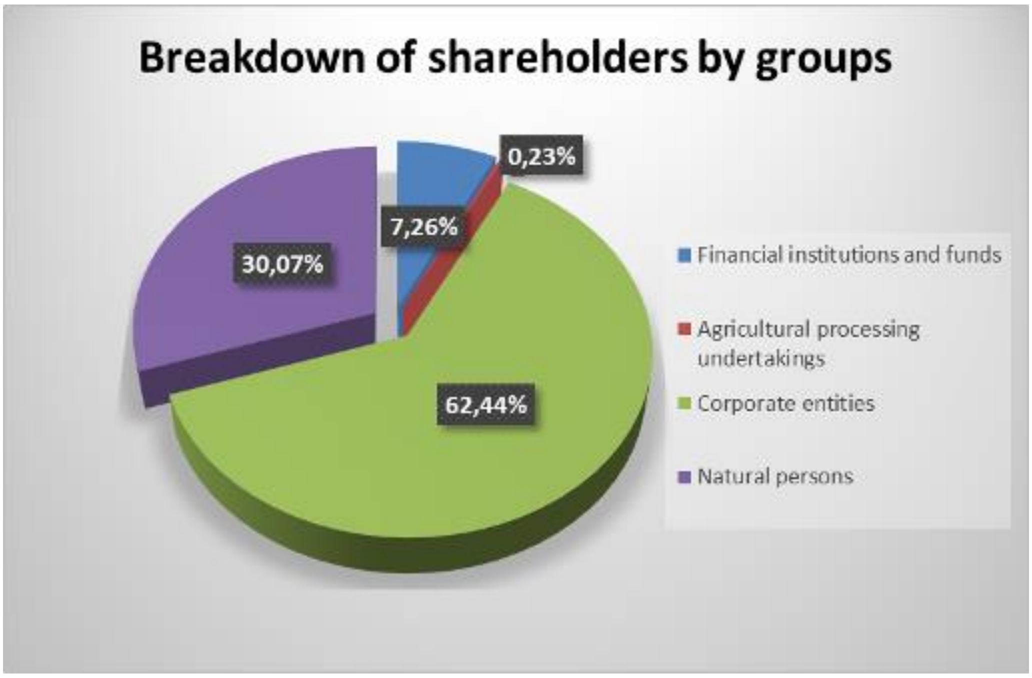
Package held by a group of shareholders (as of 31 December, 2017):

Name, surname Company name Registration number	**Address**	**Held under ownership right**		With associated persons*
		Number of ordinary registered shares	**Share of capital and votes,%**	**Share of capital and votes,%**
Pieno pramonės investicijų valdymas, UAB Registration number 173748857	3, Pramonės g., Rokiškis Lithuania	9,758,312	27.21	
RSU Holding, SIA, Reg. No. 40103739795	Elizabetes iela, LV-1010 Riga 45/47	8,953,883	24.96	

Antanas Trumpa Chairman of the Board of the Company	41a, Sodų g., Rokiškis Lithuania	6,980,233	19.46	81.86
Fonterra (Europe) Coöperatie U.A., 50122541 CCI	Barbara Strozzilaan 356-360, EurBld2, 3e verdieping, 1083HN Amsterdam, the Netherlands	3,586,797	10.00	
Dalius Trumpa Company CEO	31, Sodų g., Rokiškis Lithuania	83,500	0.23	

* The group of jointly-acting persons consists of: Pieno pramonės investicijų valdymas, UAB (27.21% the authorized capital and votes of the Company), SIA RSU Holding (24.96% of the authorized capital and votes of the Company), strategic investor Fonterra (Europe) Coöperatie U.A. (10.00% of the authorised capital and votes of the Company), Antanas Trumpa (19.46% of authorized capital and votes of the Company) and Company CEO Dalius Trumpa (0.23% of the authorized capital and votes of the Company).

Distribution of Rokiškio sūris, AB shareholders by investor group as of 31 December, 2017



27. Rights of Shareholders

Non-property rights of shareholders:

1) the right to attend general meetings of shareholders;

2) the right to make advance inquiries addressed to the company in regards with the items on the agenda of general meeting of shareholders;
3) the right to vote at the general meeting of shareholders in accordance with the rights granted by shares;
4) the right to receive company information specified in Article 18(1) of the Law on Stock Corporations of the Republic of Lithuania;
5) the right to approach a court with a claim for compensation of damages to the Company caused by failure to perform or poor performance on the part of the Company CEO and Board members of their duties established in the Lam on Stock Companies and other laws of the Republic of Lithuania as well as in the present Articles of Association , also in other cases established under the law.
6) other non-property rights established in the laws of the Republic of Lithuania.

Property rights of shareholders:

1) the right to receive a part of the profit of the Company (dividend);
2) the right to receive funds of the Company when the authorised capital of the Company is reduced in order to pay the funds of the Company to the shareholders;
3) receive shares free of charge when the authorised capital is increased with the funds of the Company, except for the derogation established in Article 42(3) of the Law on Stock Corporations of the Republic of Lithuania and in the case established in Article 47^1 of the Law on Stock Corporations of the Republic of Lithuania.
4) priority right in acquiring the shares or convertible bonds issued by the Company, unless the general meeting of shareholders decides to revoke the priority right for all shareholders in accordance with procedure laid down in the Law on Stock Corporations of the Republic of Lithuania;
5) lend funds to the Company in the manner established in the laws; when borrowing from its shareholders, the Company shall be prohibited form pledging its assets to the shareholders. When the Company borrows from a shareholder, the interest must not exceed the average interest rate of the local commercial banks on the day of contracting. In this case the Company and shareholders may not agree to apply a higher interest rate;
6) receive a part of the assets of the Company if it enters into liquidation;
7) other property rights established in the laws of the Republic of Lithuania.

The rights stipulated in paragraphs 1, 2, 3 and 4 shall apply to the persons who were shareholders of the Company in the end of the tenth business day after the general meeting of shareholders which adopted the respective decision.

28. Shareholders with special control rights and description of the rights.

There are no shareholders with special control rights.

29. Information about all restrictions on the voting rights.

There are no shareholders whose voting rights are restricted.

30. Information about the purchase of own shares by issuer

The general meeting of shareholders of Rokiškio sūris, AB which took place on 28 October, 2016 decided to cancel all (3,586,797) previously purchased own shares and reduce the authorised capital of the Company by the respective amount. Upon the cancellation of the own shares which had been

purchased, an entry about the reduction of the authorised capital of Rokiškio sūris, AB was made in the Register of Legal Persons of the Republic of Lithuania.
The Company did not purchase or transfer its own shares in 2017.

31. Dividends

The decision on the assessment and payment of dividends is made by the general meeting of shareholders at the time of distributing the distributable profit of the Company. The dividends assessed by the Company shall be paid within 1 months from the date of the profit distribution decision.
Dividends may be assessed for the fiscal year or a period shorter than the fiscal year.

The general meeting of shareholders must not decide to assess and pay dividends if at least one of the following conditions exists:

1) the Company has outstanding liabilities the maturity whereof has expired prior to the date of the decision;
2) the amount of the distributable profit (loss) of the fiscal year is negative (the Company has generated a loss);
3) the own capital of the Company is below the aggregate amount of the authorised capital of the Company, the mandatory reserve, the revaluation reserve and the reserve for the acquisition of own shares, or would fall below the amount after the dividends are paid.

The Company must not pay dividends, annual payments to Board members and employee bonuses, unless it has paid statutory taxes within the established time limits.
The persons who were shareholders of the Company or were otherwise legally entitled to dividends at the end of the rights accounting day of the general meeting of shareholders which declared the dividends (at the end of the tenth day after the general meeting of shareholders that issued the decision) shall be entitled to collect dividends.

Dividends assessed and paid and the indicators thereof during 10 recent years:

Year	Dividend amount, EUR	Dividend amount per share, EUR	Net profit per share, EUR	Dividend payment coefficient
2007	2,867,855.42	0.0695	0.2346	0.30
2008	Dividends were not paid			
2009	244,579.30	0.0290	0.1101	0.26
2010	1,038,808.21	0.0290	0.1883	0.15
2011	1,015,578.08	0.0290	0.2288	0.13
2012	1,015,578.08	0.0290	0.2433	0.12
2013	1,015,578.08	0.0290	0.2693	0.11
2014	Dividends were not paid			
2015	2,341,737.37	0.0700	0.1086	0.64
2016	3,228,117.30	0.1000	0.3162	0.32

MANAGEMENT OF THE COMPANY

32. Management bodies of the Company

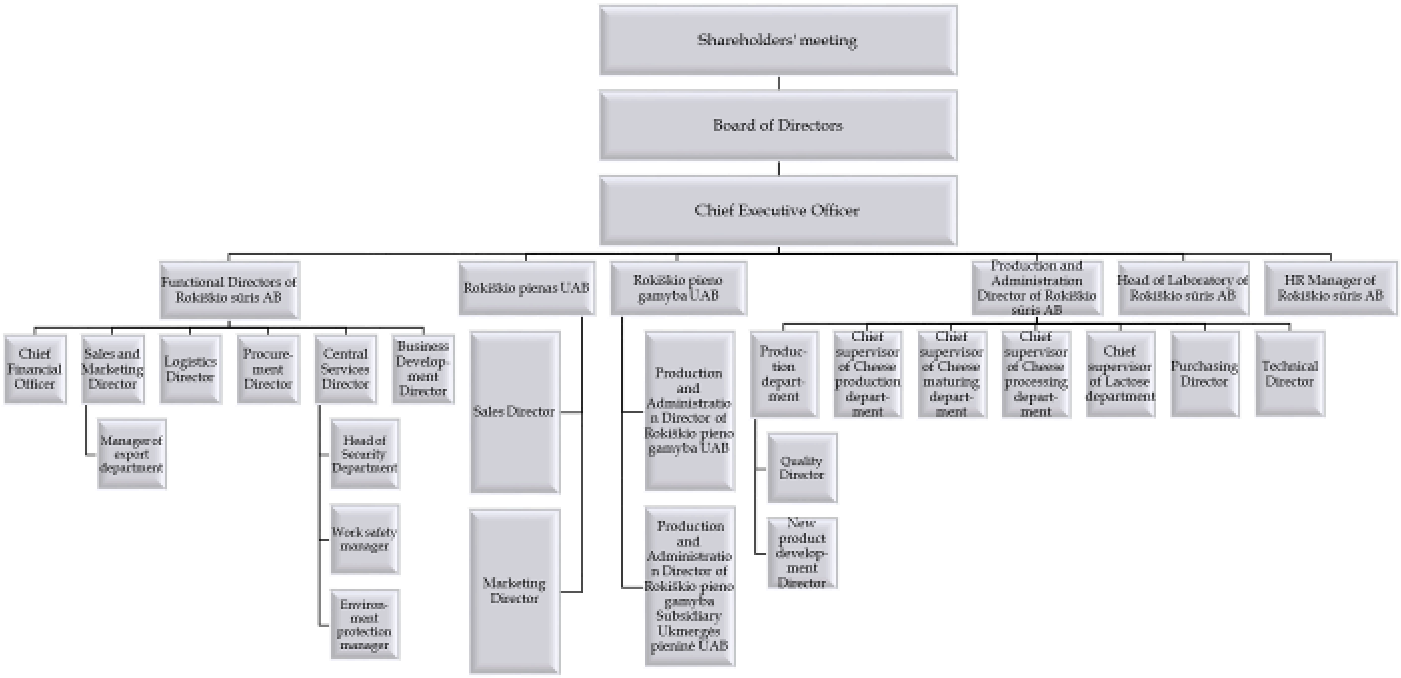
The following management bodies of the Company are provided for in the Articles of Association of the Rokiškio sūris, AB entered in the Register of Legal Persons:

- General meeting of shareholders,
- Board
- Company CEO (Director)

The Supervisory Board shall not be formed at the Company.

33. Organizational structure of the management of the Company and the Company group

The management structure of Rokiškio sūris, AB is organised on the basis of the principal functions, i.e. sales, production, finance management, milk procurement, central services and development. The strategy, tactics and objectives of the Group are set forth by functional director in accordance with the functions assigned to them.



GENERAL MEETING OF SHAREHOLDERS

34. Information on the powers of and the procedure for convening the General Meeting of Shareholders

The powers of and the procedure for convening the General Meeting of Shareholders shall not differ from those provided for in the Law on Companies.

The right of initiative to convene the General Meeting of Shareholders of Rokiškio sūris, AB shall be exercised by the Board and shareholders whose shares grant at least 1/10 of all votes at the General Meeting of Shareholders.

A notice of the convening of the General Meeting of Shareholders of the Company must be published in the Republic of Lithuania and all other EU member states as well as countries of the European Economic Area not later than 21 days before the General Meeting of Shareholders according to the procedure laid down in the Law on Securities. A notice of the convening of the General Meeting of Shareholders shall also be published in the electronic publication *Juridinių Asmenų Vieši Pranešimai* (Public Notices of Legal Entities) issued by the State Enterprise Centre of Registers (VĮ Registrų Centras) as provided for in the Articles of Association.

The persons who were shareholders of the Company at the close of the accounting day of the General Meeting of Shareholders shall have the right to attend and vote at the General Meeting of Shareholders or repeat General Meeting of Shareholders in person, unless otherwise provided for by laws, or may authorise other persons to vote for them as proxies or may conclude an agreement on the disposal of the voting right with third parties. The shareholder’s right to attend the General Meeting of Shareholders shall also cover the right to speak and to enquire. The record date of the meeting of a public limited liability company shall be the fifth working day before the General Meeting of Shareholders or the fifth working day before the repeat General Meeting of Shareholders.

A shareholder may vote in writing by filling in a general ballot paper. The form of a general ballot paper is available on the website of the Company www.rokiskio.com, in the section “For investors”, and is also provided with draft resolutions submitted by the Company via the Central Storage Facility. The filled-in general ballot paper shall be signed by the shareholder or his authorised person. The filled-in general ballot paper signed by the shareholder or another person entitled to vote as well as the document confirming the right to vote shall be submitted to the Company in writing not later than the last working day before the Meeting, by sending them by registered mail to the following address: Pramonės g. 3, LT- 42150, Rokiškis, or delivering to the registered office of the Company against its signed acknowledgement on working days.
The Company shall not provide a possibility to attend the Meeting and to vote by means of electronic communications.

A General Meeting of Shareholders may take decisions and shall be held valid if attended by the shareholders who hold the shares carrying not less than ½ of all votes. After the presence of a quorum has been established, the quorum shall be deemed to be present throughout the Meeting. If the quorum is not present, the General Meeting of Shareholders shall be considered invalid and a repeat General Meeting of Shareholders must be convened, which shall be authorised to take decisions only on the issues on the agenda of the meeting that was not held and to which the quorum requirement shall not apply. The repeat General Meeting of Shareholders shall be convened after the lapse of at least 14 days and not later than after the lapse of 21 days following the day of the General Meeting of Shareholders which was not held. The shareholders must be notified of the repeat General

Meeting of Shareholders in the manner specified in Article $26^1(3)$ of the Law on Companies not later than 14 days before the repeat General Meeting of Shareholders.
An annual general meeting of shareholders must be held every year not later than within four months from the end of the financial year.

The shareholders who hold shares carrying at least 1/20 of all the votes shall have the right to propose issues to supplement the agenda. Draft decisions on the proposed issues or, when it is not mandatory to adopt decisions, explanatory notes on each proposed issue of the agenda of the General Meeting of Shareholders shall be submitted alongside with the proposal. A proposal to supplement the agenda shall be submitted in writing, by sending it by registered mail to the address of Rokiškio sūris, AB: Pramonės g.3, LT-42150 Rokiškis, or by e-mail: rokiskio.suris@rokiskio.com.The agenda shall be supplemented where the proposal is received not later than 14 days before the General Meeting of Shareholders.

The shareholders who hold shares carrying at least 1/20 of all the votes shall have the right to propose new draft decisions on issues on the agenda of the Meeting. Proposed draft decisions shall be submitted in writing, by sending them by registered mail to the address of Rokiškio sūris, AB: Pramonės g.3, LT-42150 Rokiškis, or by e-mail: rokiskio.suris@rokiskio.com. The shareholders shall also have the right to propose draft decisions on the issues of the agenda of the Meeting in writing during the Meeting.

The shareholders attending the general meeting of shareholders shall be registered in the shareholder registration list. This list must indicate the number of votes granted to each shareholder by the shares held by him.
A person attending the General Meeting of Shareholders and entitled to vote shall produce a document which is a proof of his identity. A person who is not a shareholder must additionally produce a document confirming his right to vote at the General Meeting of Shareholders. The requirement to present the document confirming a person's identity shall not apply if votes are cast in writing by filling in a general voting ballot. The form of a general ballot paper is available on the website of the Company www.rokiskio.com, in the section "For investors".

If a shareholder requests so, the Company shall, at least 10 days before the General Meeting of Shareholders, send the general ballot paper by registered mail or deliver it to the shareholder in person against his signed acknowledgement of receipt. The filled-in general ballot paper shall be signed by the shareholder or his authorised person. The filled-in general ballot paper signed by the shareholder or another person entitled to vote as well as the document confirming the right to vote shall be submitted to the Company in writing not later than the last working day before the Meeting, by sending them by registered mail to the following address: Pramonės g. 3, LT- 42150, Rokiškis, or delivering to the registered office of the Company, by the address indicated above, against its signed acknowledgement on working days.

The right to vote at other General Meetings of Shareholders shall be granted only by fully paid-up shares. Each share shall give one vote at the General Meeting of Shareholders.

The General Meeting of Shareholders shall have the exclusive right to:
1) amend the Articles of Association of the Company;
2) change the registered office of the Company;
3) elect the members of the Supervisory Board; if the Supervisory Board is not formed, elect members of the Board, if neither the Supervisory Board nor the Board is formed, elect the Manager of the Company;
4) remove the Supervisory Board or its members, also the Board or its members elected by the General Meeting of Shareholders and the Manager of the Company;

5) select and remove an auditor or an audit firm for carrying out the audit of a set of annual financial statements, establish payment conditions for audit services;
6) determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
7) take a decision on conversion of the Company's shares of one class into shares of another class, approve the share conversion procedure;
8) take a decision on changing the number of shares of the same class issued by the Company or the nominal value of the shares without changing the amount of the authorised capital;
9) approve the set of annual financial statements;
10) take a decision on profit/loss distribution;
11) take a decision on the building-up, use, reduction and liquidation of reserves;
12) approve the set of interim financial statements drawn up for the purpose of adoption of a decision on the allocation of dividends for a period shorter than the financial year;
13) take a decision on the allocation of dividends for a period shorter than the financial year;
14) take a decision on the issue of convertible debentures;
15) take a decision on withdrawal for all the shareholders the right of pre-emption in acquiring the Company's shares or convertible debentures of a specific issue;
16) take a decision on increase of the authorised capital;
17) take a decision on reduction of the authorised capital, except where otherwise provided for by the Law on Companies;
18) take a decision on the Company's acquisition of its own shares;
19) take a decision on allocation of the Shares to employees and/or members of the management bodies;
20) to approve the Rules of the Allocation of Shares;
21) take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off;
22) take a decision on conversion of the Company;
23) take a decision on the restructuring of the Company in the cases specified by the Law on Restructuring of Enterprises;
24) take a decision on liquidation of the Company or on cancellation of the liquidation of the Company, except where otherwise provided for by the Law on Companies;
25) elect and remove the liquidator of the Company, except where otherwise provided for by the Law on Companies.

The General Meeting of Shareholders may also decide on other matters assigned to its powers by the Articles of Association of the Company, unless these have been assigned under the Law on Companies to the powers of other bodies of the Company and provided that, in their essence, these are not the functions of the management bodies.

A decision of the General Meeting of Shareholders shall be considered taken if more votes of the shareholders have been cast for it than against it, except for the issues mentioned in Points 1, 6, 7, 8, 10, 11, 13, 14, 15, 16, 17, 20, 21, 22, and 24 above, a decision on which shall be taken by 2/3 (two thirds) of all the votes carried by the shares held by the shareholders attending the Meeting, and the issue mentioned in Point 15, a decision on which shall require 3/4 (three thirds) of all the votes carried by the shares held by the shareholders attending the Meeting and entitled to vote on this issue.

General Meetings of Shareholders convened in 2017

During 2017, three General Meetings of Shareholders of Rokiškio sūris, AB were convened on the initiative and by decisions of the Board of the Company.

At the General Meeting of Shareholders of the Company held on 28 April 2017, the shareholders were familiarised with the Consolidated Annual Report of Rokiškio sūris, AB for 2016 and the auditor's opinion on the consolidated financial statements and the Annual Report for 2016. The Meeting supported the opinion of the Audit Committee, approved the sets of the consolidated financial statements and the financial statements of the Company for 2016, approved the distribution of profits of the Company for 2016, while allocating EUR 0.10 to an ordinary registered share in dividends (the total amount allocated to dividends was EUR 3,228,117.30), elected a new Audit Committee for a 4-year term of office, and selected the audit firm PricewaterhouseCoopers UAB for performing the audit of the consolidated annual financial statements of the Rokiškio sūris, AB Group and the parent Company for 2017.

The Extraordinary General Meeting of Shareholders held on 22 September 2017 took a decision to increase the authorised capital of the Company by additional contributions from EUR 9,361,540.17 to EUR 10 401 711.30 with an issue of not more than 3 586 797 ordinary registered shares with a nominal value of EUR 0.29, while withdrawing for all the shareholders the right of pre-emption in acquiring the Company's shares to be newly issued. The issue price of a share to be newly issued was established as EUR 1.98. The total price of the issue of the new shares was EUR 7,101,858.06. The Board of the Company was entrusted to prepare and establish the detailed terms and procedure for the subscription to and payment of the new shares. The right to acquire the shares to be newly issued by the Company (3,586,797 ordinary registered shares) was granted to Fonterra (Europe) Coöperatie U.A. of New Zealand. The shares were not offered or distributed publicly. Also, taking into account the decision to increase the authorised capital of the Company as well as the amendments to the Law on Companies of the Republic of Lithuania, the Articles of Association of Rokiškio sūris, AB were amended respectively.

The Extraordinary General Meeting of Shareholders held on 13 December 2017 elected for a 4-year term of office new members of the Board of the Company: Paul M Campbell (Director for Special Projects at Fonterra Co-operative Group Limited), Antanas Kavaliauskas (Chief Financial Officer of Rokiškio sūris, AB), Darius Norkus (Sales and Marketing Director of Rokiškio sūris, AB), Antanas Trumpa (the then Director of Rokiškio sūris, AB), and Ramūnas Vanagas (Business Development Director of Rokiškio sūris, AB).

All the General Meetings of Shareholders of Rokiškio sūris, AB convened by the Company in 2017 were attended by the Manager of the Company, the Chairperson of the Board of the Company, and the Chief Financial Officer and/or Chief Accountant of the Company.

35. Board of the Company

The Board shall be a collegial management body of the company which has 5 (five) members. The members of the Board shall be elected and removed from office by the General Meeting of Shareholders in accordance with the procedure laid down by the Law on Companies. The members of the Board shall elect the Chairperson of the Board. The number of the terms of office of a member of the Board shall not be limited. Only a natural person may be elected a member of the Board. The following persons may not be a member of the Board: a member of the Supervisory Board of the Company (should the Supervisory Board be formed in the Company) and a person who may not hold this office under legal acts. The powers of the members of the Board are defined in the Law on Companies and in the Articles of Association of the Company.

If the Board is removed from office, resigns, or discontinues to perform its duties for any other reasons before the end of the term of office, a new Board shall be elected for a new term of office of the Board. If individual members of the Board are elected, they shall serve only until the expiry of the term of office of the current Board.

Changes of the composition of the Board during the reporting period

From 21 August 2015 to 12 December 2017, the Board of Rokiškio sūris, AB consisted of the following members: Dalius Trumpa (Chairperson of the Board, Deputy Director of the Company), Antanas Kavaliauskas (Deputy Chairperson of the Board, Chief Financial Officer of the Company), Antanas Trumpa (Member of the Board, Manager of the Company), Darius Norkus (Member of the Board, Sales and Marketing Director of the Company), and Ramūnas Vanagas (Member of the Board, Business Development Director of the Company).

On 13 December 2017, the Extraordinary General Meeting of Shareholders of Rokiškio sūris, AB elected for a 4-year term of office a new Board: Antanas Trumpa (Chairperson of the Board), Antanas Kavaliauskas (Deputy Chairperson of the Board, Chief Financial Officer), Paul M Campbell (Director for Special Projects at Fonterra Co-operative Group Limited), Darius Norkus (Sales and Marketing Director of the Company), and Ramūnas Vanagas (Business Development Director).

The Board may adopt decisions and its meeting shall be deemed to have been held when the meeting is attended by 2/3 or more of the Members of the Board. The Members of the Board who have voted in advance shall also be deemed to be present at the meeting. A decision of the Board shall be adopted if more votes for it are received than the votes against it.

In 2017, the Board held 14 meetings. (In 2016, the Board met 11 times). All the Board meetings were attended by all the members of the Board. Those members who were unable to take part in a meeting in person participated by means of telephone conference. Four meetings were held according to the pre-established schedule of Board meetings. Other meetings were convened in accordance with the procedure laid down in the Law on Companies of the Republic of Lithuania and the Work Regulations of the Board as well as in cases when important issues requiring a decision of the Board arose. The Board approved the sets of the consolidated financial statements and the financial statements of the Company and its Annual Report for 2016, proposed a draft of the distribution of profit and a candidacy of the audit firm of the Company. The Board of the Company proposed to invest the available free funds of the Company in securities of the Government. The Board also proposed the General Meeting of Shareholders of the Company that was held on 22 September 2017 a draft resolution regarding an increase in the authorised capital of the Company while issuing a new share issue (without applying the pre-emptive right for the existing shareholders to acquire the shares to be newly issued) intended for the strategic investor of the Company, Fonterra (Europe) Coöperatie U.A. of New Zealand. Upon the approval of the decision by the General Meeting of Shareholders, Fonterra (Europe) Coöperatie U.A. of New Zealand acquired the new share issue of the Company, which accounts for 10% of the authorised capital of and votes in the Company.

On 13 October 2017, upon signing the Strategic Investment Agreement and the Shareholders Agreement, a group of shareholders of the Company consisting of Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA, Antanas Trumpa, Ledina Trumpienė, Dalius Trumpa, Rasa Trumpienė, and Fonterra (Europe) Coöperatie U.A. submitted a takeover bid to purchase the remaining voting ordinary registered shares of Rokiškio sūris, AB.
Having examined the materials of the mandatory takeover bid provided by the takeover bid offerors, i.e. Antanas Trumpa, Ledina Trumpienė, Dalius Trumpa, Rasa Trumpienė, Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA (Latvia), and Fonterra (Europe) Coöperatie U.A. (the Netherlands), provided its opinion pursuant to Article 40(2) of the Law on Securities of the Republic of Lithuania and the Rules of the Drawing-up, Approval of the Takeover Bid Circular and Implementation of the Takeover Bid. The opinion set out by the Board was made available on the website of the Company www.rokiskio.com, in the section “For investors”, and was also publicly provided to the operator of the regulated market.

By its decision, on 13 December 2017 the Board convened an Extraordinary General Meeting of Shareholders, where a new Board of the Company was elected. The meeting of the Board elected a new Chairperson of the Board and the Manager of the Company. Information about the newly elected members of the Board of the Company and the Manager of the Company is provided below.

Members of the Board are paid bonuses for their work on the Board in accordance with the procedure laid down in Article 59 of the Law on Companies of the Republic of Lithuania. The amount of bonuses depends on the performance of the Company. The decision on the payment of bonuses shall be taken by the General Meeting of Shareholders.

No other additional payments related to the motivation system are provided for the Chairperson of the Board.
The members of the Board have not authorised any other persons to perform the functions assigned to the scope of the powers of the Board.

Members of the Board of Rokiškio sūris, AB

(Elected at the General Meeting of Shareholders held on 13 December 2017)

Antanas Trumpa – the Chairperson of the Board (from 13 December 2017)

Work experience	Antanas Trumpa worked in the Company since 1966 1971–2017 – the Manager (Director) of the Company
Education	In 1966, he graduated from Kaunas Polytechnic Institute, Faculty of Equipment for Food Industry, and acquired the qualification of Mechanical Engineer In 1979, he defended the Ph. D. thesis titled “Organisation of Operation of Vacuum Apparatus” in Kaunas Polytechnic Institute On 12 October 1994, the Lithuanian Science Council nostrificated the thesis for a doctoral degree
Shares of Rokiškio sūris, AB held	Antanas Trumpa directly holds 6,980,233 shares (19.46% of the authorised capital and votes) His holding jointly with other persons amounts to 29,362,725 shares (81.86% of the authorised capital and votes)
Participation in the activities of other companies	Board Chairperson at Rokiškio Pienas, UAB and Rokiškio Pieno Gamyba UAB Shareholder of Pieno Pramonės Investicijų Valdymas, UAB, owning 7,152, i.e. 70.95%, of the shares of and voting rights in the company

Antanas Kavaliauskas – Deputy Chairperson of the Board
He is a member of the Board since 2005 (and was elected for a new 4-years term of office by the General Meeting of Shareholders held on 13 December 2017)

Work experience	From 2002, Chief Financial Officer of Rokiškio Sūris, AB
Education	Faculty of Management of Kaunas University of Technology; Master of Financial Management Member of ACCA (Association of Chartered Certified Accountants)
Shares of Rokiškio sūris, AB held	No shares held
Participation in the activities of other companies	Shareholder of Pieno Pramonės Investicijų Valdymas, UAB, owning 3.91% of the shares of and voting rights in the company Board Chairperson of the Latvian-based SIA Jekabpils Piena Kombinats; no shares held

Paul M Campbell – Member of the Board of the Company
(Elected for a 4-year term of office at the General Meeting of Shareholders held on 13 December 2017)

Work experience	Director for Special Projects at Fonterra Co-operative Group Ltd. He works in the Co-operative since 1984 and held various posts in Fonterra in the following fields: general management, management of joint ventures, marketing, engineering and finance in New Zealand, Japan, and North Africa Currently, Paul M Campbell resides in London
Education	The University of Canterbury in New Zealand; Chemical and Industrial Engineering Massey University in New Zealand; Diploma in Dairy Industry Science and Technology
Shares of Rokiškio sūris, AB held	No shares held
Participation in other activities	Mr Campbell is director of many international joint ventures of Fonterra

Ramūnas Vanagas – Member of the Board of the Company
A member of the Board since 2006 (elected for a new 4-years term of office by the General Meeting of Shareholders on 13 December 2017)

Work experience	From 2005, Business Development Director of Rokiškio Sūris, AB
Education	Lithuanian Academy of Agriculture; major in Economics and Management
Shares of Rokiškio sūris, AB held	No shares held
Participation in the activities of other companies	Shareholder of Pieno Pramonės Investicijų Valdymas, UAB owning 3.91% of the shares of and voting rights in the company Board Chairperson of the Latvian-based SIA Jekabpils Piena Kombinats; no shares held

Darius Norkus – Member of the Board of the Company
A member of the Board since 2008 (elected for a new 4-years term of office by the General Meeting of Shareholders on 13 December 2017)

Work experience	From 2005, Sales and Marketing Director
Education	Kaunas University of Technology; Diploma of Engineer (1993) Baltic Management Institute, Master's Degree in Business Administration (EMBA programme, 2000).
Shares of Rokiškio sūris, AB held	No shares held
Participation in the activities of other companies	Shareholder of Pieno Pramonės Investicijų Valdymas, UAB owning 3.91% of the shares of and voting rights in the company

<u>Manager (Director) of the Company</u>

The Manager (Director) of the Company shall be a single-person management body, who shall organise daily activities of the Company, considers and decides on issues of the Long-term Strategic Plan and Business Plan of the Company. In the Company's relations with other persons, the Director shall act at his own discretion on behalf of the Company.
The Manager of the Company shall take part in all General Meetings of Shareholders held (including those in the reporting period).
The duties and powers of the Director are defined in the Law on Companies and in the Articles of Association of the Company.

Information on the Manager (Director) of the Company

Dalius Trumpa – Manager (Director) of the Company
(appointed by the Board of the Company as of 1 January 2018)

Work experience	Dalius Trumpa works in Rokiškio sūris, AB since 1991 2002–2006, Production Director of Rokiškio sūris, AB 2007–2017, Deputy Director of Rokiškio sūris, AB From 1 January 2018, Director of Rokiškio Sūris, AB From 2 January 2007, Director of the subsidiary Rokiškio Pienas, UAB From 29 April 2013, Director of the subsidiary Rokiškio Pieno Gamyba, UAB
Education	Kaunas University of Technology; major in Food Industry Machinery and Apparatus; Mechanical Engineer
Shares of Rokiškio sūris, AB held	He directly holds 83,500 shares (0.23% of the authorised capital and votes) His holding jointly with other persons amounts to 29,362,725 shares (81.86% of the authorised capital and votes)

Participation in the activities of other companies	From 2004, Director of Rokvalda, UAB, holding 100% of shares and votes From 2010, Chairperson of the Board of the Latvian-based SIA Kaunata, holding no shares of the company From 11 December 2013, Director of SIA RSU Holding, owning 100% of the company's shares Shareholder of Pieno Pramonės Investicijų Valdymas, UAB owning 3.91% of the shares of and voting rights in the company

36. Committees set up in the Company

Audit Committee of Rokiškio sūris, AB

The Audit Committee of the Company consists of 3 members, including 2 independent ones The term of office of the Audit Committee is four years The members of the Audit Committee shall be elected by the General Meeting of Shareholders upon the recommendation of the Board of the Company. The members of the Audit Committee were elected by the General Meeting of Shareholders held on 28 April 2013. The term of office of the Audit Committee shall end on 28 April 2021.

The Audit Committee is a collegial body, which adopts decisions at its meetings. The Audit Committee may adopt decisions and its meeting shall be deemed to have been held when it is attended by at least 2 (two) members of the Committee. A decision shall be deemed to have been adopted when it is voted for by at least two members of the Audit Committee attending the meeting.

The functions, rights, and obligations of the Audit Committee shall be governed by the Provisions for the Establishment and Activities of the Audit Committee of Rokiškio sūris, AB approved by the General Meeting of Shareholders of the Company as well as in other documents governing the activities of the Audit Committee.

Main functions of the Audit Committee

1. To monitor the process of preparation of the financial statements of the Company and its subsidiaries;
2. To monitor the efficiency of the internal control, risk management, and internal audit systems of the Company;
3. To provide recommendations to the Board of the Company on the selection of an external audit firm and to monitor the process of the audit;
4. To monitor the compliance of the external auditor and audit firm with the principles of independence and impartiality;
5. To inform the Board of the Company about any significant internal control deficiencies relating to financial statements found by external and internal audit and to provide recommendations on their correction;
6. To act fairly and responsibly in the interest for the benefit of the Company and its shareholders.

In 2017, the Audit Committee held 3 meetings. The meetings discussed annual and six-month financial statements and provided their opinions. The Audit Committee presented reports on the functions assigned, i.e. the monitoring of the preparation of financial statements, the Company's

internal control, risk management, and internal audit systems and also monitored the compliance of the audit firm PricewaterhouseCoopers UAB with the principles of independence and impartiality.
The Audit Committee monitored and controlled compliance with specific requirements regarding statutory audit of public-interest entities pursuant to Regulation (EU) No 537/2014 of the European Parliament and of the Council in the purchase of non-audit services.

Members of the Audit Committee:

Kęstutis Kirejevas – an independent member, Director of EuropaPrint, UAB, holding no shares of Rokiškio sūris, AB
Kęstutis Gataveckas – an independent member, Director of Perlo Paslaugos, UAB, holding no shares of Rokiškio sūris, AB
Rasa Žukauskaitė – an employee of Rokiskio Suris AB, Finance Department, holding 2 shares of Rokiškio sūris, AB

No other committees are established in the Company

37. Management of the Company

Members of the management team of the Company

Position	**Forename and surname**	**In office since**
Director*	Dalius Trumpa	01/01/2018
Chief Financial Officer	Antanas Kavaliauskas	01/05/2002
Business Development Director	Ramūnas Vanagas	27/09/2005
Central Services Director	Jonas Kvedaravičius	01/05/2002
Logistics Director	Jonas Kubilius	16/05/2002
Procurement Director	Evaldas Dikmonas	14/05/2002
Sales and Marketing Director	Darius Norkus	18/07/2001

*Antanas Trumpa served as the Manager (Director) of the Company during the reporting period. Antanas Trumpa was relieved of the position of the Manager (Director) of the Company at his own request as of 31 December 2017. Dalius Trumpa was appointed the Manager (Director) of the Company by a decision of the Board of Rokiškio sūris, AB as of 1 January 2018.

Management team bonus system

The members of the management team of the Company are paid wages and also receive variable components of pay which depend on the performance of the Company, market situation and other factors. There is no management team bonus systems established in the Company.

38. Employees

In 2017, the average number of employees of Rokiškio sūris, AB was 1,542. Compared to 2016 (1,577), it decreased by 2.2% or 35 employees. The decrease in the number of employees occurred due to the ongoing technical reorganisation of the Company and also due to seasonal workforce fluctuations.

In 2017, workers accounted for 82.0% of all employees of the Company (as compares to 82.4% in 2016), specialists accounted for 17.4% (17.0% in 2016), while the number of the managerial staff remained unchanged* at 10 employees, or 0.65% of the whole staff (0.62% in 2016).

Employees of the Group of the Company by categories

Employee group	Average number of employees		Change
	31/12/2017	31/12/2016	(%)
Management*	10	10	**0.00**
Specialists	268	268	**0.00**
Workers	1,264	1,299	**-2.69**
Total:	**1,542**	**1,577**	**-2.22**

*The managerial staff of the Company shall be understood as its Directors

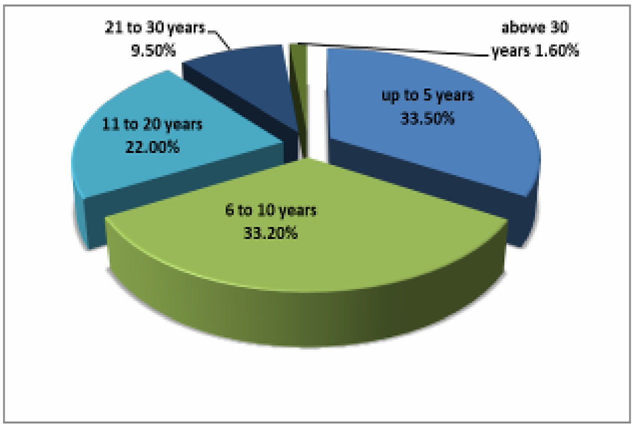
As of 31 December 2017, men accounted for 53.2% of the employees of Rokiškio Sūris, AB and women accounted for 46.8% (as compares to the respective numbers of 52.8% and 47.2% recorded on 31 December 2016).
The average age of the employees of the Group of the Company was 45. In 2016, the average age of the employees was 47.

The Company employs people with high qualifications. Out of them, 10.7% were graduates of higher education institutions (10.2% in 2016), 50.5% had professional post-secondary education (49.3% in 2016), 38.5% were people with secondary education (40.1% in 2016), and 0.01% had partially completed secondary education (0.3% in 2016).

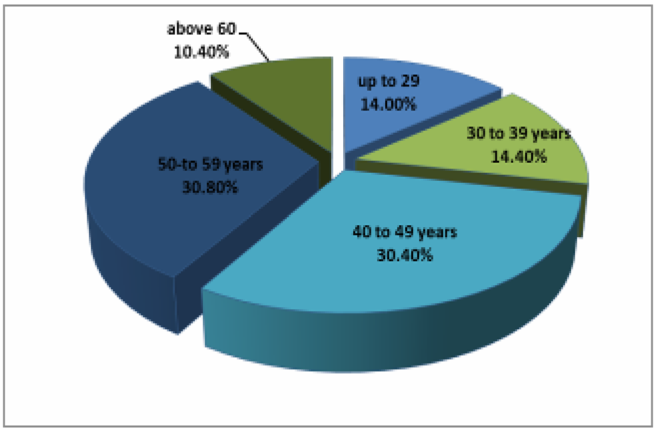
Educational background of the employees of the Rokiškio sūris, AB Group

Education	31/12/2017	31/12/2016	Change (%)
Higher	165	161	**+1.02**
Professional post-secondary	780	778	**+0.76**
Secondary	594	633	**-6.16**
Partially completed secondary	3	5	**-40.00**

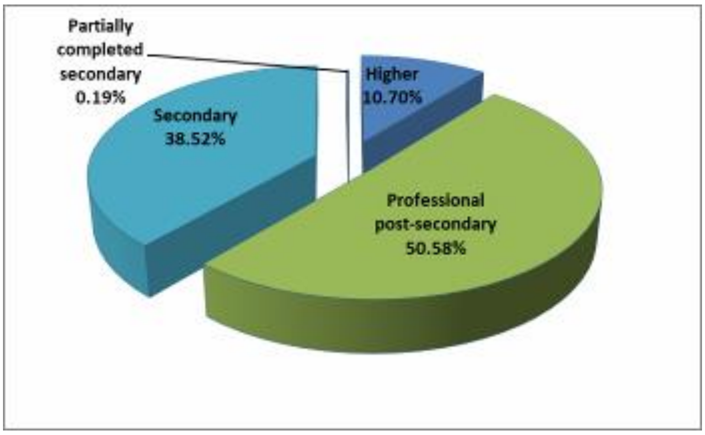
Length of service



Age of employees



Educational background of employees



Labour remuneration system

The Company has an efficient and fair remuneration system in place. Its aim is to attract, maintain, and motivate employees. All employment contracts with employees of the Company, including those with the managerial staff, have been drawn up in accordance with the requirements of the Labour Code of the Republic of Lithuania. Employees are hired and dismissed in accordance with the requirements of the Labour Code.

Average monthly salary at the Rokiškio sūris, AB Group, by employee groups

Employee group	**Average monthly wages (gross), EUR**		**Change (%)**
	31/12/2017	**31/12/2016**	
Managerial staff	1878	1789	4.97
Specialists	948	875	8.34
Workers	911	839	8.58
Group average	**935**	**877**	**6.61**

The average monthly wages are calculated in accordance with Resolution No 496 of the Government of the Republic of Lithuania dated 21 June 2017.

Wages payable to the employees of Rokiškio sūris, AB include the following components:

1) fixed remuneration for work performed, i.e. the monthly salary provided for in the employment contract;
2) piece-work pay, i.e. remuneration for workers of production shops, sales divisions, and warehouses is paid according to the volume of their actual work and at approved rates;
3) variable component of remuneration in accordance with the Regulations of the Incentive Fund approved in the Collective Agreement.

From 2004, the Company has been applying a remuneration procedure, which establishes variable components of pay depending on the performance of the Company, market situation, and other factors. Variable components of pay are allocated to every division in accordance with the approved functional management system. The remuneration procedure is subject to approval by the Manager of the Company.

Every production shop or division of the Company has an approved procedure for the distribution of the incentive fund which provides for employee appraisal criteria and incentives for employees. Employee appraisal is one of the key tasks of the Company in ensuring efficient work organisation in the pursuance of its objectives, building positive relationship between managers and their subordinates, and fostering staff motivation.

Employees of the companies of the Group are guaranteed the right to participate in activities of trade unions. The companies have a trade union committee, which defends its members' labour, economic, and social rights and interests, right to employment, social guarantees, takes care of the professional qualification improvement, builds up professional ethics, and works towards increasing the wages and other income of food industry workers.

Collective agreement

The Company has a collective agreement in place. The agreement is signed between the Director of Rokiškio sūris, AB and the Chairman of the Trade Union Committee of the Food Sector Trade Union at Rokiškio sūris, AB. The purpose of the collective agreement is to create conditions for coordinated activities of the staff, to ensure that different categories of employees enjoy standards of work, wages, safety and health at work as well as other working conditions above those set forth in the laws, resolutions of the Government, and other legislative acts of the Republic of Lithuania and create better work and social guarantees to employees of the Company.

The rights and obligations of the Company's employees are laid down in their job descriptions. The employment contracts do not provide for any special rights or obligations.

Competence development

Development of human resources and improvement of their special and general skills are among the key priorities for Rokiškio sūris, AB because only well-educated employees possessing appropriate knowledge and experience are capable of creating a high-quality product. Development plans are drawn up on a yearly basis with regard to the objectives of the Company and the relevance of employee competences to achieving those objectives. The Company's employees are provided with possibilities to deepen their knowledge and receive training at various workshops, seminars, and conferences. The Company also supports vocational training at the country's universities, colleges or other educational institutions providing qualification degrees. There is a strong focus on the learning of foreign languages.

Rokiškio sūris, AB also offers special training courses to the country's farmers so that they can successfully manage the health of their herd, ensure proper maintenance of their milking, cooling and storage equipment and modernise their milk farms. State-of-the-art milk farms, milk quality and herd health are crucial for the success of the dairy business.

Ethical employment policy

In 2018, the Company implemented an ethical employment policy, according to which the Company carries out its activities on the basis of internationally recognised human and workers' rights according to the Charter of Human Rights and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, applies the principles of socially responsible business, and acts in a transparent, reliable and fair manner.

39. Information on agreements between the Company and members of its bodies, members of its committees, or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of change of control of the issuer.

There are no agreements between the Company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of change of control of the Company. All employment contracts with employees of the Company, including those with the members of its management, have been drawn up in accordance with the requirements of the Labour Code of the Republic of Lithuania. The Company does not provide for any additional payments in the form of shares.

INFORMATION ON RELATED-PARTY TRANSACTIONS AND SIGNIFICANT AGREEMENTS

40. Related parties of the Rokiškio sūris, AB Group

The group of parties acting in concert includes the following: Pieno Pramonės Investicijų Valdymas UAB (27.21% of the authorised capital of and votes in the Company), SIA RSU Holding (24.96% of the authorised capital of and votes in the Company), Fonterra (Europe) Coöperatie U.A. (the Netherlands) (10.00% of the authorised capital of and votes in the Company), Antanas Trumpa (19.46% of the authorised capital of and votes in the Company), and Dalius Trumpa (83,500 shares, 0.23% of the authorised capital of and votes in the Company). The group of parties acting in concert controls 81.86% of the authorised capital of and votes in the Company.
The remaining 18.14% part of the Company's shares is owned by minority shareholders who are Lithuanian and foreign natural and legal persons.
The private limited liability company Pieno Pramonės Investicijų Valdymas is controlled by Antanas Trumpa (as the majority shareholder holding 70.95% of the shares of and votes in Pieno Pramonės

Investicijų Valdymas UAB). SIA RSU Holding is controlled by Dalius Trumpa (the sole shareholder holding 100% of the shares of and votes in SIA RSU Holding).

Certain cooperative societies engaged in milk production are considered to be related parties of the Company because the Company may exert significant influence over the day-to-day activities of these societies through the close family members of the Company's directors and some of its employees.

41. Related-party transactions and significant agreements

On 13 October 2017, the Strategic Investment Agreement and the Shareholders Agreement were signed between the shareholders of the Company, including Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA, Antanas Trumpa and Ledina Trumpienė, Dalius Trumpa and Rasa Trumpienė, the strategic investor Fonterra (Europe) Coöperatie U.A., and the Company, Rokiškio sūris, AB.

The objectives of the Agreements:

- to adjust relationships between the shareholders, the strategic investor, and the Company where appropriate;
- to ensure joint action in carrying out the Company's development;
- to agree on specific terms of and restrictions for the disposal of the Company's shares;
- to enable the shareholders and the strategic investor to protect their interests relating to their investment in the Company.

Upon the signing of the Shareholders Agreement and the Strategic Investment Agreement on 13 October 2017, the shareholders, i.e. Pieno Pramonės Investicijų Valdymas, UAB, RSU Holding SIA, Antanas Trumpa and Ledina Trumpienė, Dalius Trumpa and Rasa Trumpienė, and the strategic investor Fonterra (Europe) Coöperatie U.A. became persons acting in concert as provided for in Article 26(1)(2) of the Law of the Republic of Lithuania on Securities, who jointly own shares of the Company granting more than 1/3 of the votes in the General Meeting of Shareholders of the Company.

On 16 October 2017, the Company and the strategic investor Fonterra (Europe) Coöperatie U.A. signed a share subscription agreement, according to which Fonterra (Europe) Coöperatie U.A. acquired 3,586,797 shares of Rokiškio sūris, AB upon a new share issue by the Company. The total price of the share issue amounted to EUR 7,101,858.06. The newly acquired shares granted Fonterra (Europe) Coöperatie U.A. 10% of the authorised capital of and votes in the Company.

The holding of the persons acting in concert together with Fonterra (Europe) Coöperatie U.A., a new person acting in concert, granted 29,273,654 votes, which accounts for 81.62% of all shares issued by Rokiškio sūris, AB and votes granted by them.

Acting pursuant to Articles 35, 36, 38 of the Law of the Republic of Lithuania on Securities, the members of the Group acting in concert submitted a takeover bid to purchase the remaining 6,594,316 ordinary registered shares of the Company with a nominal value of EUR 0.29, ISIN code LT0000100372, which accounted for 18.38% of all the shares issued by the Company and votes granted by them. The price of the takeover bid was established taking into account the then price of the Company's share at Nasdaq Vilnius AB Stock Exchange, i.e. EUR 2.75 for an ordinary registered share of the Company with a nominal value of EUR 0.29.

From 24 November 2017 to 7 December 2017, during the period of the implementation of the takeover bid, 89,071 of shares of Rokiškio sūris, AB were provided, which accounted for 0.25% of the authorised capital of the Company and all [...].
In accordance with the agreement signed by the takeover bid offerors, the shares were acquired in equal portions by SIA RSU Holding (Latvia) (44,536 shares) and Pieno Pramonės Investicijų Valdymas UAB (44,535 shares).
Interested-person/related-party transactions are disclosed in Note 33 (Page 58) to the Consolidated Financial Statements of the Company for 2017.

42. Information on injurious transaction concluded on behalf of the issuer

During the reporting period, there were no injurious transactions failing to comply with the Company's objectives or normal market conditions, infringing the interests of the shareholders or other groups of persons, or adversely affecting of threatening to adversely affect in future the Company's operations or performance. There were no transactions concluded due to conflicts of interests between the obligations of the Company's managers, controlling shareholders, or other related parties toward the Company and their private interests and/or obligations.

OTHER INFORMATION

43. Information on audit

The consolidated balance sheet of Rokiškio sūris, AB as of 31 December 2017 and the related statement of comprehensive income, cash flow statement, and statement of changes in equity for the year then ended were audited and the annual report was assessed by PricewaterhouseCoopers UAB, an international audit firm.

The audit firm for performing of the audit of annual financial statements shall be selected and payment conditions for audit services shall be established by the General Meeting of Shareholders. Since the company is listed and maintains its accounting in accordance with the International Financial Reporting Standards, the shareholders of the Company are obliged to select an international audit firm.

PricewaterhouseCoopers International Limited (PwC) is a network ofaudit andtax advice firms, a member of the so-called Big Four (the others are KPMG, Ernst & Young, and Deloitte Touche Tohmatsu). PricewaterhouseCoopers UAB (PricewaterhouseCoopers Lietuva) is a legally independent firm in Lithuania, a member of the global PwC network.
PricewaterhouseCoopers UAB provides audit, accounting, advisory, tax and legal services to international companies and large Lithuanian enterprises.
In 2017, the Rokiškio sūris, AB Group paid the audit firm an amount of EUR 40,500 for the work performed.

44. Details on publicly disclosed information

All the information publicly disclosed by Rokiškio sūris, AB is available on the website of the Company,
www.rokiskio.com, in the section “For investors > Essential events”.

Summary of the disclosed information

Publication date	Brief description of the notice
19/01/2017	Registration of the new version of the Articles of Association of Rokiškio sūris, AB
19/01/2017	Disposition of own shares of Rokiškio sūris, AB
19/01/2017	Information on shares issued by Rokiškio sūris, AB and votes granted as of 18/01/2017
01/02/2017	Regarding the information published in the media
15/03/2017	First sales to China
05/04/2017	Convening of the General Meeting of Shareholders of Rokiškio sūris, AB on 28 April 2017
06/04/2017	Audited activity results of the Rokiškio sūris, AB Group for 2016
06/04/2017	Draft decisions of the Annual General Meeting of Shareholders of Rokiškio sūris, AB to be convened on 28 April 2017
28/04/2017	Decisions adopted by the General Meeting of Shareholders of Rokiškio sūris, AB
28/04/2017	Annual information of Rokiškio sūris, AB for 2016
04/05/2017	2016 Dividend Payment Policy
02/06/2017	Claim dismissed
28/06/2017	The Company acquired Government securities
05/07/2017	Regarding appeals filed with the Court of Appeal of Lithuania
28/07/2017	Operating results of Rokiškio sūris, AB for six months of 2017
29/08/2017	Regarding planned investments in Rokiškio sūris, AB
29/08/2017	Convening of the Extraordinary General Meeting of Shareholders of Rokiškio sūris, AB on 22 September 2017
11/09/2017	Supplementation of the agenda and new draft decisions of the Annual General Meeting of Shareholders of Rokiškio sūris, AB to be convened on 22 September 2017
22/09/2017	Regarding the information published in the media
22/09/2017	Decisions adopted by the Extraordinary General Meeting of Shareholders of Rokiškio sūris, AB held on 22 September 2017
22/09/2017	Regarding ongoing negotiations with Fonterra (Europe) Coöperatie U.A.
12/10/2017	Notice of the acquisition of a holding of voting rights
13/10/2017	Signing of agreements with the strategic investor Fonterra (Europe) Coöperatie U.A.
16/10/2017	Notice of the disposal of a holding of voting rights
18/10/2017	Registration of the new version of the Articles of Association of Rokiškio sūris, AB
18/10/2017	Notice of the acquisition of a holding of voting rights
18/10/2017	Notice of the intention to submit a takeover bid
19/10/2017	Information on shares issued by Rokiškio sūris, AB and votes granted as of 19/10/2017
16/11/2017	Presentation of the Company at a meeting with the Investors' Association
21/11/2017	Regarding the planned dividend policy of Rokiškio sūris, AB, possibilities of the termination of the Strategic Investment Agreement, and other issues
21/11/2017	Mandatory takeover bid to purchase the remaining shares of Rokiškio sūris, AB is approved
21/11/2017	Convening of the Extraordinary General Meeting of Shareholders of Rokiškio sūris, AB on 13 December 2017
27/11/2017	Opinion of the management of Rokiškio sūris, AB on the published takeover bid to purchase the shares of the company
11/12/2017	Regarding the report on the implementation of the takeover bid to purchase the

	shares of Rokiškio sūris, AB
12/12/2017	Notice of transactions of the Manager
13/12/2017	Decisions adopted by the Extraordinary General Meeting of Shareholders of Rokiškio sūris, AB held on 13 December 2017
13/12/2017	Decisions of the Board of Rokiškio sūris, AB adopted on 13 December 2017
29/12/2017	Regarding the date of publication of the results of the Rokiškio sūris, AB Group for 2018

The company makes available public information in the Central Storage Facility on the website of Nasdaq Vilnius AB, http://www.nasdaqbaltic.com, and on the website of the Company, www.rokiskio.com

Annex to the Consolidated Annual Report

THE GOVERNANCE REPORT OF Rokiškio sūris, AB

Rokiskio suris AB, following Article 22 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ Vilnius, discloses its compliance with the Corporate Governance Code for the Companies, whose securities are traded on the regulated market, as approved by the NASDAQ Vilnius AB, and its specific provisions and recommendations. If any of the provisions or recommendations of the Codex are not respected due to any reasons, the explicable information is provided herein.

Summary of the Governance Report of the Company:

The Company's governing bodies are as follows – General Meeting of Shareholders, the Board of Directors, and the Chief Executive Officer. The Company's management structure and current members of management bodies are detailed in the paragraph Company's Management of the Annual Report. The scheme of structural management is provided as well as detailed descriptions of functions of each member of the management bodies.
There is an Audit Committee in the Company. Functions of the Committee, principles of its formation and operations are described in the paragraph Committees of the Company of the Annual Report.
In order all members of the Company's Management Bodies would clearly understand the Company's targets, directions and objectives, the Company's Strategy is prepared which provides long term targets and tasks. The Company's Board of Directors is responsible for the approval of the Company's Strategy. The Company's strategy and description of targets are provided in the paragraph The Group's Strategy and Targets of the Annual Report.
The main risks and their impact on the Company are described in the paragraph Risk factors and Risk Management of the Annual Report.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize	Yes	The Company announces its development strategy and objectives publicly in its annual reports which are submitted via website of the stock exchange market Vilnius Nasdaq AB and

shareholder value.		the company's website.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company's managing bodies act in furtherance of the strategic plan according to which the mission is to form a strong, financially sound and technically modern enterprise creating and constantly increasing its value for shareholders. During the reporting period the Company's Board of Directors and the General Shareholders' meeting accepted strategical resolutions such as incoming of strategical investor Fonterra. Cooperation with Fonterra will ensure further modernization of the Company, as well as incorporation of world business management experience, the Company's produce will be expanded with value added top level products, for which new export markets will be accessible, and therefore all this will end in greater value for shareholders.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	As the Company does not have a supervisory body – a Supervisory Board, the function of supervision is acted by the Audit Committee, as well as the Board of Directors and the Company's manager in the manner of close cooperation (the Company's manager, and members of the Board when needed, are invited to participate at the meetings of the Audit Committee. They submit reports on the company's performance, implementation of strategic plan and budgeting, provide recommendations for the financial reporting), which benefits to both the Company and shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company's Board of Directors and managing bodies ensure the rights and interests of shareholders, employees, raw material suppliers are duly respected, also financial aid is provided. The support is provided in order to maintain more stabile raw milk supply and/or improve relationship with main partners and maintain

		beneficent relationships with durable buyers of production. Employees can enjoy opportunities to improve their qualification at various seminars and courses in Lithuania and abroad. Raw milk suppliers are provided with trainings and seminars for farmers in order to enhance their knowledge of foodstuff preparation, animal breeding, promotion of organic farming. The Company keeps its financial and other obligations to creditors.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	Pursuing resolutions of the General Shareholders' meeting, the Company's managing bodies are a general shareholders' meeting, the Board of Directors and the Company's Chief Executive Officer. The Company does not have a collegial supervisory body, and its functions are overtaken by the Board of Directors. The Company's CEO is accountable to the Board of Directors.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions of the collegial management body are carried out by the Company's Board of Directors. The Company's Board of Directors is liable for adequate strategical management of the Company (approves the Company's operational strategy, approves an annual budget and operational objectives, accepts important legal resolutions for the Company's management structure, approves resolutions for investment, transferring, rental, mortgage or hypothecate of long-term assets whose bookkeeping value exceeds 1/5 of the Company's Authorized Capital, it also approves

		resolutions to warrant or guarantee obligations of other persons when the sum of the obligations exceeds 1/5 of the Company's Authorized Capital, also the Board of Directors may accepts resolutions to acquire long term assets for the price exceeding 1/5 of the Company's Authorized Capital.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company has only one collegial management body and it is the Board of Directors. Shareholders of the company delegate all managerial function to the Collegial Body – The Board of Directors. They believe that one collegial body is sufficient to have effective management of the company.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The Company has a collegial management body – the Board of Directors. Principles III and IV of the Code are applied to the Board of Directors which do not contradict with the functions assigned to the Board of Directors.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	According to the Company's Articles of Association the Board of Directors consists of 5 members. The Company believes that 5 members are able to ensure productive work of the Board of Directors enabling to adopt resolutions. The Audit Committee consists of 3 members, who are elected by the general shareholders' meeting. Two members of the Audit Committee are independent. Every member has one vote. None of the Company's managing or supervisory bodies have such number of their members that any individual or small group could dominate decision-making on the part of these bodies.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation	Yes	According to the Articles of the Association the Board of Directors is elected for the 4 year period. Number of cadencies is not limited. A possibility to resign or remove a member of the

with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.		Board of Directors is regulated by the Lithuanian legislation – a Board member may resign before his/her cadency is ended if the company is informed about it in written not later than 14 days in advance. Board members (severally or all together) may be recalled by the same institution which elected, i.e. general meeting of shareholders.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	No	The Company's Board Chairman newly elected by the 13 December 2017 Board of Directors is not the Company's manager, yet one of the biggest shareholders of the Company is elected as the Board Chairman.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Company's collegial body is elected pursuing the Law on Companies of the Republic of Lithuania and the Company's Articles of Association. 2 members of the Board of Directors out of total 5 are shareholders of the Company. Minor shareholders are not limited in their right to represent their interests and have their representative on the Board of Directors. New candidates to the collegial body to be elected by a general shareholders' meeting may be put up by every shareholder of the Company. During the last tenure of the Board of Directors there was

		one vacant place intended to an independent member, however this vacancy had not been filled in up to the end of term. Pursuing the resolution of general meeting of shareholders according to the Law on Joint Stock Companies the Board members are provided remuneration in the form of tantiemes
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about candidates to the Company's Board of Directors is provided to the shareholders together with the documents of the shareholders' meeting following the requirements of the Law on Public Limited Liability Companies of the Republic of Lithuania. Shareholders may see the documents prior the meeting. Information about the members of the Board of Directors (names, education, qualifications, professional experience, participation in the activities of other companies, other important professional obligations) is provided in the periodical reports.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	A candidate to the members of the Board of Directors shall inform shareholders about his/ her education, professional performance, position and participation in the activities of other companies. Information on the composition of the Company's collegial bodies and detailed description of their competencies is publicly provided to the shareholders in the Company's annual reports, which are submitted to the website of securities stock exchange Nasdaq Vilnius AB and the Company's website www.rokiskio.com
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically	Yes	The members of Company's collegial body – the Board of Directors – are the Company's Functional Directors leading some specific areas of the Company's performance, they are competent and qualified to maintain their

evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.		functions. One of the Board members is delegated by the strategic investor, and he has huge experience in the companies' strategy formation and development, as well as management and marketing. The Audit Committee consists of 3 members, two of which is independent and have at least 5 year experience in accounting, and also having experience in finance and accounting system of listed companies. The Auditing Committee carries out independent and objective activities analyzing, evaluating and consulting the Company in order to improve the Company's performance and increase its added value.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	All new Board members are informed on the Company's performance, corporate organization and changes in the meetings of the Board of Directors. As the biggest part of the Board memebers are also the executive directors, so they know the Company's structure and activities. The Company does not see that an annual review of the Company's Board of Directors should be conducted.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Currently there are no independent members on the Board of Directors. During the last tenures of the Board of Directors there was one vacant place intended to an independent member, however this vacancy had not been filled in up to the end of term. Candidates to the Board may be proposed by shareholders whose shares provide at least 1/20 of total votes. When the new statements regarding election of collegial bodies provided by the Law on Companies of the Republic of Lithuania come into force on 01/07/2018, the Company will pursue the statements in the election of new collegial bodies of the Company.

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments	No	At the 13 December 2017 general meeting of shareholders when electing the new Board of Directors, shareholders not related with the Company did not nominate any independent members to the Board of Directors. Members of the Board elected by the general meeting of shareholders are self-dependent and act in favor to the Company and its shareholders, although they do not comply with the recommendation of independence. The Audit Committee consists of two independent members who comply with all independency criteria thereof.

for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a		

member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company's does not apply any practice for the evaluation and declaration of independency of the Board members.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to	No	At present, there are no members who comply with the independency criteria. Within 2017, no other group of shareholders having no relations with the company's management have raised a will to have their member on the Company's Board, and they didn't offer a candidacy.

have their independence periodically re-confirmed.		
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	No	As there are no members who comply with the independency criteria, no remuneration is applied.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board of Directors approves and submits reciprocations and recommendations to a general meeting of shareholders regarding annual accountability of the Company, distribution of the profit, annual report of the Company, as well as carries out other functions.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective	Yes	By the Company's information, all Board members should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders. They are guided by the Company's interests but not their own or any third parties seeking to maintain their independence in decision-making, and they do not accept any unjustified privileges that would compromise their independence.

company-not-pertaining body (institution).		
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Each member of the collegial body fulfills his/ her functions properly: actively participates at the meetings of collegial body, and devotes sufficient time to perform his/ her duties as a member of the collegial body. The quorum of each meeting was regulated so the Board of Directors would be enabled to accept decisions constructively. In 2017, there were 14 meetings of the Board. All Board meetings were attended by all members of the Board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company acts honestly and without bias with its shareholders. The shareholders are informed on the Company's activities in accordance with the Lithuanian legislation by announcing the information in annual reports, through the Central information base and the company's website.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Company's collegial body concludes transactions according to the Articles of Association of the Company and Work regulations of the collegial body.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken	No	The Company's Board members are not independent from the Executive management of the Company. All board members are the

separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.		company's employees. The Board of Directors pursues the Work Regulations of the Board in order to pass decisions. They work for benefit of the Company, and ensure continuous rise of shareholder value. The Company ensures that the collegial body – the Board of Directors – is provided with sufficient resources (including financial) to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. The Remuneration Committee is not formed at the Company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small	Yes/No	The Company has established the Audit Committee. The Committee was formed and elected by the 24th April 2009 general meeting of shareholders. The meeting approved Regulations of establishment and performance of the Audit Committee. The 28 April 2017 General Meeting of Shareholders elected 3 members of the Audit Committee, two of which are independent members. Members of the Audit Committee are elected for four year cadence. The Audit Committee is an independent, and objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The main function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations to the Board of

number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		Directors and management. The nomination and remuneration committees are not formed at the Company.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	The elected Audit Committee pursues the Regulations of the Audit Committee, including supervision of preparation of financial accounts, as well as functional internal control of the company, risk management and internal audit system, consequently the Committee will submit recommendations to the general meeting of shareholders in relation with the company's annual financial accounting and related matters. The collegial body remains fully responsible for the decisions made within its competence and adopts final decisions.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is	Yes	The Audit Committee consists of 3 members, two of which are independent members.

not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	The Audit Committee pursues its duties following the work regulations approved by the general meeting of shareholders. The Committee is accountable to the general meeting of shareholders providing the information on its performance and results as well as the independence of auditing procedure. Every year the Audit Committee submits annual report to the General Meeting of Shareholders. The Company meanwhile provides information in its annual report on the composition of the committee, number of meetings and their attendance by the members, and also the key performance directions.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	The Audit Committee will invite the CEO of the Company as well as other employees related with the discussed issues to their meetings. Also, the Chairman of the Committee is provided with the right to communicate with shareholders.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the	No	There is not a Nomination Committee in the Company. As the Company's executive directors are the main controlling shareholders on the Board of Directors, and they are responsible for the Company's operations, it would be beside the

collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.		purpose to form a nomination committee because it would not make any positive results but increase bureaucracy.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation,	No	There is not a Remuneration Committee in the Company. The Company has established the remuneration policy covering all forms of remuneration including fixed wages and payoffs based on results, retirement modules, and redundancy pays. The Company applies the salary procedure which is approved by the Management Board following the agreement with

including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive		the Company's Trade Union.

directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information	Yes	The Audit Committee is independent, objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The key

provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit		function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations to the general meeting of shareholders and the board of directors in order to implement set objectives. The Audit Committee analyses the consolidated financial information and provide their recommendations for the integrity of such information, the Committee make their recommendations regarding selection of the external auditor and inspects effectiveness of the external auditor's performance as well as the reaction of the Company's management to their recommendations which are provided by the letter to the management. All members of the committee are furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management informs the Audit Committee of the methods used to account for significant and unusual transactions. The Audit Committee has a right to demand that the Board Chairman, Chief Executive Officer of the company, Chief Financial Officer would participate at its meetings. The committee is also entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. The Audit Committee will present its performance report for the general meeting of shareholders, when the annual financial reports are being approved.

services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.		

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	There is no practice of collegial body assessment. As all members of the Board of Directors belong to the Company's execute management (the Company's executive directors), effective since 2001, therefore it does not conduct the assessment of its ability to act as a group, as well as competence and work efficiency.

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Company's Board of Directors is chaired by the Board Chairman acting in accordance with the approved Work Regulations. The Board Chairman is responsible for sufficient information about the meeting being convened and its agenda communication to all members of the body. He/ she also ensures order and working atmosphere during the meeting.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time, i.e. not less than once per three month period. 5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial	Yes	5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman. The agenda might be supplemented only if all members of the Board of Directors present at the meeting, and they all agree that the item is

body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.		important enough to be put on the agenda.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company does not have a Supervisory Board and this statement is not applied.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The company's capital consist the shares that grant the same rights to voting, ownership, dividend and other rights to all holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	Investors have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues,	N/A	According to the Articles of Association of the Company, important transactions, i.e. the decisions regarding investment, transference, lease or mortgage of non-current assets whose book value makes over 1/5 of the Company's Authorized Capital, as well as the decisions regarding execution, warranty or pledge of other bodies' liabilities whose total sum is over 1/5 of

including approval of transactions referred to above, are discussed.		the Company's Authorized Capital, and the decisions to acquire non-current assets whose price is over 1/5 of the Company's Authorized Capital, do not require approbation by shareholders. Such resolutions (according to the Articles of Association) are approved by the Board of Directors, therefore such recommendation is not relevant. In addition, the Board members together with related persons own 81,86 per cent of votes, consequently it would be just a formality to approve transactions already adopted by the Board of Directors at the general meeting of shareholders, also it would obstruct the Company's smooth operations.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	All shareholders of the Company are publicly informed on the date, time and venue of the general shareholders' meeting as it is required by the eligible documents, the company publishes its information about the summoned general meeting of shareholders, its agenda and draft resolutions through the base of Central Public Information, at the website of Register of Juridical Persons – "Public announcements of Juridical Persons" and the company's website www.rokiskio.com
6.5. It is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly	Yes	The documents prepared for General meeting of shareholders including draft resolutions of the meeting are available not later than 21 day prior the date of general meeting of shareholders as required by the Law on Joint stock companies. The documents placed on the website of NASDAQ Vilnius security exchange and the company website are available in Lithuanian and English languages. Resolutions accepted by the general meeting of shareholders including financial reports, the audit report, annual report, amendments of articles of association etc. are announce in Lithuanian and English languages are announced via the central base of regulated information of NASDAQ Vilnius security exchange and the company

accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.		website www.rokiskio.com
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the company have the right to participate at general meeting of shareholders personally or appoint a representative if there is a proper Power of Attorney or Agreement to pass votes according to the applicable legislation. Also, the Company provides its shareholders with the right to fill in a common voting bulletin as it is required by the Law on Joint Stock Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	This statement is not followed by the Company because there is not an opportunity to secure safety of the transmitted information and it is impossible to identify personality of the participator and voter.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the	Yes	Management bodies conduct in a way to ensure there is no personal interest conflicts. There have not been any such situations so far.

nature of the conflict and value, where possible.		
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The company follows the recommendation. A Board member abstains from voting, when discussing the transactions or other issues in which he/ she has certain interests.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The company follows the recommendation. A Board member abstains from voting, when discussing the transactions or other issues in which he/ she has certain interests.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's	Yes	The company's remuneration policy is implemented and approved by the Board of Directors. General information on the remuneration politics, average wages of the Company employees according to groups and

annual statement as well as posted on the company's website.		total annual payouts to the Company's top management are publically announced in the Company's consolidated annual report.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	As from 2004 and up to date, the Company applies a remuneration system which conforms all the statements of this point. The system is approved by the Company's manager, but it is not announced publicly. Information on total annual payouts to the Company's top management are publically announced in the Company's consolidated annual report and consolidated financial accounts.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments;	Yes	Please refer to point 8.1.

• Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	Please refer to point 8.1.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed:	Yes	Please refer to point 8.1.

• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the		

exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Yes	The Company applies the remuneration system according to which compensation for work consists of variable parts. The variable constituents are allocated to every function according to the overall functional management system.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The variable constituents are allocated by the Company's management, taking into account the results of the Company's performance, number of employees, market situation and other factors.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared	Yes	When a variable part of compensation is allocated, the biggest part of the payment of variable part of compensation is reserved to the first quarter.

to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Yes	The variable part of compensation is only paid when its validity is fully certain.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	Termination payments are paid in accordance with the statements of Work Codex of the Republic of Lithuania article 140, and the statements of Corporate Agreement approved by the Company.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	Termination payments are not paid out if the job contract is terminated due to bad performance results.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The company doesn‘t have any other remuneration system designed to the directors except the variable part of salary which depends on the company‘s performance results, market situation and other factors.
8.13. Shares should not vest for at least three years after their award.	No	Remuneration is not based on share award as this is not provided by the remuneration policy of the Company.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	No	Please refer to point 8.13..
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to	No	Please refer to point 8.13..

the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	Please refer to point 8.13..
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	Shareholders are encouraged to attend general meetings of shareholders, yet the meetings do not consider issues of the directors' remuneration system. It is considered to be a prerogative of the Board of Directors.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	Please refer to point 8.13.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements were not determined at the Company in 2017.

8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	Schemes anticipating remuneration of directors in shares are not determined at the Company.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	There are no share subscription transactions or grants based on share price fluctuation.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	The employees of the company and subsidiaries do not get remuneration with shares.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and	No	Please refer to point 8.19.

project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The corporate governance framework assures the rights of stakeholders that are protected by law are respected. The company applies a Corporate Contract with employees, and the contract is signed by the CEO and Trade Union. Also it is ensured the interest holders are able to participate in governance. For example, participation of the company's employees and raw milk suppliers in the company's Capital. The greatest part of shareholders is the company's employees. The interest holders have the right to receive information required.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the		

context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The company announces the information immediately via the central base of regulated information in both the Lithuanian and English languages simultaneously. The information is placed immediately so the information would be accessible to each shareholder simultaneously. In addition, the company when possible provides information before or after trading sessions of Nasdaq Vilnius in order to ensure all shareholders and investors of the Company would have equal opportunities to get the information needed to make appropriate investment decisions. The company does not disclose any information possibly influencing share price prior it is announced publicly via the central data base of the regulated information.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information	Yes	The Company discloses information on the Company's and the Group's consolidated results. The information is disclosed in the consolidated annual report and consolidated financial

specified in item 1 of Recommendation 10.1 is under disclosure.		statements.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		The company's annual reports include information about the activities of Board members, participation in the activities of other companies as well as the amount of shares of the company owned by the members. Also, there is information about the average payment amounts.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	Also, consolidated report includes information if the Board of Directors or top management were granted any loans, guarantees or support, as well as the information on any payments received for the work done at the collegial body.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company announces the information immediately via the central base of regulated information Nasdaq Vilnius in both the Lithuanian and English languages. The information is placed immediately so the information would be accessible to each shareholder simultaneously. In addition, the company when possible provides information before or after trading sessions of Nasdaq Vilnius in order to ensure all shareholders and investors of the Company would have equal opportunities to get the information needed to make appropriate investment decisions. The company does not disclose any information possibly influencing share price prior it is announced publicly via the

		central data base of the regulated information.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English, including the Company's annual report, a set of financial statements and other half-year reports prepared by the Company, as well as other stock events.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English, including the Company's annual report, a set of financial statements and other periodical reports prepared by the Company, as well as other stock events.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent audit company performs auditing of the Company's and its subsidiaries individual and consolidated (the group) annual financial reports in accordance with International Accounting Standards applicable in the EU. An independent auditing company also evaluates conformity of annual report to the audited financial statements.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Board of Directors proposes an auditing firm to the general meeting of shareholders.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to	Yes	The Audit Company has been paid for the service to supervise tax management. Such information

the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.		shall be provided to the general meeting of shareholders.

• 2017 SOCIAL RESPONSIBILITY REPORT

ROKIŠKIO SŪRIS, AB

TABLE of CONTENTS

ABOUT THE REPORT

The Social Responsibility Report (hereinafter - the Report) is presented for the purposes of transparency and accountability of the business activity of Rokiškio sūris, AB (hereinafter - the Company). The Report covers the achievements as well as the activities of the Company in the sphere of social responsibility related to the environment, relations with the employees and the society. The Report outlines the actions of the Company and changes in the sphere of social responsibility during 2017.
This is the first Social Responsibility Report presented by Rokiškio sūris, AB. It has been drawn up by taking into account the guidelines of the Global Reporting Initiative (GRI) which help to assess and demonstrate the indicators related to economics, environment, employees, human rights, community and market.
The Report is presented in Lithuanian and English, it is available on the website of the Company at www.rokiskio.com; it is also published on Nasdaq Baltic website alongside with the annual report.

ABOUT THE COMPANY

Corporate Strategy and Objectives

Rokiškio sūris, AB carries out its activity in accordance with the 3-year strategic plan the key provisions whereof are outlined below:

MISSION

- *ROKIŠKIO SŪRIS, AB = RELIABLE DAIRY INDUSTRY PROFESSIONALS*

VISION

- *PROCESSING MORE THAN 1 MILLION TONNES OF RAW MILK PER YEAR, AS LITHUANIA TURNS INTO BALTLANDIA*

OBJECTIVES

- *REGIONAL LEADERSHIP IN MILK PROCESSING SECTOR*
- *FLEXIBLE PRODUCTION AND SALES OF TOP-QUALITY PRODUCTS EXCEEDING CONSUMER EXPECTATIONS*
- *BEING THE MOST ATTRACTIVE AND RELIABLE DAIRY PRODUCTION PARTNER FOR FARMERS*
- *CREATING CONTINUOUS ADDED VALUE FOR SHAREHOLDERS*

Corporate Activity

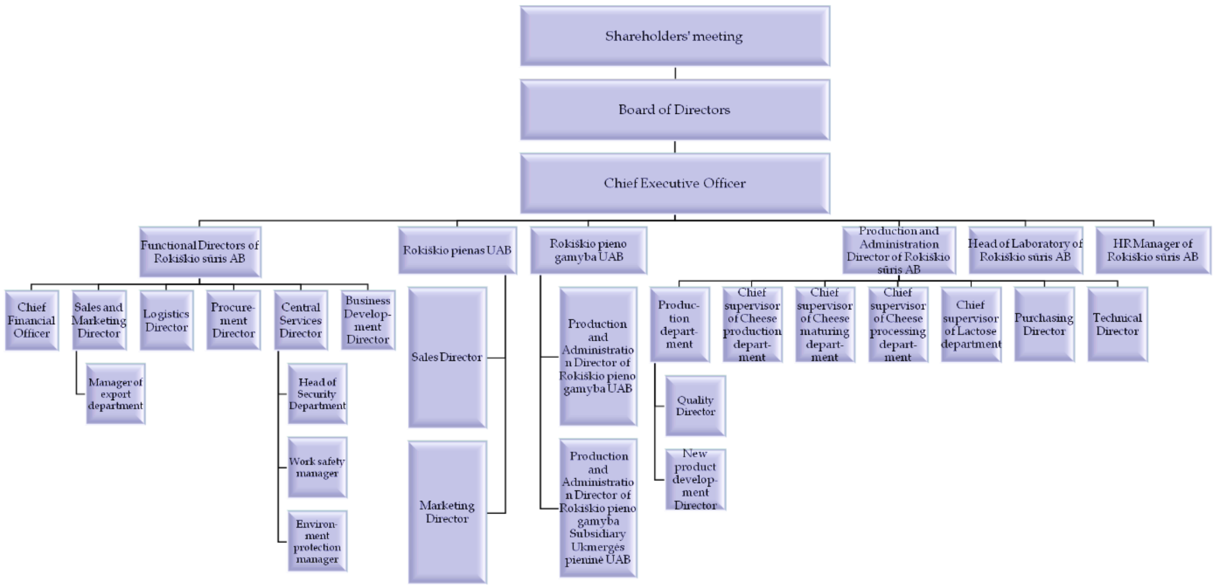
Milk processing is the principal business activity of the Group. The main products include cheese, butter, dry dairy products and fresh dairy products. Rokišio sūris, AB Group carries out its production activity in the towns of Rokiškis (Rokiškio sūris, AB), Utena (Rokiškio pieno gamyba, UAB) and Ukmergė (Ukmergės pieninė, subsidiary of Rokiškio pieno gamyba, UAB).

- Rokiškio sūris, AB (in Rokiškis) specialises in the production and marketing of fermented cheeses and products obtained from whey.
- Rokiškio pieno gamyba, UAB (Utena company) specialises in the production of fresh dairy products, whey protein concentrate, milk powder and butter.
- Rokiškio pieno gamyba, UAB (Ukmergė company) specialises in the production of curd and curd products as well as brined cheeses.
- Rokiškio pienas, UAB specialises in the marketing of the complete range of products of the Group in Lithuania, Latvia and Estonia.

The procurement of raw milk takes place throughout the territory of Lithuania and in other countries by setting up our own milk procurement network or using the services of intermediaries.

The Structure of Rokiškio sūris, AB Group

The management structure of Rokiškio sūris, AB Group (hereinafter - the Group) is organised based on the key functions, i.e. sales, manufacturing, finance management, milk procurement, logistics, central services and business development. Functional directors form and develop the strategy, tactics and targets of the Group based on these functions.



Board Members of Rokiškio sūris, AB:

(Elected by the General Meeting of Shareholders on 13 December, 2017)

Chairman of the Board of the Company	**Antanas Trumpa**	**Since 13 December, 2017**
Deputy Chairman of the Board	**Antanas Kavaliauskas**	**Board member since 2005 (elected for a new 4-years term by the General Meeting of Shareholders on 13 December, 2017)**
Board member	**Ramūnas Vanagas**	**Board member since 2006 (elected for a new 4-years term by the General Meeting of Shareholders on 13 December, 2017)**
Board member	**Paul M Campbell**	**(Elected for a 4-years term by the General Meeting of Shareholders on 13 December, 2017)**
Board member	**Darius Norkus**	**Board member since 2008 (elected for a new 4-years term by the General Meeting of Shareholders on 13 December, 2017)**

Management of the Company

Members of the Management of the Company

Position	Name, surname	Holds the position since
Director*	**Dalius Trumpa**	**1 January, 2018**
Director, Finance	**Antanas Kavaliauskas**	**1 May, 2002**
Director, Development	**Ramūnas Vanagas**	**27 September, 2005**
Director, Central services	**Jonas Kvedaravičius**	**1 May, 2002**
Director, Logistics	**Jonas Kubilius**	**16 May, 2002**
Director, Procurement	**Evaldas Dikmonas**	**14 May, 2002**
Director, Sales and Marketing	**Darius Norkus**	**18 July, 2001**

* Antanas Trumpa served as the Company CEO (Director) during the reporting period. Antanas Trumpa was relieved of the position of the Company CEO (Director) at his own request starting from 31 December, 2017 and Dalius Trumpa was appointed the Company CEO (Director) by decision of the Board of Rokiškio sūris, AB starting from 1 January, 2018.

2017 BUSINESS OVERVIEW

The business overview of the Company is presented in the 2017 Consolidated Annual Report, page No. 70

CORPORATE SOCIAL RESPONSIBILITY

The Principles of Social Responsibility

The social responsibility activities of Rokiškio sūris, AB are based on the values and the key business principles of the Company: socially responsible and transparent business, introduction of rational innovations as well as maintenance and development of competent staff. With the view of maintaining the status of a socially responsible and transparent business partner, the Company seeks to maintain good relations with employees and the society by being a transparent and responsible player in the market as well as in the environmental sphere.
The SA8000 Social Accountability standard has been introduced in the subsidiaries Rokiškio pienas, UAB and Rokiškio pieno gamyba, UAB since 2012. The standard is a set of requirements to businesses eager to demonstrate their socially responsible attitude towards the creation and maintenance of working conditions by means of an independent assessment. The purpose of SA8000 is to lay down requirements based on the international standards of human rights and national labour legislation which protect all employees falling within the management scope and the control of the company who manufacture the products or provide the services of the company, including employees hired by the company as well as its suppliers and sub-suppliers.

The framework of the standard provides for the following corporate policy: “When conducting its business, the Company relies upon internationally recognised human and employee rights. We seek that all employees enjoy fair and respectful treatment. We expect and seek that our suppliers and subcontractors, as well as relevant downstream actors in the supply chain adhere to the same principles. We believe that dialogue between the employer and employees can contribute towards sustainable success of the company and its employees.”

Compliance with the social responsibility requirements of the standard will enable the Company to:
- shape, maintain and implement policies and procedures in order to handle the issues which fall within the scope of its management and influence;
- provide assurance to the parties concerned that the corporate policy, procedures and practices comply with the requirements of the Standard.

The Principles of Social Responsibility:

Accountability (for impact to the community, economy and environment);
Transparency (in adopting decisions which affect the community and the environment);
Ethical (decent) conduct;
Respect to the interests of the parties concerned (listening and taking action);
Respect to the rule of law;
Adherence to international standards of conduct;
Respect to the human rights.

Social responsibility and support measures are important in order to maintain good partnership relations with local communities and the society on the national scale.

Employees

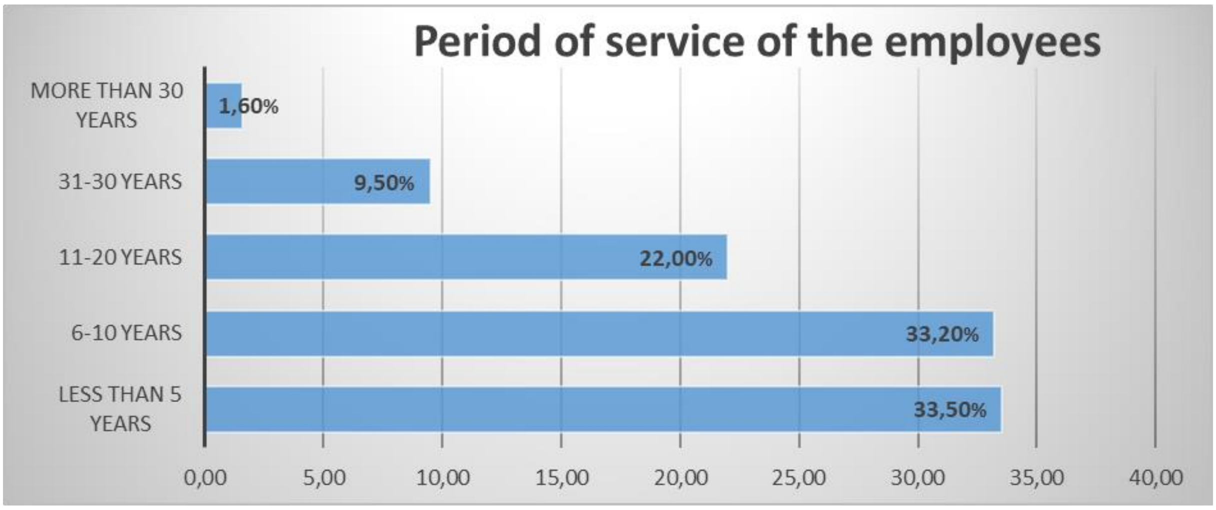
Employees are the most important asset of the Company; they determine the efficiency and success of the Company. The corporate human resources policy is aimed specifically at the development of competent employees, team work and shaping of organisational culture.
The Company and its employees operate in the framework of the collective agreement, the rules of procedure, the procedure for organising internal training, ethical employment policy, the policy of business ethics and the policy of equal opportunity adopted by the Company.
In 2017 the average number of employees of Rokiškio sūris, AB was 1,542; in comparison with 2016 (1,577), it decreased by 2.2 per cent or 35 employees. The decrease in the number of employees has to do with the ongoing technical reorganisation of the Company; it also has to do with seasonal workforce fluctuations.
In 2017 workers accounted for 82.00 per cent (82.4 per cent in 2016) of all employees of the Company; professionals accounted for 17.4 per cent (17 per cent in 2016) and the number of management personnel remained unchanged at 10 employees (0.65 per cent) (0.62 per cent in 2016).

Employees of the Group of the Company by category

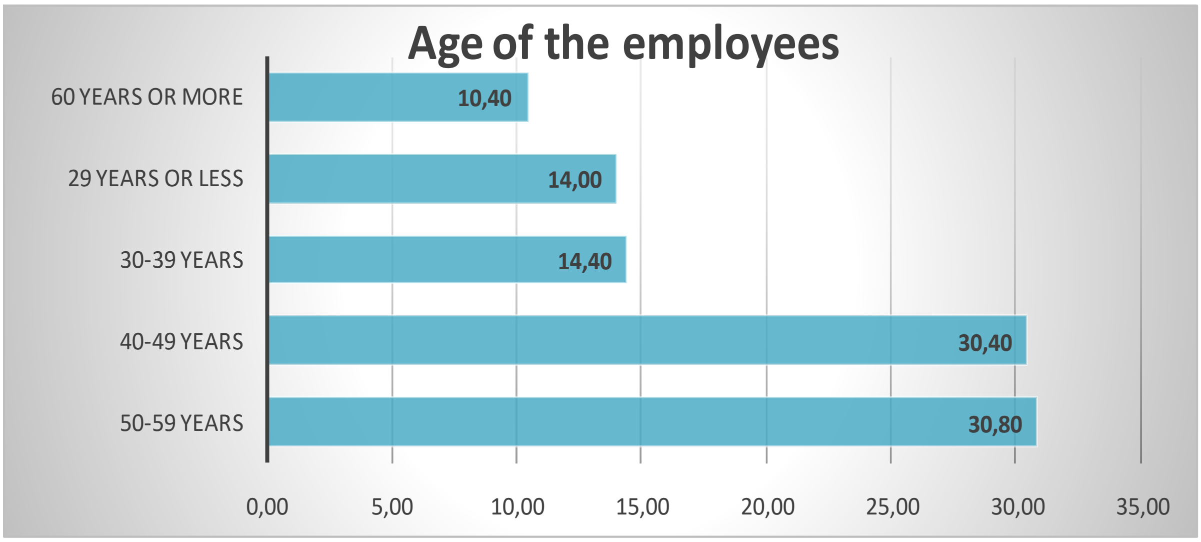
Employee group	Average number of employees		Change
	31 Dec., 2017	31 Dec., 2016	(per cent)
Management*	10	10	**0.00**
Professionals	268	268	**0.00**
Workers	1,264	1,299	**-2.69**
Total:	**1,542**	**1,577**	**-2.2**

* Directors are classified as the management of the Company

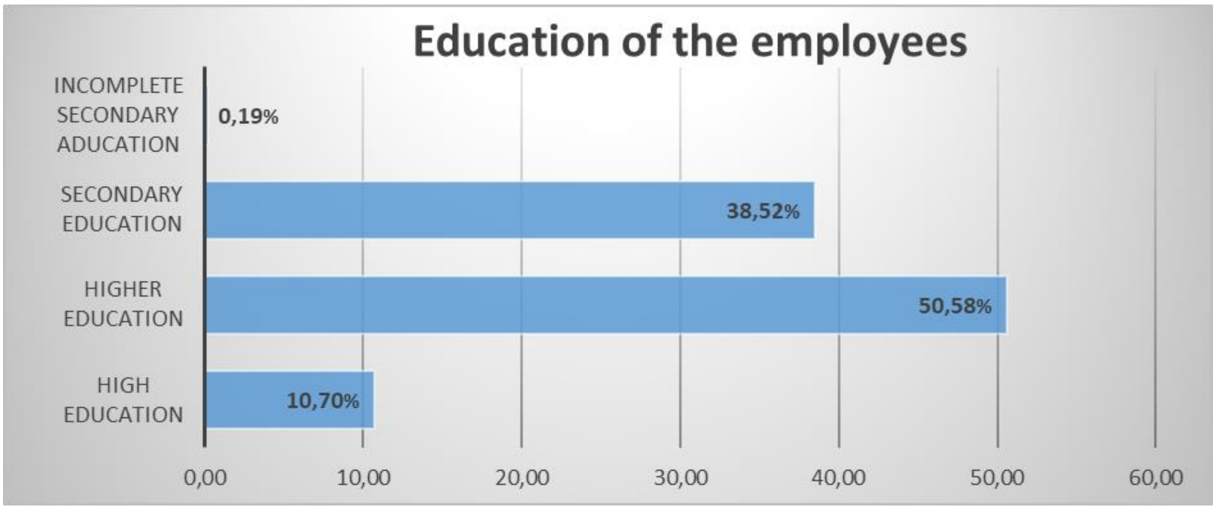
As of 31 December, 2017, 53.2 per cent of the employees of Rokiškio sūris, AB were male and 46.8 per cent - female (52.8 per cent and 47.2 per cent respectfully as of 31 December, 2016).



The average age of the employees of the Group of the Company is 45. In 2016 the average age of the employees was 47.



Education of the employees of Rokiškio sūris, AB Group



Education	31 Dec., 2017	31 Dec., 2016	Change (per cent)
High	165	161	**+1.02**
Higher	780	778	**+0.76**
Secondary	594	633	**-6.16**
Incomplete secondary	3	5	**-40.00**

The Company employs highly qualified employees, including: 10.7 per cent of employees with high education (10.2 per cent in 2016), 50.5 per cent with higher education (49.3 per cent in 2016), 38.5 per cent with secondary education (40.1 per cent in 2016) and 0.01 per cent with incomplete secondary education (0.3 per cent in 2016).

Ethical Employment

When conducting its business, the Company relies on internationally recognised human and workers' rights; the Company considers that the rights are based on the International Bill of Human Rights and the principles of fundamental rights laid down in the Declaration of International Labour Organisation on Fundamental Principles and Rights at Work, the Company applies the principles of socially responsible business, fair and transparent remuneration policy, complies with overtime and working time legislation, honours the right of employees to rest and does not tolerate harassment and violence.

Starting from February 2018, the Company has a documented Policy of Ethical Employment aimed at establishing the standards of conduct promoted by the Company:

On the free choice of employment. We do not tolerate forced, compulsory or involuntary work.
On the freedom of association and the right to collective bargaining. We respect the right of our workers to join or form a trade union of their choice and engage in collective bargaining regarding working conditions. We refrain from any measures restricting the right of the workers; we create possibilities and refrain from interfering with parallel measures for independent and free associations and bargaining.
On health and safety. We provide a safe, hygienic and hazard-free work environment by continuously taking appropriate action to prevent damage to human health in connection with the direct work of the employee, or damage which may arise at work, by mitigating the causes of the hazards that are typical to the work environment. In order to promote safety and health, we seek to involve the workers into the activity by offering safety and health at work training to new and existing employees.

On remuneration and benefits. The workers receive their agreed wages that may not be below the minimum wage established by the Government and/or the subsistence minimum. We refrain from any wage withholdings other than those stipulated in the laws of the RL.

On working hours. We ensure that the working time of the employees complies with the provisions and mandatory legal regulations of the RL on working time and overtime, work breaks, resting hours, holidays, including maternity and paternity leaves.

On discrimination. We do not tolerate discrimination in the spheres of employment, remuneration, education, career and employment relationships. All employees have equal access to personal development and career opportunities.

We do not tolerate employee discrimination based on gender, race, nationality, language, origin, social standing, faith, beliefs or views, age, sexual orientation, disability, ethnicity, religion or other grounds.

On permanent employment. When hiring on a permanent basis, we always offer permanent employment based on official employment relationship established in the laws and the practice of the RL.

On abductive and inhumane behaviour. We do not tolerate ill-treatment, belittlement and insults against employees, he/she can't be subjected to mockery or harassment, he/she can't be coaxed, blackmailed, manipulated or otherwise forced to do anything contrary to the law, conscience or other principles. The employees of the Company are respected and their dignity is protected.
In order to ensure that the commitments are clear and comprehensible, we communicate this policy to all our employees and the parties concerned (as appropriate).
The Management is committed to continuous monitoring of the way in which this policy is implemented in the course of daily activities.
The Company shall not disclose the identity of a person submitting a report; all reports shall be investigated in accordance with the procedure established in the Company.

Equal Opportunities

Starting from October, 2017 the Company has a documented Policy for Equal Opportunities which states that all employees have equal opportunities at work. Employment and hiring procedures are established solely on the basis of personal business characteristics and criteria related to the work in the respective position. In all cases, the focus is on one's ability to perform well.

The Company organises the work in such a way that all social groups are represented in the staff and that every single employee feels respected and is able to use his/her skills to the full extent.

When organising its business activity, the Company seeks to create an environment where individual differences and contributions of all or its employees are acknowledged and appreciated. Every single employee has the right to work in an environment that promotes respect to the dignity of every person.

All employees have access to education, skills development and professional advancement.

The Company organises its business activity in such a way that all employees have access to equal working conditions, skills improvement opportunities, vocational training, retraining, acquisition of work experience and enjoy equal benefits regardless of their gender, race, nationality, language, origin, social standing, faith, beliefs or views, age, sexual orientation, disability, ethnicity or religion.

All employees must comply with this policy in order to ensure equal opportunities and prevent discrimination. Employees must refrain from discrimination, harassment, mockery or threats against other employees based on their gender, race, nationality, language, origin, social standing, faith, beliefs or views, age, sexual orientation, disability, ethnicity or religion, while the latter must not persecute or take other enforcement measures against employees who make unjustified allegations.

Violations of the Procedure shall constitute a breach of job duties. Violators shall be liable under the Labour Code of the Republic of Lithuania. Instances of discrimination identified at the Company shall be immediately referred for investigation to the equal opportunities ombudsman or other competent authorities.

The Company takes measures and ensures that an employee who lodges a complaint regarding discrimination or is involved in discrimination proceedings, or proxies of such a person, or a person who testifies/provides clarifications regarding discrimination is protected against prosecution and hostile conduct or adverse consequences.

Remuneration Policy

Remuneration policy is an integral part of the internal rules of procedure, the collective agreement and the remuneration procedure of the Company which cover internal documents on conducting the business of the Company and internal control standards of the Company.
Responsibility for the implementation of the provisions of the Company is defined in the Internal Rules of Procedure of the Company.

Remuneration policy (work pay procedure) has been approved at the meeting of the Board of the Company, upon the approval of the trade union committee. A remuneration committee has not been formed at the Company.
The internal rules of procedure of the Company in the sphere of ethics and the conflict of interest ensures that the persons concerned are not involved in any processes that might give rise to a conflict of interest, therefore the persons concerned are not involved in remuneration policy-making.
The remuneration package of employees of the Company consists of financial, non-financial and emotional compensation.

The system of financial compensation includes:

1) fixed remuneration for the work performed, i.e. the monthly salary stipulated in the employment contract. Fixed salary forms the principal component of remuneration. The salary of individual employees is determined on the basis of the person’s position and his/her performance.
2) piecework pay – remuneration paid to the workers of production shops and employees of sale department warehouses based on the quantity of actual work and pre-approved rates. The rates are approved by the meeting of the Management of the Company, subject to the approval of the trade union committee. Where dictated by production needs, rate adjustments are approved by order of Director.
3) Variable part of remuneration – paid according in accordance with the provisions of the incentive fund approved in the collective agreement and adopted alongside with the collective agreement. Variable remuneration is calculated based on long-term perspective, thus ensuring that the assessment is based on long-term sustainable profit so that profit-related remuneration is paid with due consideration of the main economic cycles. The variable remuneration of employees is determined by individual employee performance, the employer and the overall profits of the Company. When carrying out the assessment of an employee’s performance, financial and non-financial criteria are taken into consideration alongside with different variables of conduct related to the values of the Company, including the assessment of the employee’s compliance with internal and external regulations. The financial and non-financial criteria which serve as the framework for calculating the variable remuneration are defined in the regulations on the allocation of variable remuneration. For incentive purposes, employees also receive one-off incentive payments under the collective agreement.

Non-financial compensation is a form of indirect compensation which the Company uses to promote the employee involvement effort and loyalty as well as the enrichment of employee well-being and activity in the Company. It includes different corporate events, the expression of acknowledgement and appreciation by awarding exceptional performers, health promotion and employee development.
Emotional compensation is difficult to gauge but it is a strong factor of employee involvement in the activities of the Company which covers the reputation, organisational culture and values of the Company, career opportunities offered by the Company, different internal communication programs carried out by the Company: employees have the opportunity to share their ideas and voice their concerns.

Remuneration System

The Company has an efficient and fair remuneration system in place; the aim of the system is to attract, maintain and motivate employees. All employment contracts with employees of the

Company, including those with the management, have been drawn up in accordance with the requirements of the Labour Code of the Republic of Lithuania. Employees are hired and dismissed in accordance with the requirements of the Labour Code.

Average monthly salary at Rokiškio sūris, AB Group, by employee group

Employee group	Average monthly salary (gross), EUR		Change (per cent)
	31 Dec., 2017	31 Dec., 2016	
Managers	1,878	1,789	4.97
Professionals	948	875	8.34
Workers	911	839	8.58
Group average	**935**	**877**	**6.61**

The average monthly salary is calculated in accordance with Resolution No. 496 of the Government of the RL of 21 June, 2017.
The remuneration paid to the employees of Rokiškio sūris, AB Group consists of:
1) fixed remuneration for the work performed, i.e. the monthly salary stipulated in the employment contract;
2) piecework pay – remuneration paid to the workers of production shops and employees of sale department warehouses based on the quantity of actual work and pre-approved rates;
3) Variable part of remuneration – based on the provisions of the incentive fund approved in the collective agreement.
The remuneration procedure which the Company has introduced in 2004 and applies to this day establishes the variable components of pay which depend on the performance of the Company, market situation and other factors. The variable components of pay are allocated for every department in accordance with the approved functional management system. The remuneration procedure is approved by the CEO of the Company.

Every manufacturing shop or department of the Company has an approved procedure for the distribution of incentive fund which provides for the assessment criteria and employee incentives. The assessment of employee performance is one of the key tasks of the Company in order to ensure efficient work organisation with the view of achieving the set objectives, building positive relationship between managers and their subordinates and facilitating employee motivation.

Trade Union

Employees of the companies of the Group have the right to be involved in trade union activity. A trade union committee has been formed in the companies; the committee defends the labour, economic, social rights and interests of its members, protects members’ right to employment, social guarantees, takes care of professional skills development, forms professional ethics and seeks to ensure better pay and other income for employees in the food sector.

Labour Council

In the end of 2017 the Company initiated the election of a Labour Council. The 11-member Labour Council has been elected at the Company since 2018. The Council has been formed for a term of three years, commencing from the start of the mandate of the Council.

Collective Agreement

A collective agreement is in place at the Company. The agreement has been made between Director of Rokiškio sūris, AB and Chairman of the trade union committee of Rokiškio sūris, AB Professional Union of Employees in the Food Sector. The purpose of the collective agreement is to create conditions for coherent staff activity, ensure that the standards of work, remuneration, safety and health at work as well as other working conditions for different categories of employees are above those set forth in the laws, Government decrees and legislation of the Republic of Lithuania and create better work and social guarantees to employees of the Company.
The collective agreement provides for the following additional social guarantees:

- Employees raising children with disability receive an annual allowance in the amount of 1 minimum monthly salary;
- In the event of a death of a family member (spouse, parent, child), employees receive a funeral allowance;
- In the event of a death of an employee, his/her family receives a lump sum funeral allowance
- Employees receive additional allowance on the occasion of important anniversaries (20, 25, 30, 35, 40, 45, 50 years of age);
- Allowance is paid to employees of the Company suffering from serious or long-term illness as well as those who have been injured at work;
- Employees of the Company, employee family members and retired former employees of the Company receive discounted treatment at the health resort of the Company;
- Employees who have reached the age of retirement and retire from service receive a severance compensation the amount whereof is higher than that provided for in the Labour Code of the RL;

The rights and duties of the employees of the Company are established in their job descriptions. Employment contracts do not provide for special rights and duties.

Development of Competences

The development as well as the improvement of special and general skills of human resources is one of the key priorities at Rokiškio sūris, AB because only the well-educated employees possessing appropriate knowledge and experience are capable of creating a high-quality product. Development plans are drawn up on a yearly basis based on the objectives of the Company and the relevance of employee competences for their achievement. Employees of the Company are offered opportunities to improve their knowledge and skills by attending various training courses, seminars and conferences; the Company also supports employees who seek to receive vocational training at the country's universities, colleges or other education establishments offering a qualification degree. There is a strong focus on the learning of foreign languages.
Rokiškio sūris, AB also offers special training courses to the country's farmers so that they can successfully manage the health of their herd, ensure proper maintenance of their milking, cooling and storage equipment and modernise their milk farms. State-of-the-art milk farms, milk quality and herd health are crucial for the success of the dairy business.

Organisational Structure of the Company and Relations with Employees

In order to facilitate bonds with its employees, in the summer of 2017 the Company organised a festival of families of production employees which has since turned into a traditional event where families demonstrate their skills in sports, singing, quiz contests and other competitions.
The Company also arranges a number of other traditional festivals, e.g. off-site Christmas concerts and New Year celebrations.

EMPLOYEE SAFETY AND HEALTH

Employee safety and health is everybody's concern. It is a set of preventive measures that the Company applies in order to protect employability, health and life at work of employees.
The Company has approved the Procedure for Employee Briefings on Safety and Health. At the time of their hiring, employees of the Company receive introductory briefing on employee safety and health. Employees are briefed about the activities of the Company, the organisation of employee safety and health, occupational risk factors at the Company, personal hygiene requirements and accident reporting procedure, traffic regulations in the territory of the Company and inside production units. The briefing is carried out by employee safety and health specialists. Unit managers provide on-site briefing at the workplace. Employees receive information about the workplace, work equipment, occupational risk factors at the specific workplace and safe methods of performing specific works, technological and production operations. Scheduled employee safety and health briefing at the workplace is carried out on a yearly basis. Employees receive additional safety and health briefing at the workplace in accordance with the procedure established in the briefing procedure. Employees receive additional briefing in accordance with the briefing procedure approved by the Company.
Employees of the Company are exposed to dangerous work and operation of potentially dangerous machinery. Therefore the employees who perform dangerous works or operate potentially dangerous machinery are trained at the Company, or undergo training by vocational training providers in accordance with a training and knowledge testing procedure approved by the Company. The assessment of occupational risk at the workplace is carried out, taking into account the compliance of work equipment and working conditions with employee safety and health requirements. Employees are provided with personal protective equipment designed to protect against the impact of risk factors. The provision, storage, drying and laundering of personal protective equipment is organised in accordance with the procedure established by the Company.
The Company organises mandatory medical checks in accordance with the procedure laid down in the laws. At the time of their hiring, individuals must undergo a medical check for communicable diseases and occupational risk factors. In accordance with the procedure laid down in the laws, medical checks are mandatory for employees exposed to dangerous works and operators of potentially dangerous machinery. Employees must undergo periodic medical checks during the period of their employment at the Company.
Employees of the Company receive briefing on fire safety matters. Introductory fire safety briefing at the time of hiring as well as periodic yearly briefing is a responsibility of unit managers. The briefing is carried out by unit managers.
Where employees of other undertakings work at the Company (perform works or provide services under contract), they are briefed in accordance with a description of the procedure for co-operation and coordinated action.

In an effort to mitigate ergonomic risk factors, the Company carries out the modernisation of its work equipment. All workplaces are being robotised, technically obsolete machinery is being replaced with new one and work equipment is being automatized. The maintenance of potentially dangerous machinery is carried out in accordance with the Law on the Maintenance of Potentially Dangerous Machinery.

COMMUNITY

Internship Opportunities

The Company co-operates with universities and education establishments and offers their students internship opportunities every year. 9 students from different education establishments completed their internship at the Company in 2017.

Environment Clean-up Action

In 2017 employees of the Company and their family members took part in the voluntary public action “Let’s Do It”.

Blood Donation

In 2017 employees of the Company participated in blood donation action and thus contributed to the effort aimed at saving the health and life of ill people.

Sponsorship

The Company seeks to preserve the status of a reliable social partner by making a contribution to addressing social challenges of our society and supporting various establishments, organisations or their projects; the Company also contributed to the promotion of different initiatives by sponsoring various cultural events and supporting the local community, sports development projects and by improving the living environment of socially sensitive groups of the society.

ENVIRONMENT

Environment protection is one of the spheres of activity in the framework of the social – economic responsibility policy of Rokiškio sūris, AB. Environmental measures are funded in co-operation with the European Agricultural Fund for Rural Development and the Lithuanian Environmental Investment Fund. Our environmental objective is continuous reduction of adverse impact on the environment by implementing pollution prevention measures; conservation of natural resources.

Informing the Public

When planning for new business activities as well as the development and re-organisation of existing business activities, the Company acts in accordance with the Law on the Assessment of the Impact of Proposed Business Activities. The most recent submission of information was in 2015, it was announced in mass media (press, information notice, the Internet).

There was no development planning activity in 2017. All current information on the achievements, plans and news of the Company is announced in the regional newspaper Gimtasis Rokiškis on a regular basis.

By informing the public about planned changes and our achievements, we ensure the right of the public to be informed about major developments.

Protection of Ambient Air

An inventory of the existing stationary pollution sources has been drawn up, the sources are operated under the integrated pollution prevention and control permit issued by the Environmental Protection Agency.
In 2017 the emissions to the ambient air did not exceed the established annual permissible emission standard. The following environmental measures are used to ensure good ambient air quality:

- In an effort to reduce the possibility of undesired odour, waste is treated with a biodegrading agent during waste management process;
- Bio-filters are used to treat undesired odours created during wastewater treatment process;
- Solid particles (lactose particles) are returned to the product in the production line, and the exhaust air is filtered;
- Vehicles are replaced with new ones that have better emission characteristics.

In order to control emissions of nitrogen oxides from the cheese smoking facility, the Company carries out the monitoring of emissions from stationary pollution sources. In 2017 the annual emissions were within permissible limits.

Protection of Waters

The industrial wastewater generated during milk processing is treated using our own bio-treatment plant with nitrogen and phosphorus disposal. Bio-degraders are installed in the buffer tank to prevent undesired wastewater odour.

A pollution measuring device has been acquired to monitor industrial wastewater pollution. Wastewater purification indicators are very high:

BDS_7 – 99.8 per cent
Materials in suspension -98.9 per cent
Total nitrogen – 97.1 per cent
Total phosphorus – 98.4 per cent
Fats – 99.7 per cent

The water remaining during whey processing is purified by filtering, using reverse osmosis method. Part of the water is used for sanitary needs to conserve ground water resources. Reverse osmosis is also highly efficient: BDS_7 – 97.2 per cent.
We monitor the releases containing treated wastewater; we also monitor the wastewater receiver (Alsetos lake) for water status control purposes. In 2017 the annual pollution indicators of our releases were within the established limits. No adverse impact on Alsetos lake has been found.

A state-of-the-art 18 m^3 Volvo asenization car has been acquired to purify the wastewaters generated at milk procurement units. Once the wastewater is transported to our site, it is purified in our own bio-treatment plant.

The surface wastewater collected in the territory is purified in sand and oil precipitators. In 2017 the concentration indicators of the releases were within the permissible limits. Surface wastewater is released into the rainwater networks of the town under contract.

Protection of Groundwater, Soil and Ground

Rokiškio sūris, AB operates two petrol stations. One is located in the town of Rokiškis in the vicinity of the Company, and the other one is in Obeliai village (15 km from Rokiškis). Groundwater monitoring programmes are in place. No contamination with oil products has been found.

Under an approved pollution management program, the sludge from wastewater purification in our biological wastewater treatment plant is used as farming field fertiliser in Rokiškis district. The analysis of wastewater sludge has shown that it is a high-value fertiliser product meeting the requirements of class A category I. 8,306 tonnes of wastewater treatment sludge have been used as fertiliser; 695 hectares of land were needed for this purpose.

We have no data about soil or ground contamination.

Waste Management

The activity of Rokiškio sūris, AB generated 9,163 tonnes of waste in 2017. This included 27.3 tonnes of hazardous waste. 79.9 tonnes of packaging waste have been delivered to secondary raw material managers. Wastewater treatment sludge accounts for most of the waste (8,531 tonnes). We are a registered wastewater sludge manager entered in the state register of waste managers. Wastewater sludge is used as farming field fertiliser. The rest of the waste is handed-over to authorised waste management undertakings under contract. We keep waste record books and compile relevant reports.

The Use of Chemical Substances

For sanitary and food safety purposes, the processes of milk processing involve the use of washing and disinfection substances. Using technical innovation, automatic washing stations (CIP) have been installed in most of the processes. Efforts are made to use less hazardous or even non-hazardous chemical substances or mixtures. Only authorised chemical substances are used in technological processes, strict accounting and control procedure is in place. Updated safety data sheets are available for all chemical substances and preparations that we use.

The Consumption of Natural Resources and Raw Materials

Rokiškio sūris, AB extracts groundwater and uses it for production purposes. The water extraction plant has been registered, the water resources have been approved, accounting and control of the resource consumption is in place, reports are forwarded in accordance with the established procedure.

791.5 thousand cubic meters of groundwater have been extracted in 2017. Groundwater monitoring system is in place. The groundwater consumption volume does not pose a risk to the aquifer of the water extraction plant, no adverse environmental impact or contamination has been found. We buy a part of the necessary water supply from Rokiškio vandenys, UAB. In an effort to reduce the consumption of natural resources, we conserved 80 thousand cubic meters of water by using purified water. Water condensate collection system is under expansion.

In an effort to reduce fuel consumption and the discharge of atmospheric pollutants, the vehicle fleet is being gradually upgraded, outdated vehicles are being replaced. 54 vehicles have been acquired and 48 have been written-off or sold in 2017. Vehicle fuel consumption limits have been introduced, consumption records are being kept and routes are being optimised in order to conserve fuel.

In an effort to conserve natural resources, product packaging is organised to minimise the use of packaging. In co-operation with our customers, we continuously explore the possibilities of using less packaging.

ANTI-CORRUPTION

Since February, 2018 the Company has a documented Business Ethics Policy that reflects the Company's position on corruption. The Company does not tolerate any kind of corruption or the manifestations thereof, the business activity of the Company is based on the principles of responsible, transparent, fair and reliable business practice.
Responsibility. The Company conducts its business in a responsible way.
Transparency. The Company complies with the requirements of the effective laws of the Republic of Lithuania, willingly co-operates with the authorities and, where necessary, provides the information required by law.

Fairness. The employees of the Company must carry out their functions and perform their work in a fair and transparent manner; they must respect the principles of impartiality, precedence of the Company's interests, lawfulness and confidentiality.
Reliability. In order to earn the trust of its partners, shareholders, suppliers, customers and employees, the Company does not tolerate any form of corruption.
The Business Ethics Policy approved by the CEO (hereinafter – the Policy) is in place at the Company; it contains a clear and public declaration of the negative attitude of the Company on bribery and corruption. The provisions of the Policy apply to all employees, agents, intermediaries, suppliers and sub-contractors of the Company.
In an effort to implement the Policy, when developing the relationship with its business partners, suppliers and customers the Company seeks to prove itself as a reliable partner and does not tolerate any form of corruption. The Board of the Company publicly voices its firm support for anti-corruption measures. Bribes or the offering or accepting of any payments is prohibited.
Any breaches or suspected breaches of the Policy must be reported to the manager; they can also be reported in confidence using one of the following channels: www.rokiskio.com website, or phone number 8458 55302.

The Company shall not disclose the identity of the person submitting a report; all reports shall be investigated in accordance with the procedure established by the Company.

There were no corruption-related incidents in the Company.