



**HALF YEAR 2017
CONSOLIDATED REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
OF AB ROKIŠKIO SŪRIS**

TABLE OF CONTENTS

GENERAL INFORMATION.....	3
1. REPORTING TERM OF THE SUBMITTED ANNUAL REPORT	3
2. KEY INFORMATION OF THE ISSUER.....	3
3. INFORMATION ON THE ISSUER'S DAUGHTER ENTERPRISES AND SUBSIDIARIES	3
4. CHARACTERISATION OF BASIC OPERATIONS OF THE COMPANY AND ITS DAUGHTER ENTERPRISES	4
5. STRATEGY AND TRAGETS OF THE GROUP	4
INFORMATION ON THE OPERATIONS OF THE COMPANY AND THE GROUP	5
6. BUSINESS OPERATIONS	5
7. RISK FACTORS ASSOCIATED WITH THE ISSUER'S OPERATIONS.....	10
8. ENVIRONMENT PROTECTION.....	14
9. FUTURE PLANS, FORECASTS AND INVESTMENTS ENVISAGED IN 2017	15
RESULTS OF FINANCIAL PERFORMANCE	15
10. KEY RATIOS OF THE COMPANY PERFORMANCE, AND THEIR DYNAMICS	15
INFORMATION ON THE COMPANY'S AUTHORISED CAPITAL AND TRADE IN THE COMPANY'S SECURITIES.....	17
11. INFORMATION ON THE COMPANY'S AUTHORIZED CAPITAL.....	17
12. PROCEDURE FOR AMENDMENTS OF THE ARTICLES OF ASSOCIATION.....	17
13.CONTRACTS WITH FINANCIAL BROKERS	18
14. TRADE ON ISSUER'S SECURITIES BY STOCK EXCHANGE AND OTHER ORGANISED MARKETS	18
15. CAPITALIZATION AND TURNOVER OF SECURITIES	20
16. LIMITATION ON TRANSFERENCE OF SECURITIES:	21
INFORMATION ON THE COMPANY'S SHAREHOLDERS AND SHARES	21
17. SHAREHOLDERS	21
18. SHAREHOLDERS' RIGHTS	22
19. SHAREHOLDERS WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF THE RIGHTS.	23
20. OVERALL LIMITATIONS OF VOTING RIGHTS.	23
21. OVERALL AGREEMENTS BETWEEN SHAREHOLDERS.....	23
22. INFORMATION ON PURCHASE OF ISSUER'S OWN SHARES.....	23
23. DIVIDENDS PAID.....	23
COMPANY MANAGEMENT.....	23
24. MANAGEMENT BODIES OF THE ISSUER.....	23
25. COMMITTEES FORMED IN THE COMPANY	28
26. EXECUTIVE MANAGEMENT OF THE COMPANY	29
INFORMATION ON TRANSACTIONS WITH ASSOCIATED PERSONS AND SIGNIFICANT AGREEMENTS	34
27. TRANSACTIONS WITH ASSOCIATED PARTIES.....	34
28. INFORMATION ON SIGNIFICANT AGREEMENTS	34
29. INFORMATION ON HARMFUL TRANSACTIONS MADE IN THE NAME OF ISSUER.....	34
30. SIGNIFICANT EVENTS OF THE ISSUER OR THE GROUP AFTER THE END OF FISCAL YEAR.....	35
31. INFORMATION ON OBSERVANCE OF THE COMPANY MANAGEMENT CODEX.	38
32. CONSOLIDATED BALANCE SHEET.....	39
33. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	40
34. CONSOLIDATED CASH FLOW STATEMENT	41
35. CONSOLIDATED OWN CAPITAL CHANGE STATEMENT	42
36. COMMENTARY ON THE REPORT	43

GENERAL INFORMATION

1. Reporting term of the submitted annual report

The consolidated half year report and consolidated financial statements are prepared for six month period of the year 2017.

2. Key information of the issuer

Name of the issuer:	Rokiskio suris AB (hereinafter “The Company”)
Legal base:	Public Limited Liability Company
Date and place of registration:	February 28, 1992, State Company Registry Center
Company code:	173057512
Address	Pramones str. 3, LT 42150 Rokiskis, Republic of Lithuania
Administration of registry of Legal Bodies:	State Company Registry Center
Telephone:	+370 458 55 200
Fax:	+370 458 55 300
E-mail address:	rokiskio.suris@rokiskio.com
Website:	www.rokiskio.com
ISIN code:	LT0000100372
LEI code:	48510000PW42N5W74S87
Share trading code: AB Nasdaq Vilnius	RSU1L

3. Information on the issuer's daughter enterprises and subsidiaries

As at June 30, 2017, the consolidated group (hereinafter the “Group”) consists of the Parent Company Rokiskio suris AB, its two subsidiaries, and four daughter enterprises (in 2016: two subsidiaries, five daughter enterprises).

Rokiskio suris AB (company code 173057512, Pramonės street 3, Rokiskis LT-42150).

Subsidiaries of Rokiskio suris AB:

Rokiskio suris AB subsidiary Utenos pienas (company code: 110856741, Pramonės str. 8, LT-28216 Utena);

Rokiskio suris AB subsidiary Ukmergės pieninė (company code: 182848454, Kauno str. 51, LT-20119, Ukmergė).

Daughter enterprises of Rokiskio suris AB:

Rokiskio pienas UAB at legal address of Pramonės str. 8, LT-28216 Utena. Company code: 300561844. Rokiskio suris AB is its founder and the only shareholder of Rokiskio pienas UAB holding 100 per cent of shares and votes.

Rokiskio pieno gamyba UAB at legal address of Pramonės str. 8, LT-28216 Utena. Company code: 303055649. Rokiskio suris AB is its founder and the only shareholder of Rokiskio pieno gamyba UAB holding 100 per cent of shares and votes.

Latvian company SIA Jekabpils piena kombinats (company code 45402008851, legal address: Akmenu iela 1, Jekabpils, Latvija LV-5201). Rokiskio suris AB holds 100 per cent of shares and votes.

Latvian company SIA Kaunata (company code 240300369, legal address Roga street, Kaunata pag., Rezeknes nov., Latvia). Rokiskio suris AB holds 40 per cent of the company's shares and Rokiskio pienas UAB holds 20 per cent of the company's shares.

4. Characterisation of basic operations of the Company and its daughter enterprises

Basic business of the group of Rokiskio suris AB:

- ***Dairying and cheese production (EVRK 10.51);***

Rokiskio suris AB:

Basic business of Rokiskio suris AB is production and sales of fermented cheese, whey products, and skim milk powder.

Branches of Rokiskio suris AB:

Basic business of Rokiskio suris AB subsidiary Utenos pienas and Rokiskio suris AB subsidiary Ukmerges pienine is purchase of raw milk.

Daughter enterprises:

Basic business of Rokiskio pienas UAB is sales of short shelf life dairy products and fermented cheese.

Basic business of Rokiskio pieno gamyba UAB is production of short shelf life dairy products (fluid milk, kefir, sour milk, butter, curds, fresh cheese, sour cream, chocolate coated curd desserts, desserts).

Basic business of SIA Jekabpils piena kombinats – purchase of raw milk.

Basic business of SIA Kaunata – purchase of raw milk.

5. Strategy and targets of the Group

The performance of AB Rokiskio suris is guided by a three year strategic plan whose main provisions are set forth as follows:

MISSION:

Rokiskio suris AB = Reliable Professionals in the Dairy Industry.

STRENGTHS:

- Financial stability
- Attractive employer
- Sustainable management team
- Well known and esteemed brand

LONG-TERM OBJECTIVES:

- To be a leading company of the sector in the Baltic countries
- To maintain the name of attractive employer further emphasizing the following
 - Corporate image/recognition;
 - Social guarantees for employees;
 - Decent partnership with raw materials' suppliers.

To reach the above targets it is essential to:

- develop cooperation with strong international partners;
- make more effective production procedures in order to reach highest quality at minimal cost;
- ensure steady supply of raw milk by improving cooperation with raw milk suppliers and aiming to have higher trust in the company.

INFORMATION ON THE OPERATIONS OF THE COMPANY AND THE GROUP

6. Business operations

The Public Limited Liability Company Rokiskio suris is a good example of a successful business proving that cohesion, assiduous aspiration towards a common goal, and a professional approach enable the company to survive critical situations. Moreover, the company, having learned from its mistakes each time, can present new challenges to its competitors. Rokiskio sūris can undoubtedly boast the richest history amongst all of Lithuania's dairies. Over the years the company has established its name as a strong and reliable partner not chasing the short-term advantage, but instead creating strong long-term relationships with business participants, consumers, clients and employees. Herein traditions merge with the most modern production technology in order to supply markets with high quality, valuable and healthy products.

The company's operations cover purchase of raw milk, production of various dairy products and their sales to the local and export markets.

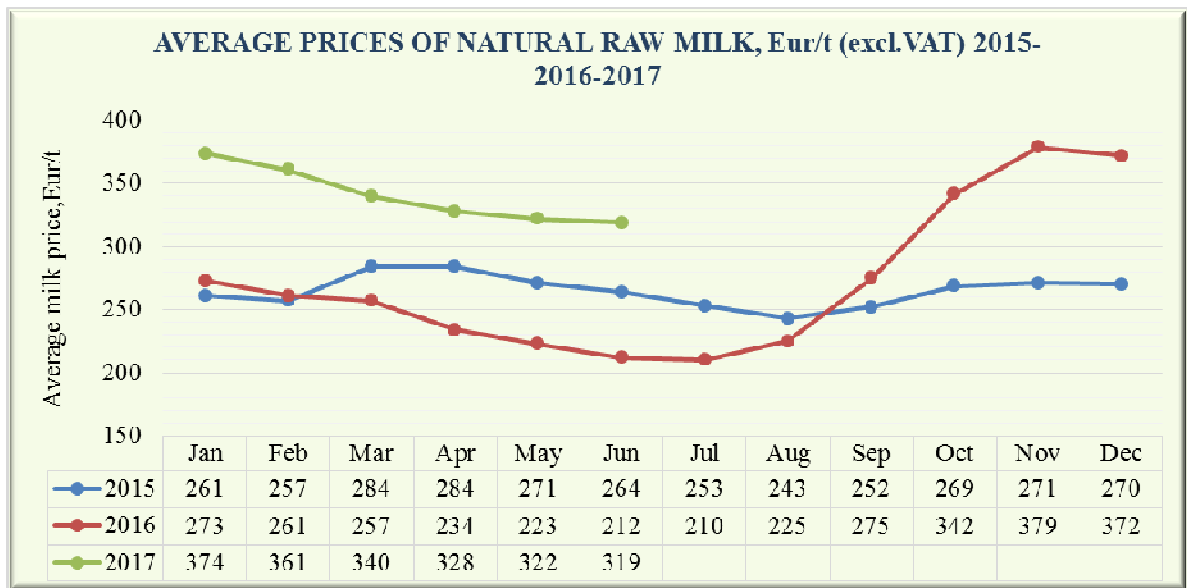
Purchase of raw milk

Based on preliminary data of the Ministry of Agriculture (ŽŪMPRIS), during half year 2017 in Lithuania it was bought 651.9 thousand tons of raw milk of natural fat content, i.e. less by 2.1 per cent compared to the same period of 2016 when it was bought 666.01 thousand tons. Some dairy farms decreased their herds in line with the EU plan for dairy herd reduction announced in

summer 2016. This scheme involved 48 thousand EU farms of which 2 thousand farms are Lithuanian.

According to the data of Agricultural Information and Rural Business Centre at the Ministry of Agriculture, as at 01/07/2017 there were 284.7 thousand cows in Lithuania which is less by 5.2 per cent compared to 01/07/2016 (300.5 thousand cows). Lack in Lithuanian raw milk impacts raw milk prices. The average raw milk (of natural fat content) price paid to farmers supplying over 40 tons per month reached 324.4 eur/t which is more by 55.2 per cent compared to the same period of 2016 (in June 2016 – 209 eur/t).

The chart below shows prices of raw milk paid by the Group to large farmers with the farms of European size delivering over 40 tons raw milk per month during 2015-2016-2017.



The average prices of natural raw milk in January-June 2017 were considerably higher compared to the same period of 2016, and they increased from 32.3 per cent to 50.5 per cent. The highest increase of raw milk purchase prices (around 50.5 per cent) happened in June compared to June 2016.

Dairy produce

The Group’s production is developed in the towns of Rokiškis (Rokiskio suris AB), Utena (Rokiskio pienas UAB) and Ukmerge (Rokiskio pienas UAB subsidiary Ukmergės pieninė).

- Specialization of Rokiskis production plant – production and sales of fermented cheese and whey products.
- Specialization of Utena production plant – fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
- Specialization of Ukmerge production plant – curd and curd cheese production.
- Specialization of Rokiskio pienas UAB – sales of the Group’s products in Lithuania, Latvia and Estonia. The company also sells dairy products produced in other foreign companies.



The cheese produced by Rokiskio suris AB comprises of fresh, semi-hard and hard cheese.

The group of fresh cheese includes Cagliata (various fat content and weight), and Mozzarella.

The group of semi-hard cheese includes the following products: Rokiškio sūris (various fat content and weight), Saulės sūris, Lietuviškas, Gouda, Sūris Visiems, Naminis, Žaloji karvutė, Tikras etc.

Hard cheese group is made of Kietasis suris (various fat, moisture content and weight), Montecampo and Gojus. The production of long term maturing hard cheese ROKISKIO GRAND was implemented by

technology experts of Rokiskio suris AB in assistance with an Italian cheese expert Angelo Frosio. Hard cheese of GRANA type including Rokiskio GRAND is distinguished for its matured, intense, and piquant taste. The production procedure is time consuming and it requires knowledge and investment. Such cheese may be made only by high technological profile company with a team of skilled experts.

The production of long term maturing hard cheese ROKISKIO GRAND is further developed, it is packed in various weight packaging. In the production of fermented cheese it is used double bactofuge.

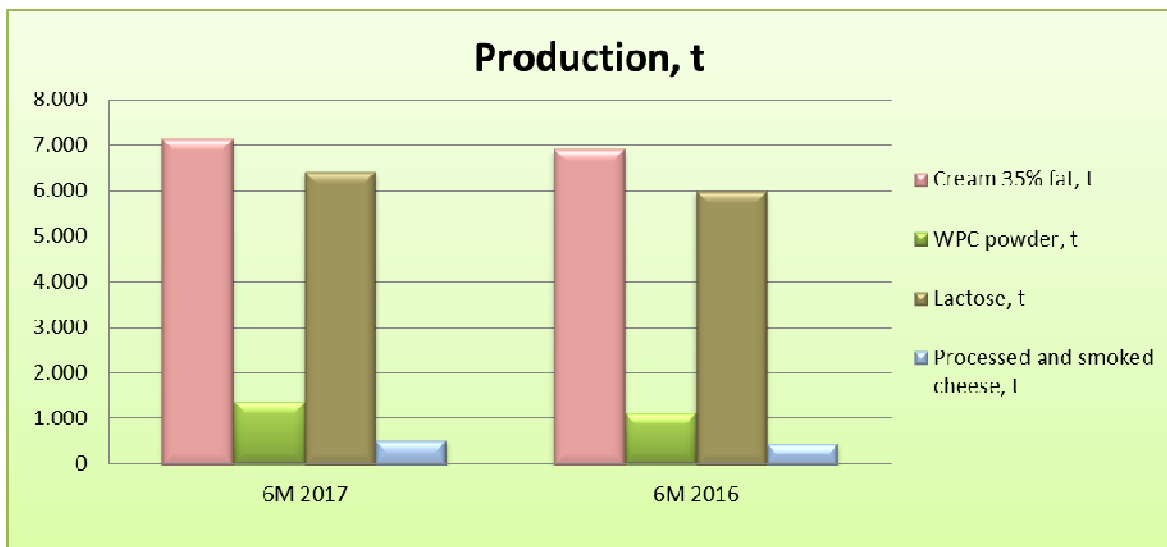
Besides the main production of fermented cheese, Rokiskio suris AB produces liquid whey protein concentrate (WPC-34 and WPC-45) which is followed by the production of WPC powder, and also milk sugar (lactose), processed cheese, and smoked cheese.

In the first half year 2017, Rokiskio suris AB produced more fermented cheese by 17.8 per cent compared to the same period of 2016, and the production of cream increased by 3.5 per cent. The main reason why quantities of cheese increased was ceased production of skim milk powder. In terms of production of individual groups of cheese, it is noted that production of hard cheese decreased by 13.0 per cent, production of semi-hard cheese decreased by 6.1 per cent, and production of fresh cheese increased by 26.3 per cent.

In regards with the production of whey products in the first half year 2016 and 2017, the production of lactose and whey protein concentrate increased, relatively more by 7.1 per cent and 23.1 per cent. It was caused by higher quantities of fermented cheese.

The following table and chart represent changes in the production of Rokiskio suris AB

Production / Year	Half year 2017	Half year 2016	Change, %
Fermented cheese, t	17 575	14 923	17.8
Cream 35% fat, t	7 151	6 914	3.4
WPC powders, t	1 370	1 113	23.1
Lactose, t	6 426	6 000	7.1
Processed and smoked cheese, t	522	447	16.8



Rokiskio pieno gamyba UAB

Rokiškio pieno gamyba UAB specializes in the production short shelf life dairy products, i.e. fluid milk, sour milk, kefir, cream, curds and fresh cheese, chocolate coated cheese bars, yogurts, butter for the local market, also the company provide service to Rokiskio suris AB producing the products for export such as butter, cream, WPC (whey protein concentrate) 34 and 80, and skim milk powder. In the plant there is a newly mounted line for the production of WPC 80. The production of this product is implemented in cooperation with the New Zealand dairy cooperative Fonterra.

In 2016, the plant started production of new yogurts enriched with oats. In the first half year 2017, the reconstruction of fresh dairy product plant was completed. New packaging equipment Elopak was bought which allows aseptic packaging of dairy products and prolonged shelf life of the products. Within six months 2017, the production of fresh dairy products remained on the same level as in the same period last year.

In terms of the group, raw material was firstly directed to the production of fermented cheese. In addition, purchase of raw milk decreased by 4.7 per cent.

Production in tons

Production / Year	Half year 2017	Half year 2016	Change, %
Fresh dairy products, t	23 734	23 935	-0.8
Dry milk products, t	1 464	6 052	-75.8

Rokiskio pieno gamyba UAB Subsidiary Ukmergės pieninė

Specialization of Ukmerge production plant –production of curds, flavoured fresh cheeses, curd cheese, chocolate coated cheese bars, processed cheese, fermented cheese, soft non-matured cheese and blue cheese.

In order to implement the targets set for 2017, it will be installed a new milk separator and raw milk purification system.

New premises are equipped in order to separate the production of blue cheese.

The following table represents changes in the production:

Group of products	Half year 2017	Half year 2016	Change, %
Curds and curd products	2513	2246	11.9
Fermented cheese	38	49	-22.4

Sales and marketing

As is the case each year, the largest share of the company's produce is exported. Production of Rokiskio suris is exported to 37 countries. The main and major buyer of the production is Italy. Also, big part of production goes to S. Korea, New Zealand, the Netherlands. In the first half year 2017, the group's export made 66 per cent of total sales.

As in the previous years, the largest sales of the group on the export market are in regular products – butter, cream, milk powder and complementary products obtained in the manufacturing process of cheese – WPC and lactose. In the first half year 2017, the group started sales of lactose to China, and it is planned to sell frozen Mozzarella in the second half year. Fresh cheese (Cagliata and Mozzarella) continues to be exported, mainly to Italy, Netherlands, Spain, and S.Korea.

In the beginning of 2017, dairy prices continued to raise, especially butter. In terms of fats, in the first half year 2017 the company mainly produced butter, and the sales of cream were very low. It happened because of rapid jump of butter price compared to cream, i. e. it was more profitable for the company to produce and sell butter rather than cream. In addition, Europe lacked the product and it increased demand and price of butter. Therefore, the increased sales in Europe in the first half year were because of the higher butter sales to these countries.

Meanwhile, butter demand in the Middle East dropped because of significant decrease of buying power, and the local processing companies were forced to replace butter by vegetable oils.

Total export sales to the US were decreasing. In the beginning of 2017 as compared to the first half year 2016, the export to the USA decreased by 50 per cent due to low prices for cheese and high cheese stocks in the US market as well as low currency exchange ratio.

In January-June 2017, the Group's consolidated non-audited sales made kEUR 122,699, i.e. increased by 26.36 per cent compared to the same period 2016. In Jan-Jun 2016, the consolidated sales made kEUR 97,106.

The Group remains the second largest local market player with 24% of market share. In all main product categories the Group is the first or the second on the market, yet the picture of desserts is slightly different, and the Group has weaker positions in this product category. Rokiskio Group is strongest in the category of sour products (kefir, whey butter), cheese, processed cheese, sour cream, and butter.

In the first half year 2017, the Group's sales in Lithuania made EUR 42 million, i.e. increased by 6.6 per cent compared to the same period 2016. Average dairy prices increased by 9.3 per cent compared to the first half year 2016. Such increase was caused by higher prices of raw milk.

The increase of sales in general was caused by recovered dairy prices in world markets. Butter and fresh fermented cheese prices increased significantly in export markets in the first half year 2017 compared to 2016 (up to 49 and 44 per cent respectively). Also, prices for lactose and whey protein concentrate increased by 51 per cent.

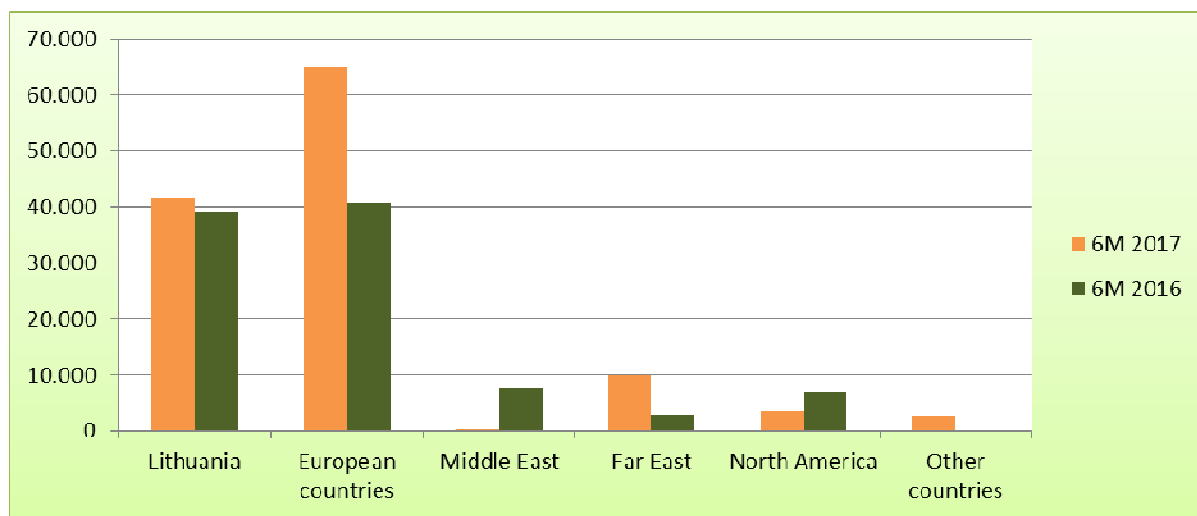
As the sales grew, stocks decreased significantly in warehouse (up to 50 per cent).

In the first half year 2017, the Group's consolidated non-audited net profit made kEUR 844. Meanwhile, in the first half year 2016, the group had a loss of kEUR 1,902.

The main reason which caused better results of the Group in the first half year 2017, compared to the same period 2016, was recovery of world dairy market in the second half year 2016 after two year dairy industry crisis. Consequently, the production sales and prices increased.

Group's sales according to markets

Countries	Sold				
	Jan-Jun 2017		Jan-Jun 2016		Change
	kEUR	%	kEUR	%	
Lithuania	41 582	33.89	39 015	40.18	6.60
Europe	65 075	53.03	40 809	42.02	59.46
Middle East	270	0.22	7 552	7.78	-96.42
Far East	9 778	7.97	2 735	2.82	257.51
North America	3 481	2.84	6 996	7.20	-50.24
Other countries	2 513	2.05	-	-	
Total:	122 699	100	97 107	100	



7. Risk factors associated with the issuer's operations

The risk shall be understood as a hindrance to achieve the set targets due to potential events or their possible impact on business. The Company's objectives also include long-term strategic goals and specific actions related to the operations. The Company's Management is responsible for managing the Company's risks and assessment of negative impact on the set targets and outcomes. The identification of specific risk and 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. The risk management is integrated in the Company's operational processes, therefore the potential risk is under permanent monitoring and evaluation.

Economic risk factors:

Negative factors related to raw milk production:

- a) Reduction of the number of cows in Lithuania. In accordance to the data of the Register of Farm Livestock managed by the Agricultural Information and Rural Business Centre (ŽŪIKVC), as at 1 July 2017, the number of cows registered in Lithuania amounted to 284.8 thousand, which is 5.22 per cent less than in the same period of 2016 (300.5 thousand).
- b) Sizes of dairy farms. The dairy farms in Lithuania are predominantly small-sized. A large number of milk suppliers and their spread over a wide region result in the increased costs of milk quality testing, milk collection and transportation, and accounting. Moreover, small-sized dairy farms cannot ensure adequate and stable quality of milk and complicate investment into dairy farm industry. An average Lithuanian dairy farm is one of the smallest in the EU, because 95 per cent of the industry comprises farms with 1-20 heads.
- c) Seasonal nature of milk production. The seasonal nature of milk production in Lithuania is rather distinct – the summer milk yield of the dairy farms is 1.6 times higher than the winter yield (EU average is 1.2 times higher). This reduces the efficiency of the dairy processing companies, the capacity utilisation degree of the equipment and demand in workers during the off-season.
- d) Productivity of dairy cows. The winter productivity of cows is determined by the cow herds with insufficient genetic potential and prevailing inadequate feed base.
- e) Unstable state regulatory instruments in the dairy industry. The process of creation of the dairy farms based on household business was and still is rather slow. Absence of consistent national policy for the development of this sector, frequent modifications of the assistance conditions and volumes, concentration on the milk prices instead of support of investments, have exerted a negative impact on the development of the farms and improvement of the veterinary and sanitary conditions.
- f) Partial regulation of the milk purchase prices, requiring that all farmers in the country, independent of the quality of raw milk supplied, are paid the same price.

In order to diminish potential risk and its impact, the company pays additionally to raw milk suppliers for long term relationship, their loyalty, higher rate of qualitative parameters of milk, well-balanced seasonality of raw milk production.

Negative factors related to sale of products:

- a) Diminishing purchasing power of the Lithuanian residents;
- b) Polish products on the Lithuanian market with lower prices determined by higher production volumes;
- c) Strong competition both on the domestic and export markets;
- d) Use of cheaper ingredients instead of dry milk products;
- e) Instability of product prices on the export markets;
- f) Lack of the Government's attention to the business and regional development, and creation of jobs;
- g) Ongoing embargo of the Lithuanian products imposed by Russia;
- h) Difficulties associated with access to new markets;
- i) Production surplus on the EU markets;
- j) Rigid policy with respect to application of VAT;

- k) Unstable competition due to euro/dollar exchange rate fluctuations;
- l) Increased quantity and range of cheap products from other EU Member States.

Social risk factors:

The past years are marked by increased migration of people, especially youth, from Lithuania. The rural farmers are predominantly of older age and the society continues to age. The emigration is a cause of rapid decrease of the number of working age individuals. In accordance to the data of the Bank of Lithuania, the number of working age individuals dropped by 1.8 per cent in 2016. The country lacks qualified labour force. Because Rokiškio sūris AB group of companies is considered to be strong and stable employers in their region of operation, the company has not experienced any significant lack of staff so far. If the situation in the country continues to deteriorate, there is a real threat of such changes. Therefore, the company continuously ensures the well-being of its employees, creates adequate working conditions, invests in training and qualification improvement and raises wages in order to preserve its complete abilities among other businesses.

Negative social factors might cause problems in the future when looking for certain man power. In the opinion of the Company, management of the risk does not depend solely on the company's actions. The company might be forced to increase investment in automatization of production processes, i.e. replace manual work by robots.

Risk factors associated with food safety:

The risk factors of Rokiškio sūris AB associated with food safety are defined in the Risk Factor Analysis and Critical Management Points System (RVASVT). The identification of risk is based on the principle of a decision tree, according to which the critical management points are determined in each production process and other processes directly related to production. The core of the RVASVT system are the Mandatory Programmes and RVASVT plans. They were used to identify the risk factors during each stage of manufacturing of a product and analysis thereof, important management points and their critical limits, management and inspection procedure and corrective actions. They also help to define the essence of risk/threat.

Risk management is based on the scheme provided below:

- Assessment of the existing and potential risk;
- Assessment of probability of the risk impact;
- Determination of the main active risk control measures;
- Assessment of efficiency of operational control aimed at risk mitigation up to an acceptable level;
- Creation of necessary action plans aimed at improvement of the control system;
- Constant risk management and monitoring of the set targets.

The following Mandatory Programmes have been prepared and implemented in the company:

1. Milk quality assurance programme;
2. Buildings and facilities maintenance programme;
3. Sanitation programme;
4. Personnel training program;
- 5-6. Water, steam and electricity supply programme. Water control programme;
7. Programme for purchase and storage of auxiliary materials;
- 8-9. Equipment maintenance programme. Measuring devices calibration programme;
10. Product traceability and withdrawal programme;
11. Logistics management programme;
12. Pest control programme.

The production procedure, technological instructions with set process parameters, control (both microbiological and chemical) procedures and registration function are provided for every product. The standards for indication of a specific property, chemical composition, nutrition value, packaging and storage conditions, shelf life and other aspects of the finished products have been introduced in the company.

Risk management associated with food safety is controlled in accordance with the above encountered programmes by the State Food and Veterinary Authority. Failure to manage the risk might cause cease of production and sales of a certain product which might lead even the cease of the company's operations until any non-conformities are fixed.

Ecological:

The impact of Rokiškio sūris, AB on the ecosystem biota is minimal. The Company is situated in the industrial district of a city; accordingly, the risk of a direct impact on nature is low. There are no protected territories, animals or plants near the Company; there are no factors which might affect the extinction or appearance of organisms.

The impact of Rokiškio sūris, AB on the ecosystem's abiotic factors is related to the use of natural resources, extracted groundwater. The water extraction site has been registered, water resources have been approved, the resources, which are being consumed, are accounted for and controlled, and reports are submitted in the established procedure. A variety of measures are introduced to reduce the consumption of water. The quantity of the groundwater used does not pose any threat to the aquifer of the water extraction site and has no negative impact on the environment.

Other potential risks of ecologic impact are discharged pollutants into the water and air. There is a risk to affect the environment and exceed environmental protection standards. Cleaning facilities control the technological process, monitor the quality of the wastewater treatment and monitor the observation of the environment. No negative impact of the discharged pollutants has been identified; accordingly, the risk is low.

Risk factors associated with IT:

Seeking to avoid possible IT-related threats, the Company works only with legally licensed software. Any unauthorised data access is restricted by assigning only those rights and duties to the employee, which they need for performance of their functions. The test environment is used for tests the modifications of software. The protection against accidental loss of data is ensured through creation of back-up copies. All company's computers are provided with antivirus software.

Risk factors associated with finance:

In its operations the Company and the Group faces various financial risks. Overall risk monitoring program of the Group focuses on uncertainties of the financial markets and it aims to diminish any expected impact onto the financial results of the Group's operations.

The Group is insured by the General Liability Insurance in order to cover damage made by the Company's product or services. The insurance policy is valid throughout the world.

The risk factors faced by the Company and the Group are described upon Remark 3 "Financial Risk Management" (page 46) of Notes to the financial statements to the June 30, 2017 financial report of consolidated and parent company Rokiskio suris AB.

8. Environment protection

The environmental policy of Rokiškio sūris AB is aimed at mitigation of impact on the environment, implementation of pollution prevention measures, ensuring minimum consumption of resources and waste generation in order to prevent adverse impact on air, water and soil as a result of the operations conducted.

Six environmental monitoring programmes have been followed for monitoring of impact on the environment at Rokiškio sūris AB. The reports are submitted to the Environmental Protection Agency. No negative impact on the environment has been established.

Within the first half year 2017, the company processed 9.1 per cent more of raw material compared to 2016, consequently the use of resources has changed also.

Consumption of energy resources in the first half year 2017, per 1 ton of raw material:

Thermal power	Electricity	Water	Waste effluent
Decreased by 7.3 %	Decreased by 10.0 %	Decreased by 3.1 %	Decreased by 1.8 %

During the first half year 2017, 81% of used water was extracted from the company's fresh water bores. The savings of the underground water made 7.1 % as it was used the cleaned whey water instead.

The whey from production procedure is fully processed. Nanofiltration, ultrafiltration and reverse osmosis are used in the processing technology. The water extracted from whey complies with the environmental requirements. Effectiveness of cleaning equals to 98% in terms of BDS₇. 25 % of the cleaned water is used second time.

The waste is treated by the internal waste water treatment plant with nitrification and denitrification, as well as chemical discharge of phosphorus. The effectiveness of cleaning amounts to 98-99 % in accordance with the controlled parameters.

A part of waste is handled by the municipality company UAB Rokiškio vandenys, it amounts to 6.1 % of total waste. The amount of discharged contaminants with the waste in accordance with BDS₇ is equal to 0.033 kg/ ton of raw material.

AB Rokiškio sūris employs 298 vehicles: 175 trucks, 115 cars, and 8 others. 81 % of which complies with the requirements set by Euro 2-6. Maintenance of vehicles is performed by authorized companies.

The comprised waste (both hazardous and non-hazardous) is handled by UAB Rokiškio komunalininkas. In the first half year 2017, it was 217.3 t of household waste, 7.54 t of hazardous waste, and 4,440 t of sludge from waste water treatment plant was used for soil fertilization. It was collected the secondary waste as follows: paper and carton 13.6 t, plastics 26.1 t.

AB Rokiškio sūris has a Licence for integrated prevention and control of pollution (TIPK), which was renewed on 12th September 2014.

ISO 14001:2004 /LST EN ISO 14001:2005 „Management System for Environment Protection. Requirements and guidance“. Certificate issued 17/06/2016, valid until 15/09/2018.

9. Future plans, forecasts and investments envisaged in 2017

In 2017, the group of Rokiskio suris AB is going to make investments amounting to EUR 11.1 million. The provided investments in 2017 cover wide spread of areas which are important for business development, penetration into new markets with high quality products, improvement of current technological processes, environment protection, improvement of working conditions for employees, and economical consumption of power resources.

In the first half year 2017, the amount of implemented investment was mEUR 11.3. It is made of the investment of mEUR 5.6 started in 2016 and completed in the first half year 2017, as well as the investment of mEUR 5.7 implemented in the first half year 2017.

In this period, the major part of investments envisaged for 2017 were implemented, i.e. acquired system for air drainage, cheese drying-cooling equipment in cheese chambers, new forklifts, implemented systems for power and air account. New line for water salt withdrawal.

Due to new abilities to produce whey protein product, Rokiskio suris had to increase its investment plan. Completion of the investment will be continued in the second half year as well. In addition, some small investment was necessary to make such as computers, fire alarm systems, storage room for pallets in lactose department etc.

In the second half year the group of Rokiškio sūris plans to invest mEUR 4.5. The investments will be also used for effectiveness and quality improvement of lactose production. It will be acquired a new lactose packaging line and equipment for permeate concentration. It will be further continued construction of cheese maturing chambers and renovation of transporting means.

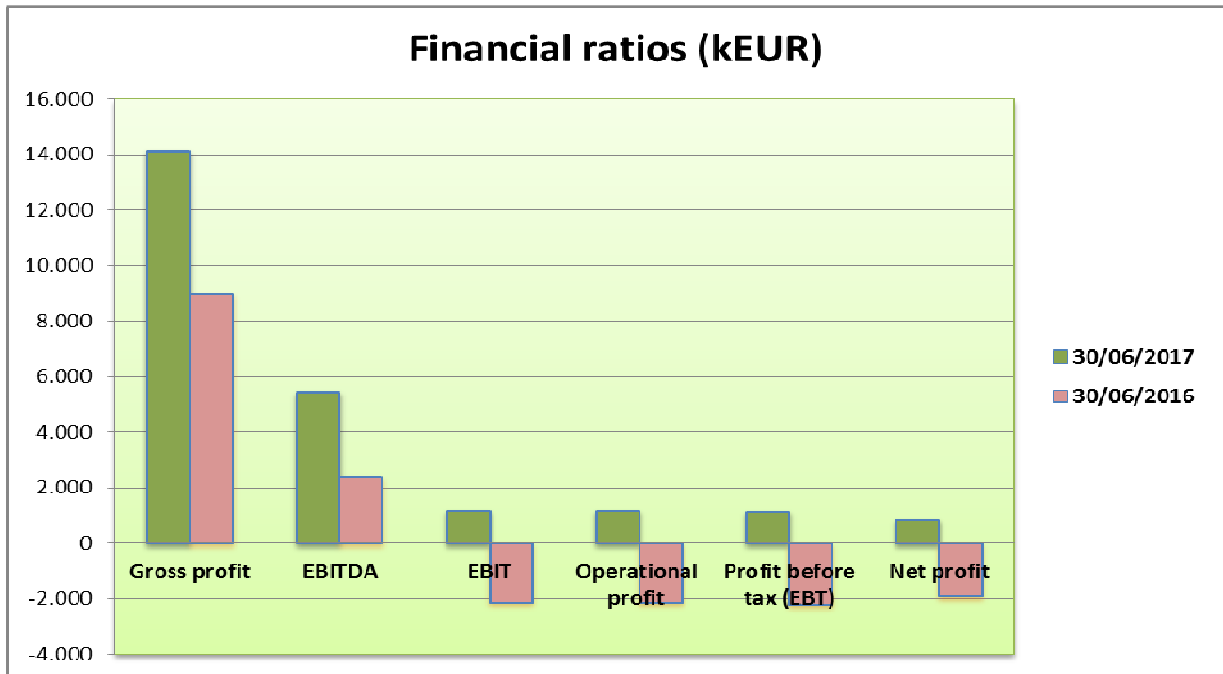
In the future also, target of the group of Rokiskio suris will be successful implementation of the investment plan according to the EU support agreement following KPP 2014-2020 program's part "Investments to the tangible assets. Support for investments into processing, marketing and (or) development of agricultural products". There are no significant changes envisaged for the product range or sales markets in the second half year 2017. As it used to be, the main market of Rokiskio suris is European Union, namely Italy.

RESULTS OF FINANCIAL PERFORMANCE

10. Key ratios of the company performance, and their dynamics

		2017 06 30	2016 12 31	2016 06 30
Financial ratios (kEUR)	Values			
Income from sales	Figure from Statement of comprehensive income	122 699	226 196	97 106
Gross profit	Figure from Statement of comprehensive income	14 148	34 687	8 996
EBITDA	EBIT + Depreciations +Amortization	5 457	19 174	2 397
EBIT	Net profit +Profit tax +Financial operation costs	1 187	11 723	(2 111)
Operational profit	Figure from Statement of comprehensive income	1 187	11 723	(2 111)
Profit before taxes (EBT)	Net profit +Profit tax	1 156	11 607	(2 196)
Net profit	Figure from Statement of comprehensive income	844	10 451	(1 902)

Non-current assets	Figure from Balance Sheet	73 278	60 623	55 612
Current assets	Figure from Balance Sheet	74 689	81 789	89 236
Total assets	Figure from Balance Sheet	147 967	142 412	144 848
Property of shareholders	Figure from Balance Sheet	119 682	122 066	111 389
Profitability (%)				
Return on assets [ROA]	<u>Net profit</u> Average assets	0.58	7.04	(1.27)
Return on equity [ROE]	<u>Net profit</u> Average own capital	0.70	8.79	(1.68)
Margin of gross profit	<u>Gross profit</u> Sales income	11.53	15.33	9.26
EBITDA margin	Profit before interest, tax and <u>depreciation</u> Sales income	4.42	8.48	2.47
EBIT margin	<u>Profit before interest and tax</u> Sales income	0.96	5.18	(2.17)
Profitability coefficient [EBT margin]	<u>Profit before tax</u> Sales income	0.94	5.13	(2.26)
Net profit margin	<u>Net profit</u> Sales income	0.69	4.62	(1.96)
Finance structure				
Debt-to-equity ratio	<u>Obligations</u> Shareholder property	0.24	0.17	0.30
Capital-to-asset ratio	<u>Shareholder property</u> Assets	0.81	0.86	0.77
General liquidity ratio	<u>Current assets</u> Current obligations	3.03	5.00	3.05
Market value ratios				
Price to profit per share ratio [P/E ratio]	<u>Share market price</u> Profit per share	5.83	5.53	46.3
Net earnings per share	<u>Net profit</u> Weighted average number of outstanding ordinary shares	0.41	0.32	0.03



INFORMATION ON THE COMPANY'S AUTHORISED CAPITAL AND TRADE IN THE COMPANY'S SECURITIES

11. Information on the Company's Authorized capital

As at June 30, 2017, the Authorized capital of Rokiskio suris AB comprised of:

Type of shares	Number of shares	Nominal value, EUR	Total nominal value, EUR	Share of authorized capital (%)
Ordinary registered shares	32,281,173	0.29	9,361,540.17	100.00

12. Procedure for amendments of the Articles of Association

The Company's Articles of Association may be amended according to the procedure settled by the laws of the Republic of Lithuania and the Company's Articles of Association. A decision to change the Articles of association may be exclusively adopted by the general meeting of shareholders, except the cases provided by the Law on joint stock companies of the Republic of Lithuania. To accept the decision changing the Articles of Association, it is needed a qualified majority of 2/3 of votes of total participants in general meeting of shareholders.

Upon the General Shareholders' Meeting's adoption of the resolution to amend the Company's Articles of Association, the new wording of the Articles of Association is made which is signed by the persone authorised by the general meeting of shareholders.

All amendments and supplements of the Company's Articles of Association come into force when they are registered in accordance with the procedure settled by the legal documents of the Republic of Lithuania.

13. Contracts with financial brokers

The Company has made a contract with UAB FMI Orion securities (A. Tumėno str. 4, Vilnius LT-01109, teleph.: +370 5 231 3833, info@orion.lt) regarding administration of securities issued by the Company and provision of investment services.

14. Trade on issuer's securities by stock exchange and other organised markets

The 32,281,173 ordinary registered shares of Rokiskio suris AB are listed on the **Official List of NASDAQ Vilnius Stock Exchange**. (VVPB symbol RSU1L). Nominal value per share EUR 0.29.

The Company is listed as from July 25, 1995.

The Company's shares are traded on the comparative index of Baltic countries in OMX Baltic Benchmark.

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

The Company has not issued nor registered any debt securities for the non-public stock trading.

There are no securities which would not participate as a part of the Authorized Capital and be regulated by the Law on Securities.

The shares were not traded by other stock exchanges or similar regulated markets.

Trade by shares of AB Rokiskio suris on NASDAQ Vilnius Stock Exchange:

Trade on central market:

Reported period		Price (Eur)				Turnover (Eur)			
from	to	max	min.	aver.	Last session	Date of last trading session	max	min	Last session
2014.01.01	2014.03.31	1.74	1.59	1.68	1.70	2014.03.31	106,298.00	0	0
2014.04.01	2014.06.30	1.70	1.55	1.59	1.65	2014.06.30	813,077.60	0	907.50
2014.10.01	2014.12.31	1.57	1.38	1.50	1.38	2014.12.30	69,146.00	0	814.20
2015.01.01	2015.03.31	1.50	1.38	1.42	1.42	2015.03.31	6,946.37	0	303.03
2015.04.01	2015.06.30	1.46	1.35	1.39	1.44	2015.06.30	348,890.00	0	305.28
2015.07.01	2015.09.30	1.46	1.35	1.41	1.43	2015.09.30	25,651.61	0	641.35
2015.10.01	2015.12.31	1.43	1.36	1.38	1.42	2015.12.31	40,800.00	0	0
2016.01.01	2016.03.31	1.48	1.37	1.41	1.37	2016.03.31	12,559.00	0.00	1,781.00
2016.04.01	2016.06.30	1.43	1.32	1.37	1.39	2016.06.30	15,027.24	0.00	3,922.56
2016.07.01	2016.09.30	1.49	1.34	1.42	1.49	2016.09.30	11,280.00	0.00	193.70
2016.10.01	2016.12.31	1.82	1.49	1.71	1.77	2016.12.31	72,587.19	0.00	0.00
2017.01.01	2017.03.31	1.88	1.69	1.74	1.85	2017.03.31	46,350.00	0.00	7,878.00
2017.04.01	2017.06.30	2.39	1.81	2.00	2.39	2017.06.30	132,258.00	0.00	5,393.80

Rokiskio suris AB Share price change within January-June 2017

Price, EUR



Data source – website of AB NASDAQ Vilnius:

<http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=en¤cy=0&date=&start=01.01.2017&end=30.06.2017>

Rokiskio suris AB Share price change within January-December 2016

Price, EUR



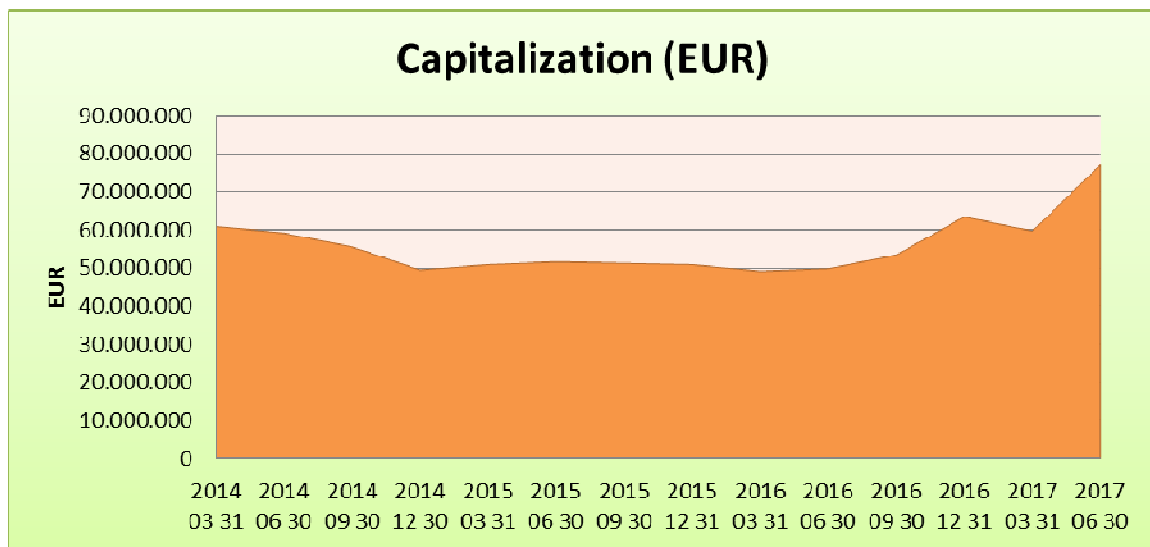
Data source – website of AB NASDAQ Vilnius:

<http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=lt¤cy=0&date=&start=2016.01.01&end=2016.12.31>

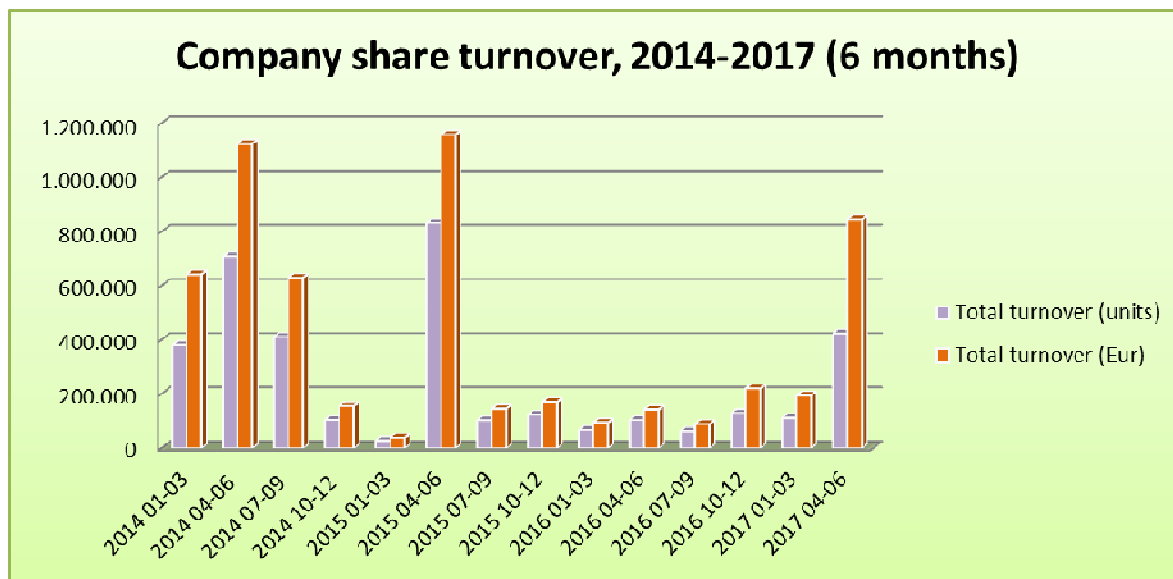
15. Capitalization and turnover of securities

Reporting period		Total turnover		Date of last trading session	Capitalisation (Eur)
from	to	(units)	(Eur)		
2014.01.01	2014.03.31	381 601	340 913.17	2014.03.31	60 975 549
2014.04.01	2014.06.30	708 846	1 124 285.96	2014.06.30	59 182 150
2014.07.01	2014.09.30	410 778	629 526.69	2014.09.30	55 595 354
2014.10.01	2014.12.31	103 884	155 655.60	2014.12.30	49 497 799
2015.01.01	2015.03.31	26 734	37 953.70	2015.03.31	50 932 517
2015.04.01	2015.06.30	833 020	1 158 553.00	2015.06.30	51 649 877
2015.07.01	2015.09.30	103 062	145 092.97	2015.09.30	51 291 197
2015.10.01	2015.12.31	123 817	170 824.28	2015.12.31	50 932 217
2016.01.01	2016.03.31	67 238	94 656.45	2016.03.31	49 139 119
2016.04.01	2016.06.30	103 778	142 143.41	2016.06.30	49 856 478
2016.07.01	2016.09.30	62 994	89 250.24	2016.09.30	53 443 275
2016.10.01	2016.12.31	128 576	219 938.04	2016.12.31	63 486 307
2017.01.01	2017.03.31	111 914	194 672.70	2017.03.31	59 720 170
2017.04.01	2017.06.30	422 442	845 977.30	2017.06.30	77 152 003

Capitalisation of the company’s securities within 2014-2017 (6 months), Eur



The company's share turnover within 201-2017 6 months (units, EUR)



16. Limitation on transference of securities:

There are no limitations to be applied to the block of shares or any regulations according to which an agreement with the company or other owners of securities is required.

INFORMATION ON THE COMPANY'S SHAREHOLDERS AND SHARES

17. Shareholders

Total number of shareholders (as at 30/06/2017) – 5,358 shareholders.

The shareholders having or owning over 5 percent of the issuer's authorized capital (as at 30/06/2017):

Name, surname Name of company Code of company	Address	Proprietary rights			With associated persons	
		Number of shares	Share of the capital %	Share of votes %	Share of the capital %	Share of votes %
Pieno pramonės investicijų valdymas UAB Comp. code 173748857	Pramonės str. 3, Rokiškis Lithuania	9,713,777	30.09	30.09	79.57	79.57
SIA RSU Holding, reg.No.40103739795	Sliezu iela 9A-25, Riga	8,909,347	27.60	27.60	79.57	79.57

Antanas Trumpa*	Sodų 41a, Rokiškis Lithuania	6,980,233	21.62	21.62	79.57	79.57
CLIENT ASSETS UCITS SEB S.A. LUESSE24C	Luxemburg	1,778,605	5.51	5.51	-	-

* - group of jointly acting persons: Pieno pramonės investicijų valdymas UAB (30.09% of the company's authorized capital and votes), SIA RSU Holding (27.60% of the company's authorized capital and votes) and the following managers - Antanas Trumpa (21.62% of the company's authorized capital and votes) and Dalius Trumpa (83,500 shares, 0.26% of the company's authorized capital and votes).

18. Shareholders' rights

Shareholders have the following non-economic rights:

- 1) to attend the general meetings of shareholders;
- 2) to make advance inquiries addressed to the company in regards with the items on the agenda of general meeting of shareholders;
- 3) based on the rights provided with the shares to vote on the general meetings of shareholders;
- 4) according with Part 1 of Article 18 of the Law on the Joint Stock Companies to obtain information on the company's operations;
- 5) to address the court requesting to bring an action of damages against the company if the damage was caused by noncompliance or inadequate compliance with duties of the company manager and board of directors as stated by the Law on Joint Stock Companies of the Republic of Lithuania or other laws, as well as the Articles of Association and or in any other cases as stated by the Lithuanian Laws;
- 6) other non-economic rights established by the Lithuanian Laws.

Shareholders have the following property rights:

- 1) to receive a certain portion of the Company's profit (dividend);
- 2) to receive a certain portion of the company's funds when its authorized capital is decreased in order to pay out the fund to shareholders;
- 3) to receive shares without payment if the authorised capital is increased from the funds of the Company;
- 4) to have priority in acquiring the newly issued shares or convertible bonds of the Company unless the General Meeting of the Shareholders resolves to waive such right complying with the applicable Law;
- 5) to lend to the Company as determined by the Laws of the Republic of Lithuania, the company however cannot mortgage its assets when borrowing from shareholders. When the company borrows from shareholders the interest cannot exceed the average interest rate of the local commercial banks on the day of contracting. In this case the company and shareholders must not agree regarding the higher rate of interest;
- 6) to receive a portion of assets of the Company in liquidation;
- 7) other property rights established by the Lithuanian Laws.

The rights identified by points 1, 2, 3 and 4 are provided to the persons who were the company's shareholders at the end of the tenth working day after the corresponding general meeting of shareholders.

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

There are no shareholders with special control rights.

20. Overall limitations of voting rights.

There are no shares with limited voting rights.

21. Overall agreements between shareholders.

The issuer is not aware of any agreements between shareholders which would restrict transference of securities and (or) voting rights.

22. Information on purchase of issuer's own shares

The company is not holding any treasury shares.

23. Dividends paid

The April 28, 2017 general meeting of shareholders of Rokiskio suris resolved to distribute mEUR 3.228 as dividends to the company's shareholders, i.e. EUR 0.10 (before taxes) per share. Pursuing the law, dividends were paid to the shareholders who were shareholders of Rokiskio suris at the end of the tenth business day after approval of the resolution by general meeting of shareholders, i.e. May 15, 2017.

COMPANY MANAGEMENT

24. Management bodies of the issuer

In accordance with the Articles of Association of Rokiskio suris AB, the managing bodies of the company are as follows:

- General shareholders' meeting,
- The Board of Directors,
- The Chief Executive Officer.

There is not formed the Supervisory Board.

As from 24 April 2009, there is Audit Committee in the Company. The Committee was reelected for another 4 year cadency on 26 April 2013.

General meeting of Shareholders:

Attribution and procedure of summoning of General Meeting of Shareholders do not defer from the attribution and procedure of summoning of General Meeting of Shareholders as determined by the Law on Public Limited Liability Companies.

The right of initiative to convene the General Meeting shall be vested in the Supervisory Board, the Board (the manager of the company, where the Board is not formed) and the shareholders who have at least 1/10 of all votes, unless the Articles of Association provide for a smaller number of votes.

As Rokiškio sūris AB does not have the Supervisory Board the right to initiate general shareholder's meetings belong to the Board of Directors.

The initiators of the General Meeting shall submit a request to the Board where they must state the reasons for convening the General Meeting and its purposes, submit proposals regarding the agenda, date and venue of the Meeting, drafts of the proposed resolutions. The General Meeting shall be held within 30 days after the date of receipt of the request. It shall not be mandatory to convene the General Meeting if the request does not comply with all the requirements set forth in this paragraph and the required documents have not been submitted or the issues proposed for the agenda are not within the scope of powers the General Meeting.

An Annual General Meeting must be held every calendar year at least within four months from the end of the financial year.

A notice of the General Meeting must be published in the daily indicated in the Articles of Association or delivered against acknowledgement of receipt sent by registered post to each shareholder not later than 21 days before the General Meeting.

The shareholders present at the General Meeting shall be registered in the shareholder registration list. The shareholder registration list shall indicate the number of votes granted to each shareholder by the shares held by him.

A person attending the General Meeting and entitled to vote shall produce a document which is a proof of his personal identity. A person who is not a shareholder shall in addition produce a document certifying his right to vote at the General Meeting. The current provision shall apply if the voting is held in writing by filling in the ballot papers.

If the General Meeting is not held, the repeat General Meeting should be convened at least 5 days and not more than 21 day after the day of the General Meeting which was not held. The shareholders must be notified of the repeat General Meeting in the manner specified in paragraph 4 of this Article at least 5 days before the day of this General Meeting.

Persons who were shareholders at the end of the record date shall have the right to attend and vote at the General Meeting or repeat General Meeting themselves, unless otherwise provided for by laws, or may authorise other persons to vote for them as proxies or may transfer their right to vote to other persons with whom an agreement on the transfer of the voting right has been concluded. The right of shareholder to attend the General Meeting also provides the right to speak and interrogate. The record date of the public limited-liability company shall be the fifth working day before the General Meeting or the fifth working day before the repeat General Meeting.

Shareholders may vote in writing by filling in the ballot papers. Voting by telecommunication terminal equipment shall be equivalent to voting in writing provided that confidentiality of communications is guaranteed and there are means for verifying the identity of shareholder.

The voting right at other General Shareholders' Meetings is granted by fully paid paid-up shares only. Each share provides one vote at a general shareholders' meeting.

General meeting of shareholders have the following exclusivity rights:

1. to amend the articles of association;
2. to change the company's legal address;
3. to elect a supervisory body, yet if this is not formed then to elect the management board members. In case both bodies are not formed, then to elect the company's executive manager;
4. to recall the supervisory body or its members, as well as the elected board of directors and the company's executive manager;

5. to elect and recall the company's auditor executing annual financial reports, determine its payment module;
6. to establish the class, number, nominal value and minimal price of share emission;
7. to convert of one type of shares into the shares of another type, approval of exchange procedure of the Company's shares;
8. to approve annual financial reports;
9. to adopt resolution regarding distribution of profit (loss);
10. to form, use, decrease or cancel reserves;
11. to approve interim financial accounting prepared on purpose to accept resolution regarding dividends payout for the period shorter than a financial year;
12. to accept resolution regarding dividends payout for the period shorter than a financial year;
13. to resolve regarding emission of convertible bonds;
14. to resolve regarding cancellation of prerogative right to all shareholders to acquire the Company's shares of a certain emission;
15. to resolve regarding increase of the authorized capital;
16. to resolve regarding decrease of the authorized capital;
17. to resolve regarding purchase of the company's shares;
18. to resolve regarding reorganization or segregation of the Company and approval of terms for reorganization or segregation;
19. to resolve regarding reformation of the Company;
20. to resolve regarding restructuring of the Company;
21. to resolve regarding liquidation of the Company or cease of liquidation unless the Law on Joint Stock Companies provides differently;
22. to elect and recall the company's liquidator unless the Law on Joint Stock Companies provides differently;

General meeting of shareholders may discuss other issues assigned by the articles of association of the company if the Law on Joint Stock Companies does not assign those functions to other management bodies and in general they are not the functions of management body.

A resolution of general meeting of shareholders is considered to be accepted when a simple majority votes for the resolution rather than against, except in case of points 1, 6, 7, 9, 10, 12, 13, 15, 16, 18, 19, 20, 21 which requires the participated majority of 2/3 of shares with the voting right. Resolution for an item of point 14 may be adopted with the participated majority of 3/4 of shares with the voting right.

General meetings of shareholders are always attended by the Company's manager who also is a member of the Board of Directors. Chief financial officer and other members of the Board participate at the meetings if needed.

The Board of Directors of Rokiskio suris AB

The Board of Directors is a collegial management body comprised of 5 (five) members. The Board members are elected and recalled by the general shareholders' meeting pursuing the procedure set by the Law on Public Limited Liability Companies. Someone cannot become a member of the Board if they are members of the Supervisory Board (in the case the Company forms the Supervisory Board) and if they do not have such right according to legal documents.

The members were elected by the August 21, 2015 general meeting of shareholders of AB Rokiškio sūris. Term of service of the Board of Directors is 4 years. Current cadency ends on August 21, 2019. There is no limitation in the number of cadencies.

The Board of Directors may adopt resolutions and their meeting is considered as valid when participated by at least 2/3 of the Board members. The Board members who vote in advance are

considered to be participating. A resolution is considered to be adopted when the voting for exceeds the voting against.

In 2016, the Board held 11 meetings of the Board. All Board meetings were attended by all members of the Board. Four meetings were held as scheduled, and the other were summoned in accordance with the procedure settled by the Law on Public Limited Liability Companies and the Work Regulations of the Board of Directors, regarding the issues requiring decision of the Board of Directors. The Board approved the Company's and the consolidated financial statements as well as annual report for the year 2015, and summoned two general meetings of shareholders. At the general meeting of shareholders the Board proposed a project for profit 2015 distribution and to re-elect the Company's audit firm. At the extraordinary meeting of shareholders (held on 28/10/2016) the Board of Directors proposed to decrease the Company's Authorised Capital in the way of annulment of treasury shares (3,586,797) and to adopt a new resolution to buy own shares. Pursuing the 21 August 2016 Extraordinary general meeting of shareholders, the Board of Directors proposed to buy up to 1,172,218 own shares at the fixed price of EUR 1.43. The resolution of the Board was implemented.

Bonuses to members of the Board may be paid for their work on the Board according to the procedure laid down in Article 59 of the Law on Public Limited Liability Companies. The amount of bonuses depends on the results business activities of the Company. The decision on bonus payments shall be taken by the General Meeting of Shareholders.

No other additional payments for the Chairman of the Board related with the motivation system are stipulated.

Members of the Board have not assigned any other persons to perform functions of the Board.

The Board of Directors:

(As at 30/06/2017)

Dalius Trumpa – Board Chairman, (elected on 21/08/2015, term ends 21/08/2019), Deputy Director of Rokiškio sūris AB. Holds 83,500 shares, i.e. 0.26% of the Authorized Capital and votes of Rokiškio sūris AB.

Works for the Company since 1991. As from 2002 appointed as Director Production. As from 2007 – Deputy Director.

The director of Rokiskio pienas UAB as from 2007.

Education: Kaunas Technology University, specialty of Food Industry Equipment, Engineer mechanic.

Participation in the activities of other companies:

Shareholder of Pieno pramonės investicijų valdymas UAB, having 3.91% of the company's shares and votes;

As from 2007, Chief executive officer of daughter enterprise Rokiškio pienas UAB, having no shares and votes;

As from 2010, Board Chairman of Latvian company SIA Kaunata, having no shares and votes;

As from 2013, Chief executive officer of daughter enterprise Rokiškio pieno gamyba UAB, having no shares and votes;

As from 2004, Director of Rokvalda UAB, having 100% of shares and votes;

As from December 11, 2013, director of SIA RSU Holding, having 11.26% of the company's shares.

Antanas Kavaliauskas – Deputy Board Chairman, (elected on 21/08/2015, term ends 21/08/2019), CFO of Rokiškio sūris AB, does not hold any shares of Rokiškio sūris AB.

Works for the company since 2002 in the capacity of finance director.

Education: Kaunas Technology University, Faculty of Management, master degree in finance management. Member of ACCA (Association of Chartered Certified Accountants).

Participation in the activities of other companies:

Shareholder of Pieno pramonės investicijų valdymas UAB owning 3.91% of shares of Pieno pramonės investicijų valdymas UAB.

Board Chairman of Latvian company SIA Jekabpils piena kombinats, having no shares.

Antanas Trumpa – Member of the Board (elected on 21/08/2015, term ends 21/08/2019), CEO of Rokiškio sūris AB, holds 6,980,233 shares of Rokiškio sūris AB, i.e. 21.62% of Authorized Capital and votes of Rokiškio sūris AB.

Works for the company as from 1966. As from 28 June 1971 appointed as the Chief Executive Officer of the Company.

Education: 1966 Kaunas Polytechnic Institute, Faculty of Equipment for Food Industry, specialty – engineer mechanic. In 1979, prepared a dissertation "Organizing the work of vacuum apparatus" in Kaunas Polytechnic Institute, and on 12th October 1994 was granted a doctor degree by Lithuanian Science Council.

Participation in the activities of other companies:

Board Chairman of Rokiskio pienas and Rokiskio pieno gamyba, UAB.

Shareholder of Pieno pramonės investicijų valdymas UAB with 6,758, i.e. 67.04% of the shares and votes of Pieno pramonės investicijų valdymas UAB.

Shareholder of SIA RSU Holding, 77.37% of company's shares.

Ramūnas Vanagas – Board member (elected on 21/08/2015, term ends 21/08/2019), Development Director of Rokiškio sūris AB, having no ownership of shares of Rokiškio sūris AB.

Works for the Company since 2005, in the capacity of the Development Director.

Education: Academy of Agriculture, specialty – Economics and management.

Participation in the activities of other companies:

Shareholder of Pieno pramonės investicijų valdymas UAB, having 3.91% of the company's shares and votes.

No participation in the activities of other companies.

Darius Norkus – Board member, (elected on 21/08/2015, term ends 21/08/2019), Sales and Marketing director of AB Rokiškio sūris, having no shares of the company.

Works for the company since 2001 in the capacity of the sales and marketing director.

Education: Kaunas Technology University, Faculty of engineering, specialty – engineer (1993). Baltic Management Institute, Master degree of Business administration (EMBA programme, 2000).

Participation in the activities of other companies:

Shareholder of Pieno pramonės investicijų valdymas UAB, having 3.91 % of the company's shares and votes.

No participation in the activities of other companies.

Manager of the Company:

The Chief Executive Officer is a one-man management body who organizes everyday activities of the company. Within relationship between the company and other persons, the Chief Executive Officer acts determinatively on behalf of the company.

The company's manager participates in all (including the last one) general meetings of shareholders.

Information on the company's manager (director):**Chief Executive Officer Antanas Trumpa**

For more information about the Chief Executive Officer see paragraph Management bodies of the Company.

Information on the company's finance director:**Chief Financial Officer Antanas Kavaliauskas**

For more information about the Chief Financial Officer see paragraph Management bodies of the Company.

25. Committees formed in the Company**Audit Committee of Rokiskio suris AB:**

The company's Audit Committee is made of 3 members two of them are independent. Upon recommendation of the company's Board of Directors the members of Audit Committee are elected by the general meeting of shareholders. The Company's Audit Committee was formed in April 2009. After the end of cadency term, new members of Audit Committee were elected by the 28 April 2017 general meeting of shareholders. The cadency of the Audit Committee is four years. Cadency period of the Audit Committee ends on April 28, 2021.

The Audit Committee is a collegial body accepting its decisions at the meetings. The Audit Committee may adopt resolutions and its meeting is considered to be valid when it is attended by at least 2 (two) members of the committee. A resolution is adopted when it is voted for by at least two members of the Audit Committee.

Key functions of the Audit Committee:

1. To monitor the process of preparation of the financial statements presented by the Company and its subsidiaries;
2. To supervise the efficiency of the Company's internal control, risk management and internal audit systems;
3. To make recommendations to the Board of Directors related to selection of the external audit firm, and monitor the performance procedure of the conducted audit;
4. To monitor the independence and impartiality of the external auditor and audit firm;
5. To inform the Board of Directors about any failures of internal control related to financial reporting identified by the external and internal audit, and to make recommendations on their improvement;
6. To act fairly and responsibly in the interest of the Company and its shareholders.

Members of the Audit Committee:

Kęstutis Kirejevas – independent member, director of Baltijos Enzimai UAB, has no shares of Rokiškio sūris AB;

Kęstutis Gataveckas – independent member, director of Perlo paslaugos UAB, has no shares of Rokiškio sūris AB;

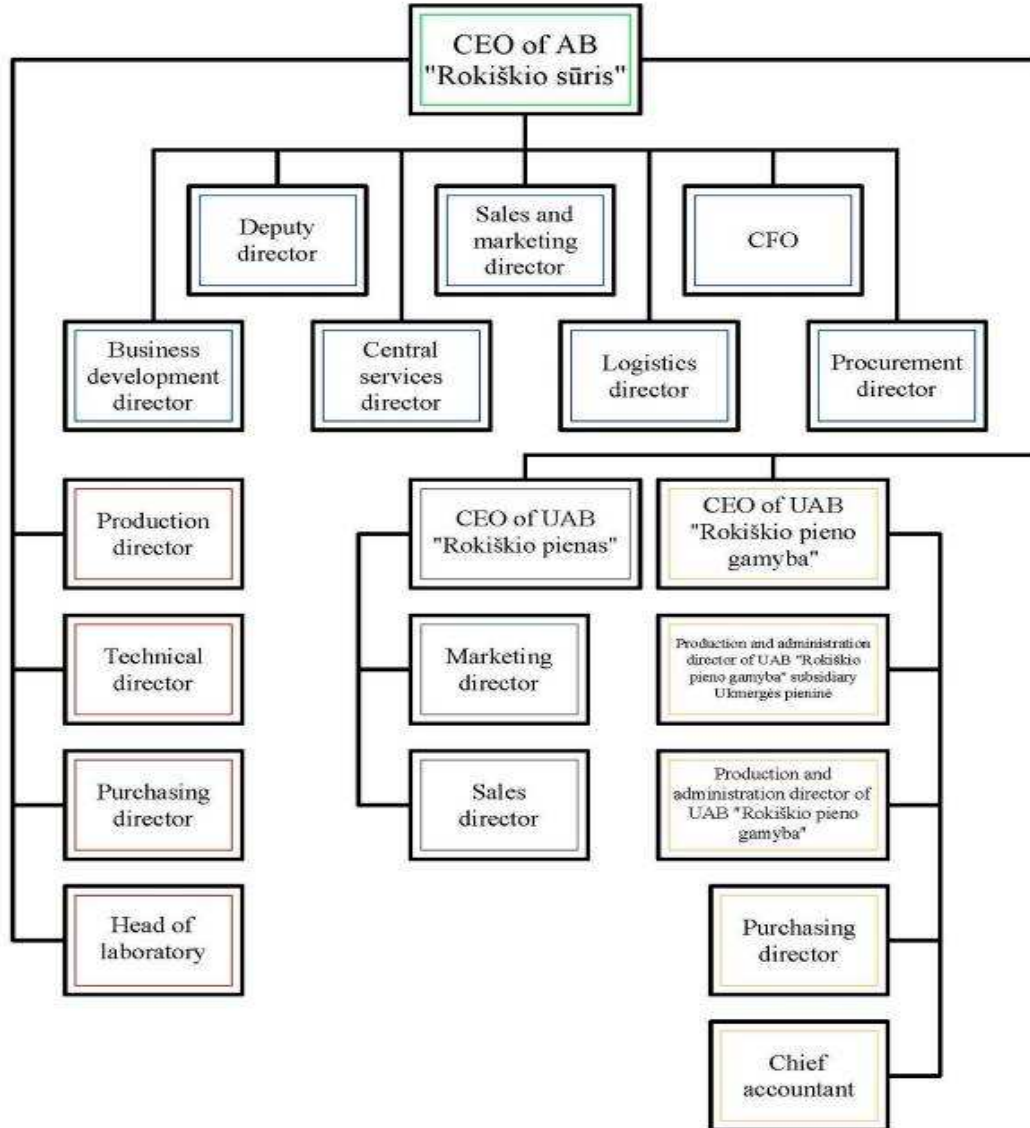
Rasa Žukauskaitė – works for Rokiskio suris AB, in the financial department, has 2 shares of Rokiškio sūris AB;

In January-June 2017, the Audit Committee held 4 meetings. During the meetings, it was approved purchasing structure of non-auditing services from PricewaterhouseCoopers UAB, the set of audited annual consolidated and individual financial statements of the Group and its companies which was prepared in accordance with the International financial accounting standards. Consequently the statements were presented to approval by the general meeting of shareholders. Also, it was discussed the report of external auditor in regards with the annual 2016 report of financial statements and internal audit as well as risk management. All members participated in four meetings. The meetings were chaired by the Chairman of the Audit Committee.

There are no other committees formed in the company.

26. Executive Management of the Company**Management structure of the Group of Rokiškio sūris AB**

Rokiškio sūris AB Group's (hereinafter The Group) management structure is formed in line with the key functions such as Sales, Production, Finance management, Milk procurement, Logistics, Central services, and Development. The Functional Directors condition and develop the Group's strategy, tactics and targets in accordance with the functions.



Executive Management of the Company (30/06/2017)

Position	Name	In duty since
Chief Executive Officer	Antanas Trumpa	1971-06-28
Deputy Director	Dalius Trumpa	2007-02-01
Chief Financial Officer	Antanas Kavaliauskas	2002-05-01
Development Director	Ramūnas Vanagas	2005-09-27
Central Services Director	Jonas Kvedaravičius	2002-05-01
Logistics Director	Jonas Kubilius	2002-05-16
Procurement Director	Evaldas Dikmonas	2002-05-14
Sales and Marketing Director	Darius Norkus	2001-07-18

Bonuses to the management team:

As the company's management team consists of five members of the Board of Directors, the members of the Board receive tantiemes in consideration with the results of the Company's performance, also all members of the management team receive fixed salary payment and in addition a variable portion of payment which depends on the company's performance, situation in the market and other factors.

Employees

In first half year 2017, the average number of employees in the group of Rokiškio sūris AB amounted to 1,548, it decreased by 29 employees or 1.8% as compared to 2016 (1577). The decrease is related with technical reorganization of the company, also with the fluctuation in the number of seasonal workers.

In first half year 2017, workers made 83.0%, (in 2016 m. – 82.4%) out of all employees of the company; specialists – 16.3% (in 2016 – 17.0%); number of managers did not change - 10 employees, 0.65% (in 201 – 0.62%).

The Group's employees according to categories

Group of employees	Average number of employees		Change (%)
	30/06/2017	31/12/2016	
Managers*	10	10	0.00
Specialists	253	268	-5.6
Workers	1285	1299	-1.1
Total:	1548	1577	-1.8

*Executive directors are considered as managers of the company

Remuneration Policy

The Remuneration Policy is an integral part of the Company's internal working rules, collective agreement and remuneration procedures, which cover internal documents governing the standards of corporate activities and internal control thereof.

The responsibility for the implementation of the corporate regulations is defined by the Company's Internal Regulation Rules.

The Remuneration Policy (remuneration procedures) has been approved by the Company's management at the meeting and coordinated with the trade union's committee. The remuneration committee has not been formed in the Company.

The Company's internal rules governing ethics and conflict of interests ensure that interested persons cannot participate in the processes, in which there might be some conflicts of interests; accordingly, there is no interested persons' contribution to the remuneration policy.

The remuneration package of the Company's employees consists of the financial, non-financial and emotional reward.

The financial reward system covers the following:

- 1) Payable fixed remuneration for work: a monthly salary set forth in the employment contract. The fixed salary is the main component of a reward. The reward of an individual employee is established considering his/her position, what and how that employee works.
- 2) A single reward: remuneration for the workers in the production shops, sales departments and warehouses is payable according to the volume of their actual work done and at approved rates. The rates are approved by the Company's management at the meeting and coordinated with the trade union's committee. Where necessary for the production, changes in the rates shall be approved by the Director's decree.
- 3) Floating part of the reward: according to the motivational fund regulations approved together with the collective agreement. The estimates of the floating reward are based on a long-term perspective in order to ensure that an estimate is based on the balanced long-term profit and the profit-dependent reward is paid considering the main economic cycles. The floating reward of employees depends of the individual performance of an employee, gross profit of the employer and the Company. With regards to the activities of an employee, financial and non-financial criteria as well as various behavioural variables, which are related to the corporate values, including how an employee adhered to the applicable internal and external rules, are taken into consideration. The financial and non-financial criteria, on the basis of which the floating reward is established, are defined by the floating reward distribution regulations. Employees may also be motivated by single payments referred to in the collective agreement.

Non-financial reward is an indirect reward form of employees, which the Company uses to encourage its employees' involvement and loyalty, enrich the employees' welfare and activities within the Company. These are various events in the Company, recognition and evaluation through the awards of the employees who have achieved very good results, promotion of wellness, training of employees.

Emotional reward is hard to measure but it is highly relevant for the employees' involvement into the corporate activities and covers the Company's reputation, organizational culture and values, career opportunities, various internal communication programmes, in which employees have an opportunity to share their ideas and ask questions they are concerned about.

Remuneration system

The Company has applied an efficient and just remuneration system, the goal of which is to attract, maintain and motivate its employees. All employment contracts with the Company's employees, including, the Managers, are concluded following the requirements set forth by the Lithuanian Labour Code. Employees are admitted to work and dismissed following the requirements set forth by the Lithuanian Labour Code.

An average monthly salary in the group of Rokiškio sūris, AB by the groups of employees

Groups of employees	Average monthly salary (gross), EUR		Change (%)
	30/06/2017	31/12/2016	
Managers	1806	1789	+1.0
Specialists	881	875	+0.7
Workers	889	839	+6.0
Average in the group	897	877	+2.3

An average monthly salary is estimated following Resolution No. XII-828 of the Lithuanian Government of 17 April 2014.

Remuneration payable to the employees of Rokiškio sūris, AB is composed of the following:

- 1) Payable fixed remuneration for the work done: a monthly salary set forth in the employment contract.
- 2) Single reward: remuneration for the workers in the production shops, sales departments and warehouses is payable according to the volume of their actual work done and at approved rates.
- 3) Floating part of reward: according to the motivational fund regulations approved by the collective agreement.

Since 2004 the Company has been applying the remuneration procedure based on the variable remuneration components established in the Company, which depend on the operating results of the Company, market situation and other factors. Variable remuneration components are given to every department according to the approved functional management system. This remuneration system is approvable by the head of the Company.

Every production shop or department of the Company has its own approved motivational fund distribution procedures, which indicate the assessment criteria of all employees and motivation thereof. The assessment of the employees' performance is one of the most important tasks in the Company to make the organization of work more efficient, achieve the set goals and positive relationships between the managers and their subordinates, and to increase the motivation of employees.

The employees from the companies of the group are entitled to participate in the activities of trade unions. The companies have formed a trade union committee, which defends its members' employment, economic and social rights and interests, right to occupation, social guaranties, takes care of the professional qualification, form professional ethics, strives for the increase of the salary and income for people working in the food industry.

INFORMATION ON TRANSACTIONS WITH ASSOCIATED PERSONS AND SIGNIFICANT AGREEMENTS

27. Transactions with associated parties

The Group is controlled by Pieno pramonės investicijų valdymas, UAB (established in Lithuania), SIA RSU Holding (established in Latvia) and Antanas Trumpa (Director of the Company).

The group of persons acting altogether consists of the following: Pieno pramonės investicijų valdymas, UAB (30.09% of the company's Authorised Capital and votes), SIA RSU Holding (27.60% of the company's Authorised Capital and votes), Antanas Trumpa (21.62% of the company's Authorised Capital and votes), Dalius Trumpa (83,500 shares, 0.26% of the company's Authorised Capital and votes). The group of associated persons hold 79.57% of the company's Authorised Capital and votes*.

The rest part of the company's shares amounting to 20.43% belongs to minor Lithuanian and foreign natural and juridical bodies.

The Non-Public Limited Liability Company Pieno pramonės investicijų valdymas is controlled by Antanas Trumpa (as a major shareholder with 67.04% of the company's shares and votes). SIA RSU Holding is controlled by Antanas Trumpa (as a major shareholder with 77.37% of the company's shares and votes).

* - Votes are counted out of the reduced authorized capital of Rokiskio suris AB after it was registered in the Register of Legal Bodies on 18 January 2017 (having annulled treasury shares, as at 31/12/2016 Rokiskio suris, AB had 3,586,797 shares), i.e. EUR 9,361,540.17, divided into 32,281,173 ordinary registered shares.

Pieno pramonės investicijų valdymas, UAB, SIA RSU Holding, and members of the Board of Directors and their family members are considered to be associated parties.

Some cooperative companies performing in the field of raw milk production are considered as associated parties also, because the Company may have significant influence on them through close relatives of the directors and some employees.

Transactions with associated persons/ parties are disclosed in Note to the Financial Statements "p.7. Transactions with related persons" (page 49).

28. Information on significant agreements

1. There are no significant agreements whose one party is the issuer and which would get in power, change or terminate upon the changed issuer's control as well as there is no such influence except the cases when the disclosure of certain agreements would make significant damage on the issuer.

2. There are no agreements between the issuer and its members or employees providing any compensation upon their resignation or dismissal from job without reliable reason or in case of job termination due to the change issuer's control.

29. Information on harmful transactions made in the name of issuer

Within the reporting period there were no harmful transactions that would contradict with the company's objectives or custom market conditions, damage interests of shareholders or other groups of persons, no transactions that would have (or might have in the future) negative impact

on the company's performance and operational results. Also there were no transactions that were made as a result of conflict of interest between the obligations to the company by the company's managers, controlling shareholders or other associated parties and their private interest and (or) obligations.

30. Significant events of the issuer or the group after the end of fiscal year

- Disposition of treasury shares of Rokiskio suris AB

On 18 January 2017, the Company disposed of its treasury shares (3,586,797 units, which makes 10 per cent of the Company's Authorized Capital) after they were annulled. The resolution to decrease the Company's Authorized Capital in the course of share annulment was accepted by the General Meeting of Shareholders on October 28, 2016.

- Registry of new wording of the Articles of Association of Rokiskio suris AB

On January 18, 2017, a new wording of the Articles of Association of Rokiskio suris AB was registered in the Register of Legal Persons of the Republic of Lithuania due to the decreased Authorized Capital of Rokiskio suris AB in the way of annulment of treasury shares.

Having decreased the Company's Authorized Capital, i.e. having annulled 3,586,797 of ordinary registered shares, the Authorized Capital of Rokiskio suris AB equals to EUR 9,361,540.17 divided into 32,281,173 ordinary registered shares at par value of EUR 0.29.

- First sales to China

After extended negotiations Rokiskio suris AB made the first product delivery to the People's Republic of China. Business partners in China buy lactose. It was signed a contract for a few hundred tons of the product. Further cooperation will be negotiated when the partners receive the product and make trials of it at their own facilities.

- Resolutions of the 28/04/2017 General Meeting of Shareholders of Rokiskio suris

1. Debriefed with Auditor's findings regarding the consolidated financial reports and annual report.
2. Debriefed with the Audit Committee report.
3. Presented the Company's consolidated annual report for the year 2016 which was formerly evaluated by the Audit Committee and approved by the Board of Directors
4. Approved the consolidated and company's financial accounting for the year 2016.
5. Approved allocation of the profit (loss) of the Company of 2016.

Title	kEUR
1. Non-distributable profit (loss) at beginning of year	52,078
2. Approved by shareholders dividends related to the year 2015	(2,342)
3. Transfers from other reserves	2,297
4. Non-distributable profit (loss) at beginning of year after dividend payout and transfer to reserves	52,033
5. Net profit (loss) of the Company of fiscal year	12,551
6. Distributable profit (loss) of the Company	64584

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 (tantiemes) to the Board of Directors, employee bonuses and other as accounted by Profit (loss) statement	1,076
11.	Non-distributable profit (loss) at end of year transferred to the next fiscal year	61,356

*it will be allocated 0.10 eur per ordinary registered share. In total to the dividends payout EUR 3,228,117.30.

Persons entitled to receive dividends are those who are actual shareholders of the Company at the end of the tenth day after approval of the resolution for dividend pay-out by the general meeting of shareholders (shareholders proprietary right accounting day), i. e. May 15, 2017.

Pursuing the Laws of the Republic of Lithuania, dividends paid to physical bodies resided in the Republic of Lithuania as well as in foreign countries are subject to 15 per cent of residential income tax; Dividends paid to juridical bodies of the Republic of Lithuania as well as foreign countries are subject to 15 per cent of profit tax, unless it is stated differently the law.

6. Elected the Company's Audit Committee.

For the subsequent 4 year term of office at the Audit Committee the following persons shall be elected: Kęstutis Kirejevas, Director Baltijos Enzimai, UAB (independent member), Kęstutis Gataveckas, Director Perlo paslaugos, UAB (independent member) and Rasa Žukauskaitė (Finance department employee of Rokiškio sūris, AB).

Remuneration for the independent members of the Audit Committee shall be identified by the Board of Directors. The Company's manager is authorized to sign an agreement with the independent members of the Audit Committee.

7. Elected the Company's auditor and established payment conditions.

An audit company PriceWaterhouseCoopers, UAB appointed to perform the audit of annual consolidated financial statements of the Group of Rokiskio suris, AB and the mother Company as well as evaluation of the consolidated annual report for the year 2017. The Board of Directors is authorized to establish reimbursement for the completed work of audit company. The Company's Chief Executive Officer shall sign a contract with the audit company.

- Regarding pay-out of dividends related to the year 2016

The April 28, 2017 general meeting of shareholders of Rokiskio suris, AB (company code 173057512, address: Pramones str. 3, Rokiskis, Lithuania) resolved to distribute the Company's profit of the year 2016 and allocate dividends amounting to EUR 0.10 (before taxes) per share.

Dividends will be paid to the shareholders who are shareholders of Rokiskio suris, AB at the end of the tenth business day after approval of the resolution by general meeting of shareholders, i.e. May 15, 2017.

Dividends will be paid starting from May 22, 2017.

Dividends will be paid in the following procedure:

Dividends to the shareholders whose securities' accounting is performed by public exchange brokers or credit institutions providing services of securities accounting, in accordance with the Law of the Republic of Lithuania will be paid out by the representative financial or credit institutions having deducted the income tax (profit tax) to the account indicated by shareholder.

Dividends to other shareholders will be paid by the company's cashier (Rokiskio suris, AB resided in Pramones str. 3, Rokiskis), or upon a written request they will be transferred to the personal account. The requests may be supplied in written and sent to the company's address (Rokiskio suris AB, Pramones str. 3, Rokiskis LT- 42150) or e-mail address grazina.jankauskiene@rokiskio.com

The dividends are subject to taxes as follows:

Dividends paid to physical bodies resided in the Republic of Lithuania as well as to physical bodies residents of foreign countries are subject to 15 per cent of residential income tax.

Dividends paid to juridical bodies of the Republic of Lithuania as well as juridical bodies residents of foreign countries are subject to 15 per cent of profit tax unless it is provided differently by law.

Authorized persons of the company capable to provide additional information: Grazina Jankauskiene, ph. +370 458 55243.

- Claims dismissed

On 2 June 2017, Panevėžys Regional Court has dismissed all the claims of East Capital (LUX) Baltic Fund against AB Rokiškio sūris CEO Antanas Trumpa.

East Capital (LUX) Baltic Fund submitted a claim against Antanas Trumpa for compensation of potential damages to AB Rokiškio sūris in the amount of EUR 10.524 million. East Capital (LUX) Baltic Fund specified in its claim statement that Antanas Trumpa was liable for granting loans by AB Rokiškio sūris in breach of the provision of the Law on Companies of the Republic of Lithuania prohibiting the provision of financial assistance, and for conclusion of contracts that are against the interests of AB Rokiškio sūris.

In its judgement Panevėžys Regional Court indicated that the claim's data allows to state that Antanas Trumpa as a manager of AB Rokiškio sūris had performed in breach with the Law on Public Limited Liability Companies, i. e. provided the Company's financial support against the law (Law on Public Limited Liability Companies Article 44 Part 10, valid supplements of Law on Public Limited Liability Companies Article 45² Part 4). However, by dismissing the claim of East Capital (LUX) Baltic Fund, the Court held that the actions of Antanas Trumpa did not constitute any damage against the Company or its shareholders.

The Court established that East Capital (LUX) Baltic Fund missed the prescription period to file the claim, which, in the claims for the compensation of damages, is 3 years and starts on the date when the right to file the claim has arisen. In the opinion of the Court, East Capital (LUX) Baltic Fund, as a professional investor that became a shareholder of Rokiškio sūris in 2003, had to be interested in the activities of the Company, its loans and other information which was publicly available. However, as stated by the Court, the claimant started addressing its enquiries to Rokiškio sūris about the financing of UAB Pieno pramonės investicijų valdymas (PPIV) only in 2013, although it was always actively present in all the meetings of the shareholders of the Company as well as meetings with the representatives of the Company. The claimant did not

substantiate why it missed the prescription period and the Court therefore stated that there was no ground to restore the missed period of prescription.

The judgment of Panevėžys Regional Court does not have the force of res iudicata. The parties of the case may within 30 days from the date of the judgment, file an appeal with the Court of Appeal of the Republic of Lithuania.

- Regarding filing appeal claims with the Court of Appeal of the Republic of Lithuania

On July 3, 2017, there were filed appeals with the Court of Appeal of the Republic of Lithuania in the file submitted on 23/12/2015 by East Capital (LUX) Baltic Fund against Antanas Trumpa, the manager of AB Rokiškio sūris, regarding purportedly made damage to the Company in the amount of mEUR 10.524.

The Company advises that on 2 June 2017, Panevėžys Regional Court dismissed all the claims of East Capital (LUX) Baltic Fund against AB Rokiškio sūris CEO Antanas Trumpa. The Company became acquainted with the filing appeal claims via the information system of the Lithuanian Courts on 04/07/2017.

- The Company acquired Government bonds

Following a resolution of the Board of Directors of Rokiskio suris AB, on 28 June 2017, the Company acquired Government bonds of the Republic of Lithuania for the amount of mEUR 7.76. The pay off date of the bonds is 29/03/2020.

The Government bonds were acquired using free resources which were accumulated after product stock reduction. Due to the shortage in shelf life of the products in stock, the Company was forced to sell the products even though it was loss-making at times. The Government bonds were acquired in order to make a reserve for current assets which might be necessary if a similar crisis hits dairy industry again as it was in 2014-2016.

All information on the company's material events is presented following Article 33 of the Law on Securities of the Republic of Lithuania.

The company publishes its information through the base of Central Public Information, on the website of Nasdaq Vilnius Securities Exchange <http://www.nasdaqomxbaltic.com> and the company's website www.rokiskio.com

31. Information on observance of the Company management codex.

Rokiskio suris AB leads its operations in accordance with the company's strategic targets and internal politics, and attempts to follow the Company management codex applied for the companies listed on Nasdaq Vilnius.

**AB „ROKIŠKIO SŪRIS“
CONSOLIDATED AND PARENT COMPANY’S
FINANCIAL STATEMENTS as at 30th June 2017**

Company code 173057512, address: Pramonės g. 3, LT-42150 Rokiškis, Lithuania

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

32. Consolidated Balance sheet

	June 30, 2017	December 31, 2016	June 30, 2016
PROPERTY			
Long-term tangible assets	58,421	54,172	50,352
Intangible assets (with prestige)	2	2	5
Other receivables in a year	14,855	6,449	5,255
	73,278	60,623	55,612
Current assets			
Inventories	24,955	34,190	47,423
Receivables and advance payments	43,168	39,853	33,374
Short-term investments	4,166	4,233	4,386
Prepaid income tax	313	1,147	2,671
Cash and cash equivalents	2,087	2,366	1,382
	74,689	81,789	89,236
Total assets	147,967	142,412	144,848
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	9,361	10,402	10,402
Share premium	12,011	12,011	12,011
Reserve for acquisition of treasury shares	7,607	11,668	11,668
Treasury shares	-	(5,102)	(3,426)
Other reserves	21,477	22,957	23,692
Retained earnings	69,256	70,130	57,042
	119,682	122,066	111,389
Non-current liabilities			
Deferred income tax liability	3,314	3,581	3,696
Deferred income	336	397	465
	3,650	3,978	4,161
Current liabilities			
Trade and other payables	21,926	14,261	18,661
Tax liabilities	-	-	119
Deferred income	207	245	190
Borrowings	2,502	1,862	10,328
	24,635	16,368	29,298
Total equity and liabilities	147,967	142,412	144,848

**AB „ROKIŠKIO SŪRIS“
CONSOLIDATED AND PARENT COMPANY’S
FINANCIAL STATEMENTS as at 30th June 2017**

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33. Consolidated Statement of comprehensive income

	January - June	
	2017	2016
Sales	122,699	97,106
Cost of sales	(108,551)	(88,110)
Gross profit	14,148	8,996
Selling and marketing expenses	(12,961)	(11,107)
Operating profit (loss)	1,187	(2,111)
Finance costs	(31)	(85)
Profit before tax	1,156	(2,196)
Income tax (accumulation)	(312)	294
Operating activity income (loss)	844	(1,902)
Net profit (loss)	844	(1,902)
Other comprehensive income	-	-
Total comprehensive income for the year	844	(1,902)

**AB „ROKIŠKIO SŪRIS“
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FINANCIAL STATEMENTS as at 30th June 2017**

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

34. Consolidated cash flow statement

	January-June	
	2017	2016
Operating activities		
Profit before tax and minority interest	1,156	(2,196)
<i>Corrections:</i>		
– depreciation	4,239	4,483
– amortisation (negative prestige not included)	1	25
– write-off of property, plant and equipment and intangible assets	26	-
– loss on disposal of property, plant and equipment	71	1
– interest expense	31	85
– interest income	(176)	(179)
– net unrealized currency exchange profit	(80)	(165)
– amortization of government grants received	(101)	(194)
<i>Circulating capital changes:</i>		
- inventories	9,235	7,191
- amounts payable	9,363	(932)
- amounts receivable and prepayments	(11,272)	148
Cash flows from operating activities	12,493	8,267
Interest paid	(31)	(85)
	-	-
Net cash generated from operating activities	12,462	8,182
Investing activities		
Purchase of property, plant and equipment	(8,764)	(3,463)
Purchase of intangible assets	(1)	-
Loans granted to farmers and employees	(155)	(279)
Proceeds from sale of property, plant and equipment	182	820
Other loans granted	(2,500)	-
Repayments of loans granted to farmers and employees	199	339
Interest received	176	179
Other loan repayments received	626	1,410
Government grants received	84	-
Net cash generated from investing activities	(10,153)	(994)
Financing activities		
Loans received	2,000	51,541
Repayments of borrowings	(1,360)	(56,432)
Dividends paid	(3,228)	(2,342)
Net cash generated from financing activities	(2,588)	(7,233)
Net increase in cash and cash equivalents	(279)	(45)
Cash and cash equivalents at the beginning of the period	2,366	1,427
Cash and cash equivalents at the end of the period	2,087	1,382

**AB „ROKIŠKIO SŪRIS“
CONSOLIDATED AND PARENT COMPANY'S
FINANCIAL STATEMENTS as at 30th June 2017**

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

35. Consolidated Own Capital Change Statement

	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at December 31st 2015	10,402	12,011	11,668	(3,426)	25,776	59,202	115,633
Comprehensive income							
Profit (loss) of the year						(1,902)	(1,902)
Dividends relating to 2015						(2,342)	(2,342)
Transfer to reserves					84	(84)	
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(2,168)	2,168	
Balance at June 30st 2016	10,402	12,011	11,668	(3,426)	23,692	57,042	111,389
Comprehensive income							
Profit (loss) of the year						12,353	12,383
Other comprehensive income							
Transfer to reserves							
Acquisition of treasury shares				(1,676)			(1,676)
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(735)	735	
Balance at December 31st 2016	10,402	12,011	11,668	(5,102)	22,957	70,130	122,066
Comprehensive income							
Profit (loss) of the year						844	844
Decrease in share capital / cancellation of treasury shares	(1,041)		(4,061)	5,102			
Dividends relating to 2016						(3,228)	(3,228)
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(1,510)	1,510	
Balance at June 30st 2017	9,361	12,011	7,607	-	21,447	69,256	119,682

AB „ROKIŠKIO SŪRIS“
**CONSOLIDATED AND PARENT COMPANY'S
FINANCIAL STATEMENTS as at 30th June 2017**

Company code 173057512, address: Pramonės g. 3, LT-42150 Rokiškis, Lithuania

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

36. Commentary on the Report
1. General information

The Public Limited Liability Company Rokiskio suris (hereinafter – the company) is a public listed company incorporated in Rokiskis.

The shares of AB Rokiskio Suris are traded on the Baltic Main List of the NASDAQ OMX Vilnius (symbol – RSU1L).

The Consolidated Group (hereinafter – the Group) consists of the Company, its two branches and four subsidiaries. (2016: two branches, and five subsidiaries). The branches and subsidiaries that comprise consolidated Group are indicated below:

	Operating as at 30 June		Group's share (%) as at 30 June	
	2017	2016	2017	2016
Branches				
Utenos Pienas	Yes	Yes		
Ukmerges Pienine	Yes	Yes		
Subsidiaries				
UAB Rokiskio pienas			100.00	100.00
UAB Rokiskio pieno gamyba			100.00	100.00
KB Zalmarge			-	100.00
SIA Jekabpils Piena Kombinats			100.00	100.00
SIA Kaunata*			60.00	60.00

* These subsidiaries were not consolidated due to their insignificance.

All above subsidiaries and branches are incorporated in Lithuania, except for SIA Jekabpils Piena Kombinats and SIA Kaunata which are incorporated in Latvia.

The Group's main line of business is the production of fermented cheese and a wide range of other dairy products.

As of 30st June 2017, the average number of the Group's employees was equal to 1,548 (compared to 1,577 employees as at 30st June 2016).

2. Accounting Principles

These consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

Subsidiaries are the 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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.

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.

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

Subsequent costs are included into the asset’s carrying amount or recognized as separate assets, as appropriate, only when it is likely that in future the Group will receive economic benefits associated with the item and the cost of the item will be measured accordingly. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they have been 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, as follows:

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

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

The Group’s software which is expected to bring the Group material benefit in future, is valued at cost price less accumulated depreciation. Depreciation is calculated using the straight-line method for the estimated useful life from 1 to 5 years.

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.

Inventories are subsequently 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.

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 statement of comprehensive income within 'general and administrative expenses'. Bad debts are written off during the year in which they are identified as irrecoverable.

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.

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their nominal value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

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 statement of comprehensive income 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.

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.

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 statement of comprehensive income over the period of the borrowings using the effective interest method.

Profit is taxable at a rate of 15 per cent (2016: 15 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

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. Social security contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

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 eliminated 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.

Interest income is recognised on a time-proportion basis using the effective interest method.

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.

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.

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 make strategic decisions.

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

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.

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 interest expense.

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

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 30 June 2017 and 2016 approximated the fair value.

3. Financial risk management

The Group's and the Company's activities expose them to a variety of financial risks. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of 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.

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.

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 with fixed interest rate were denominated in the euros. In 2017 and 2016, the Group's borrowings were with variable interest rate and they were denominated in the euros.

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

As at 30 June 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** (30 June 2016: from 'A+' to 'BBB').

The table below summarises 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 30 June:

	2017 06 30	2016 06 30
Cash and cash equivalents at banks	2,087	1,382
Trade receivables	38,196	28,339
Loans granted	9,188	7,825
	<u>49,471</u>	<u>37,546</u>

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.

	2017 06 30		2016 06 30	
	Credit limit	Amount receivable	Credit limit	Amount receivable
Customer A	4,345	3,850	4,345	3,411
Customer B	2,028	1,455	2,028	1,605
Customer C	600	433	600	468
Customer D	435	322	435	264
Customer E	500	311	500	377

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 Group define their capital as equity and debt less cash and cash equivalents.

As at 30 June, the Group's capital structure was as follows:

	2017 06 30	2016 06 30
Borrowings	2,502	10,328
Less: cash and cash equivalents	(2,087)	(1,382)
Net debt	415	8,946
Shareholders' equity	119,682	111,389
Total capital	<u>120,097</u>	<u>120,335</u>

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 30 June 2017 and 30 June 2016, the Company and its subsidiaries registered in Lithuania complied with these requirements.

4. Information on segments

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 comprise of raw milk collection. Transactions between the business segments are on normal commercial terms and conditions.

Geographical information

Analysis of the Group's income from sales according to markets is as follows:

	2017 06 30	2016 06 30
Lithuania	41,582	39,015
European Union member states	65,075	40,809
Near East	270	7,552
North America	9,778	2,735
Far East	3,481	6,995
Other countries	2,512	
Total	122,698	97,106

The breakdown of the Group's revenue by category:

	2017 06 30	2016 06 30
Product Sales	122,093	96,348
Provided services	605	758
Total	122,698	97,106

5. Long-term tangible assets

In the income statement the depreciation charge of long-term tangible assets is reported in the following entries: selling and marketing expenses, general and administrative expenses and cost of sales, as well as in production in progress and ready production entries.

Software and intangible asset depreciation charge are accounted in the entry of general and administrative expenses.

6. Inventories

As at 30st June 2017, the Group's inventories were made of:

	2017 06 30	2016 06 30
Raw material	2,516	1,889
Production in progress	4,181	2,695
Ready production	17,576	42,001
Other inventories	682	838
Total	24,955	47,423

7. Related-party transactions

Main shareholders of Company:

	2017 06 30	2016 06 30
Antanas Trumpa (Managing manager)	21.62%	19.46%
„Pieno pramonės investicijų valdymas” UAB (established in Lithuania) *	30.09%	27.97%
SIA „RSU Holding“ (established in Latvia) *	27.60%	24.84%
Other shareholders (legal entities and natural persons)	20.69%	21.00%
Rokiškio sūris AB (treasury shares)	-	6.73%

* *Pieno Pramonės Investicijų Valdymas UAB is controlled by Mr Antanas Trumpa (as a principal shareholder holding 67.04% of the share capital and votes of Pieno Pramonės Investicijų Valdymas UAB). RSU Holding SIA is controlled by Mr Antanas Trumpa (as a principal shareholder holding 77.37% of the share capital and votes of RSU Holding SIA).*

Members of the Board of Directors of Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA and Rokiškio Sūris AB and their family members are treated as related parties.

Jointly acting persons comprise of the following: UAB Pieno pramonės investicijų valdymas (30.09% of the Company’s authorized capital and votes), SIA RSU Holding (27.60% of the Company’s authorized capital and votes) and managers – Antanas Trumpa (21.62% of the Company’s authorized capital and votes) and Dalius Trumpa (83,500 shares, 0.26% of the Company’s authorized capital and votes).

As at 30/06/2017, the group of jointly acting persons owns 79.57% of the Company’s authorized capital and votes (30/06/2016 – 72.50% of the Company’s authorized capital and 77.74% votes).

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.

The following transactions were carried out with related parties:

	2017 06 30	2016 06 30
Purchase of raw milk from other related parties	1,601	1,009
Purchase of non-current assets	-	181
Purchases of services	26	437
Sales of production and other inventories	18	94
Interest charges on credit facility	10	10

Seeking to disclose more accurately the internal turnovers for Rokiškio Sūris AB and Rokiškio Pienas and for Rokiškio Pieno Gamyba UAB, the Group’s management decided that all purchases of raw materials used for the manufacturing of products exported by Rokiškio Sūris AB should be made at zero price, and all sales of products produced by Rokiškio Pienas UAB and by Rokiškio Pieno Gamyba UAB should be treated as sales of services, i.e. excluding the value of raw material. Purchases and sales of milk, property plant & equipment and inventory is organised at arm’s length conditions between related parties.

Year-end balances arising from transactions with related parties:

	2017 06 30	2016 06 30
Non-interest bearing loans granted to directors (and their family members)	31	39
Trade payables to other related parties	535	694

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.

8. Financial ratios

The Group's financial ratios:

	2017 06 30	2016 06 30
Revenue (EUR thousand)	122,699	97,106
EBITDA (EUR thousand)	5,427	2,397
EBITDA margin (%)	4.42	2.47
Operations profit (EUR thousand)	1,187	(2,111)
Margin of operations profit (%)	0.97	(2.17)
Profit per share (EUR)	0.41	(0.05)
Number of shares (units)	32,281,173	35,867,970

9. Information on the audit

The audit according to the International Accounting Standards will be made for the full year 2017 by audit company UAB PricewaterhouseCoopers.

10. Up-to-date information on material events and transactions

On 15 February 2017, amendments were signed to the credit agreement with SEB Bankas AB, under which the final repayment date for the credit limit of EUR 18,000,000 (eighteen million euros) granted to the borrower (Rokiškio Sūris AB) was extended until 15 February 2018, and the overdraft facility of EUR 1,000,000 (one million euros) was renewed and the final repayment date for the overdraft facility was extended until 28 February 2018. The interest rate set in the credit agreement was not subject to repricing, nor were any assets of the Company pledged as a collateral.

Following a resolution of the Board of Directors of Rokiškio Sūris AB, on 28 June 2017, the Company acquired Government bonds for the amount of m EUR 7.76. The pay off date of the bonds is 29/03/2020.

The Government bonds were acquired using free resources which were accumulated after product stock reduction. Due to the shortage in shelf life of the products in stock, the Company was forced to sell the products even though it was loss-making at times. The Government bonds were acquired in order to make a reserve for current assets which might be necessary if a similar crisis hits dairy industry again as it was in 2014-2016.

During the General Meeting of Shareholders of Rokiškio Sūris AB held on 28 October 2016, a decision was made to reduce the share capital of Rokiškio Sūris AB by EUR 1,040,171.13 (one million, forty thousand, one hundred and seventy-one euros, and 13 euro cents) by way of annulment of 3,586,797 (three million, five hundred and eighty-six thousand, seven hundred and ninety-seven) ordinary registered shares held by the Company with par value of EUR 0.29 each. After the annulment of the acquired treasury shares and reduction of the Company's share capital, the amendment version of the Articles of Association of Rokiškio Sūris AB was registered on 18 January 2017 with the Lithuanian Register of Legal Entities, whereby the share capital of Rokiškio Sūris AB amounted to EUR 9,361,540.17 (nine million, three hundred and sixty-one thousand, five hundred and forty euros and 17 euro cents), divided into 32,281,173 (thirty-two million, two hundred and eighty-one thousand, one hundred and seventy-three) ordinary registered shares with par value of EUR 0.29 each.