

## Report of the Audit Committee for the year 2015

The Audit Committee of AB Rokiškio sūris was elected by the 26<sup>th</sup> April 2013 General Meeting of Shareholders. The Audit Committee consists of 3 members, one of which is an independent member. The term of the Committee office is four years.

The Audit Committee performs in accordance with the Law on the Audit of the Republic of Lithuania, the 21<sup>st</sup> August 2008 Resolution No. 1K-18 adopted by the Securities Commission of the Republic of Lithuania „Regarding requirements applied to the Audit Committees“, the Articles of Association of AB Rokiškio sūris, and the approved Regulations of formation and operation of The Audit Committee.

Key functions of the Audit Committee:

1. Observe the integrity of preparation procedure of financial statements provided by the Company and its subsidiaries;
2. Observe the efficiency of the internal functions such as control, risk management and internal audit;
3. Submit recommendations to the Board of Directors related with selection of the external auditor, and observe procedure of audit performance;
4. Monitor independence and impartiality of the external auditor and audit company;
5. Inform the Company's Board of Directors on any significant failures of internal control identified by external and internal audit in relation with financial accounting, and make recommendations on their improvement;
6. Perform fairly in the interest of the Company and its shareholders and be liable in this regard.

In 2015, the Audit Committee had 4 meetings. The meetings were summoned at the end of every quarter whereas the internal financial reports were discussed and recommendations were provided. The meetings were attended by the Board of Directors. The Audit Committee presented reports in regards with the functions assigned, i.e. recommendations regarding preparation of the financial accounting, management of the Company's internal control risk, internal audit system, as well as observation how the internal auditor and audit company regard principles of independency and impartiality.

The Company performs in accordance with the strategy approved and prepared by the Board of Directors. The strategy covers key management functions such as finance, sales and marketing, raw milk procurement, production and human resource management. In order to achieve the settled targets there is an internal control system operating in the Company. The main functions are to analyze, evaluate and submit recommendations for the improvement of effectiveness of the Company's operational procedures.

The Company's top management were in close cooperation with the Audit Committee, and all the information related with the specific accounting, financial and operational aspects of the Company was timely and appropriately provided. Findings of the audit were provided to the Company which resulted in preparation of action plan in order to eliminate any failures.

The Company performs its accounting and prepares financial statements according to International Financial Reporting Standards as adopted by the European Union. The financial statements are

prepared under the historical cost convention, except the to be sold financial assets which is evaluated by its real value and the long term tangible assets which is evaluated by its reassessed value.

The Consolidated Group AB Rokiškio sūris consists of the Company Rokiškio sūris, its two branches Utenos pienas and Ukmerges pienine, and five subsidiaries: UAB Rokiškio pienas, UAB Rokiškio pieno gamyba, KB Žalmargė, SIA Jekabpils piena kombinats, and SIA Kaunata.

The audit of financial reports of AB Rokiskio suris for the year 2015 was performed by an independent international auditing company UAB PricewaterhouseCoopers. Following the Law on audit of the Republic of Lithuania, the audit company provided to the Audit Committee a written statement as testimony of impartiality of the Audit company. The Audit Committee have not identified any circumstances contradicting with the laws of the Republic of Lithuania nor to the ethical principles of auditing which could potentially breach independence of the Audit company.

The Company's operations procedures are managed and controlled using the information technology systems. The company's information systems are continuously updated and improved by implementation of new modules inspired by the ongoing company needs and performance procedures. Security of all data accumulated in the Company's information system is guaranteed by copying the data.

In the opinion of the Audit Committee, the Company's internal control system is performing effectively, which provides objective and impartial opportunity to the management to source relevant information on the periodical basis. Financial reports are prepared timely and in accordance with the International Financial Accounting Standards legalized in the EU, and they represent the fair financial situation.

Members of the Audit Committee have analyzed the consolidated audited financial statements and the consolidated annual report, consequently they recommended the Company's Board of Directors to submit the consolidated audited annual financial reports for the approval by the Company's shareholders.

Chairman of the Audit Committee

Kęstutis Kirejevas

