

Report of the Audit Committee for the year 2016

The Audit Committee of Rokiškio sūris AB was formed on 26 April 2013 by General Meeting of Shareholders. The Audit Committee consists of 3 members, one of which is an independent member. The term of office of the Committee is four years.

The activities of the Audit Committee are governed by the Republic of Lithuania Law on Audit, the Resolution No 1K-18 of 21 August 2008 of the Securities Commission of the Republic of Lithuania "On the Requirements for the Audit Committees", the Articles of Association of Rokiškio sūris AB and the approved Regulations of Formation and Activity 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.

In 2016, the Audit Committee held 3 meetings. During the meetings, the annual and interim financial reports were discussed and conclusions were provided. The Audit Committee presented the reports on the functions assigned, such as supervision of the preparation process of financial statements, monitoring of the Company's internal risk management, and internal audit systems, and supervision of compliance of the audit firm with the principles of independence and impartiality. The Committee supervised and monitored how any non-audit services were purchased pursuing REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on specific requirements regarding statutory audit of public-interest entities.

In 2017, the Audit Committee held 3 meetings, during one of which the annual financial statements were discussed, and during the other it was supervised and monitored how any non-audit services were purchased and conducted pursuing REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on specific requirements regarding statutory audit of public-interest entities.

The management maintained close cooperation with the members of the Audit Committee, provided timely and comprehensive information related to specific nuances of the Company's accounting, finances and operation. The audit report was presented to the Board of Directors, and the action plan was prepared for elimination of the inaccuracies identified.

The Company operates in accordance with the business strategy prepared and approved by the Board of Directors, which covers the main aims of the key management functions: control of the areas of finance, sales and marketing, raw materials procurement, production and human resources, and performance thereof. The internal control system is in place in the Company to accommodate achievement of the set targets. The main functions are to analyse, evaluate and make recommendations to the Board of Directors with regards to improvement of efficiency of the Company processes.

The Company's operational processes are monitored and controlled with the help of the information systems. The information systems in the Company are regularly updated and improved through integration of new modules tailored to meet the changing needs and operational processes of the Company. The data contained in the Company's information systems are protected against loss by data backup.

The Group manages its accounting and prepares the financial statements in accordance with the International Financial Reporting Standards adopted in the European Union. The financial statements are prepared on the basis of the concept of the historical cost, except the available-for-sale assets, which are recognised at fair value, and non-current tangible assets, which are recognised at revalued amount.

The Consolidated Group Rokiškio sūris AB consists of the parent company Rokiškio sūris, its two branches: Utenos pienas and Ukmergės pieninė; and four subsidiaries: Rokiškio pienas UAB, Rokiškio pieno gamyba UAB, Jekabpils piena kombinats SIA and Kaunata SIA.

The audit of the financial statements for the year 2016 of Rokiškio sūris AB was conducted by the independent international audit firm PricewaterhouseCoopers UAB. Pursuant to the requirements of the Republic of Lithuania Law on Audit, the audit firm presented a written confirmation of the independent firm to the Audit Committee. The Audit Committee did not identify any circumstances contradicting the audit regulations of the Republic of Lithuania and principles of the professional audit ethics that could compromise independence of the audit firm.

Pursuant to the REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on specific requirements regarding statutory audit of public-interest entities, the Audit Committee of Rokiškio sūris AB resolved to approve the purchase of non-audit services (tax inspection services for the year 2016) from PricewaterhouseCoopers UAB. Pursuant to the provisions of the Law on Audit, the services will be provided in 2017. The guarantee of independence was discussed during a meeting with the audit team of PricewaterhouseCoopers UAB.

Pursuant to the REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on specific requirements regarding statutory audit of public-interest entities, the Audit Committee of Rokiškio sūris AB confirmed purchase of non-audit services (agreed specific procedure related to purchase of services from the associated companies) from PricewaterhouseCoopers UAB, by purchasing standardised forms of financial statements conforming to the regulations of the Business Accounting Standards for the subsidiary companies Rokiškio pienas UAB and Rokiškio pieno gamyba UAB. The guarantee of independence was discussed during a meeting with the audit team of PricewaterhouseCoopers UAB.

In the opinion of the Audit Committee, the Company's internal control system is efficient, impartial and independent, ensuring possibilities for the management to receive all necessary information at a set periodicity. The financial statements are prepared in due time and in accordance with the International Financial Reporting Standards adopted in the EU, and represent a correct financial situation.

Having reviewed the consolidated audited financial statements and consolidated annual report, members of the Audit Committee issued a recommendation to the Board of Directors to present the consolidated audited financial statements for the year 2016 for the approval of the Company shareholders.

Chairman of the Audit



Kęstutis Kirejevas