ROKIŠKIO SŪRIS AB
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2016

Translation note:

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

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Independent auditor's report

To the shareholders of Rokiškio Sūris AB

Our opinion

In our opinion, the stand-alone and consolidated financial statements present fairly, in all material respects the stand-alone and consolidated financial position of Rokiškio Sūris AB ("the Company") and its subsidiaries ("the Group") as at 31 December 2016, and their stand-alone and consolidated financial performance and their stand-alone and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited
The Company's and Group's stand-alone and consolidated financial statements comprise:

- the stand-alone and consolidated balance sheet as at 31 December 2016;
- the stand-alone and consolidated statements of income for the year then ended;
- the stand-alone and consolidated statements of comprehensive income for the year then ended;
- the stand-alone and consolidated statements of changes in equity for the year then ended;
- the stand-alone and consolidated statements of cash flows for the year then ended; and
- the notes to the stand-alone and consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our audit approach

Overview

Materiality

Overall Group materiality is EUR 2.26 million which represents 1% of the Group's total consolidated revenue.

Overall Company materiality is EUR 2.05 million which represents 1% of the Company's total revenue.

Group scoping

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

Key audit matters

- Revenue recognition
- Valuation of accounts receivable

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

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

Materiality

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

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

Overall Group materiality	EUR 2.26 million (2015: EUR 2 million)
Overall Company materiality	EUR 2.05 million (2015: EUR 1.74 million)
How we determined it	1% of the Group's and Company's total revenue
Rationale for the materiality benchmark applied	Significant fluctuations in the Group's and the Company's profit depend on the prevailing trends in global dairy markets. We have, therefore, chosen revenue as a benchmark for determining the materiality because, in our view, it provides us consistent information year-on-year basis, reflecting the Group's growth. Revenue and market share are also considered to be important business performance indicators.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition Refer to note 2.18 and note 5 'Segment reporting' in the financial statements The Group's and the Company's revenue in 2016 amounted to EUR 226.2 million and EUR 205 million, respectively, and mostly consists of sales of goods. The Company recognises revenues from sales of goods based on the quantity of goods dispatched and the agreed prices. Revenue is recognised only when all significant risks and benefits arising from ownership of goods are transferred to the customer based on the agreed incoterms. Revenue is recognised net of discounts provided. Although revenue recognition involves only limited judgement, due to the size and volume of transactions it is an audit area which requires significant time	We audited revenue recognition through a combination of controls testing and substantive testing. We evaluated the design and tested operating effectiveness of key controls in relation to the recognition of revenue, with particular focus on controls over the matching of invoices to related shipping documents and to the agreed prices as indicated in the sale orders or agreements. We did not identify any exceptions that would have impact on our audit approach. We reviewed the accounting policy for revenue recognition in respect of all material revenue streams, and assessed its compliance with the International Financial Reporting Standards as adopted by the European Union.

and resources and is therefore considered to be a key audit matter.

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

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

Valuation of accounts receivable

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

The Group's and the Company's trade receivables amounted to EUR 41 million and EUR 47 million, respectively, as at 31 December 2016, before taking into account the provision for impairment of doubtful receivables.

The management of the Company has identified certain indications of impairment and therefore has recognised a provision for impairment amounting to EUR 2.9 million. In estimating this amount, management considered such factors as the possible risk of the trade receivables being not recovered either on time,

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

- We reviewed the ageing analysis of trade receivables as at 31 December 2016 and tested its reliability on the basis of a selected sample of invoices.
- For the amounts overdue more than 180 days, we obtained and reviewed payments received after the year-end. We also enquired whether there were any collateral received or insurance paid in respect of the related receivables.
- We performed a retrospective review of the prior period estimates over the doubtful receivables by comparing them to the results of the financial year 2016. We noted that

or in full. Such an estimate requires significant judgement and it was, therefore, considered as an area of greater focus for the audit.	management follows a conservative approach in making the estimates. • We reviewed the minutes of the Credit Committee containing the results of regular analysis of possible impairment indications. Based on the results of our testing, we found that the allowance for doubtful trade receivables was adequate.

How we tailored our Group audit scope

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

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

Other information

Management is responsible for the other information. The other information comprises the consolidated annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor on the audit resulting in this independent auditor's report is Vytenis Lazauskas.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
General Manager

Vytenis Lazauskas
Auditor's Certificate No.000536

Vilnius, Republic of Lithuania
6 April 2017

Approved
on 28 04 2017
MINUTES No. 1

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

Income statement

Group				Company	
2016	2015		Notes	2016	2015
226,196	196,504	Revenue	5	205,058	172,575
(191,509)	(171,954)	Cost of sales		(180,199)	(159,128)
34,687	24,550	Gross profit		24,859	13,447
(15,714)	(13,838)	Selling and marketing expenses	6	(13,311)	(11,191)
(7,973)	(7,357)	General and administrative expenses	7	(5,010)	(5,746)
2,306	3,211	Other income	8	8,936	9,228
(1,881)	(2,250)	Other expenses	9	(1,880)	(2,282)
298	(49)	Other (losses)/gains	10	(176)	(48)
11,723	4,267	Operating profit/(loss)		13,418	3,408
(116)	(201)	Finance costs	12	(75)	(124)
11,607	4,066	Profit/(loss) before income tax		13,343	3,284
(1,156)	(171)	Income tax	13	(792)	595
10,451	3,895	Profit/(loss) for the year		12,551	3,879
		Profit/(loss) for the year attributable to:			
10,451	3,895	Owners of the Company		-	-
-	-	Non-controlling interest		-	-
10,451	3,895			-	-
0.32	0.11	Basic and diluted earnings/(deficit) per share (in EUR per share)	14	0.38	0.11

The accompanying notes are an integral part of these annual financial statements.
These financial statements were authorised for issue on 6 April 2017 by the Board of Directors and signed on behalf of the Board of Directors by the Managing Director and the Finance Director.

Antanas Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

Approved
on 28 04 2017
MINUTES No. 1

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

Statement of comprehensive income

Group 2016	Group 2015		Notes	Company 2016	Company 2015
10,451	3,895	Profit/(loss) for the year		12,551	3,879
		Other comprehensive income			
-	18,452	Gain on revaluation of property, plant and equipment		-	13,733
-	(2,768)	Deferred income tax on revaluation		-	(2,060)
-	15,684	Other comprehensive income for the year		-	11,673
10,451	19,579	Total comprehensive income/(loss) for the year		12,551	15,552
		Total comprehensive income/(loss) for the year attributable:			
10,451	19,579	Owners of the Company		-	-
-	-	Non-controlling interest		-	-
10,451	19,579			-	-

Antanas Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

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

Approved
on 28 04 2017
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(All tabular amounts are in EUR '000 unless otherwise stated)

Balance sheet

Group At 31 December 2016	Group At 31 December 2015		Notes	Company At 31 December 2016	Company At 31 December 2015
		ASSETS			
		Non-current assets			
54,172	51,607	Property, plant and equipment	15	34,701	35,058
2	10	Intangible assets	16	2	10
159	159	Investments in subsidiaries	17	5,054	5,054
1,134	1,745	Deferred income tax assets	18	1,045	1,657
1,997	10	Prepayments for non-current assets	21	910	-
3,159	2,793	Loans granted	19	2,929	2,376
60,623	56,324			44,641	44,155
		Current assets			
34,190	54,614	Inventories	20	31,897	52,342
4,233	6,446	Loans granted	19	4,317	6,585
39,853	33,522	Trade and other receivables	21	45,043	29,427
1,147	2,275	Prepaid income tax		321	1,576
2,366	1,427	Cash and cash equivalents	22	1,074	401
81,789	98,283			82,652	90,331
142,412	154,607	**Total assets**		127,293	134,486
		EQUITY			
		Attributable to owners of the Company			
10,402	10,402	Share capital	23	10,402	10,402
12,011	12,011	Share premium		12,011	12,011
11,668	11,668	Reserve for acquisition of treasury shares	25	11,668	11,668
(5,102)	(3,426)	Treasury shares	24	(5,102)	(3,426)
22,957	25,776	Other reserves	25	16,318	18,615
70,130	59,202	Retained earnings		64,584	52,078
122,066	115,633	**Total equity**		109,881	101,348
		LIABILITIES			
		Non-current liabilities			
3,581	4,078	Deferred income tax liability	18	2,500	2,905
397	553	Deferred income	27	157	234
3,978	4,631			2,657	3,139
		Current liabilities			
-	1,019	Income tax liabilities			
1,862	14,978	Borrowings	26	1,862	14,978
245	226	Deferred income	27	162	140
14,261	18,120	Trade and other payables	28	12,731	14,881
16,368	34,343			14,755	29,999
20,346	38,974	**Total liabilities**		17,412	33,138
142,412	154,607	**Total equity and liabilities**		127,293	134,486

Antanas Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

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

Company's statement of changes in equity

	Note	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2015		**10,388**	**12,011**	**11,668**	**(1,120)**	**9,527**	**45,614**	**88,088**
Comprehensive income								
Profit/(loss) for the year		-	-	-	-	-	3,879	3,879
Other comprehensive income						11,673		11,673
Transfer to retained earnings (transfer of depreciation of revaluated assets and disposals of revaluated assets, net of deferred income tax)	25	-	-	-	-	(2,585)	2,585	-
Total comprehensive income for 2015		-	-	-	-	**9,088**	**6,464**	**15,552**
Transactions with owners								
Acquisition of treasury shares		-	-	-	(2,306)	-	-	(2,306)
Increase in share capital on adoption of euro		14	-	-	-	-	-	14
Total transactions with owners for 2015		**14**	-	-	**(2,306)**	-	-	**(2,292)**
Balance at 31 December 2015		**10,402**	**12,011**	**11,668**	**(3,426)**	**18,615**	**52,078**	**101,348**
Comprehensive income								
Profit/(loss) for the year		-	-	-	-	-	12,551	12,551
Transfer to retained earnings (transfer of depreciation of revaluated assets and disposals of revaluated assets, net of deferred income tax)	25	-	-	-	-	(2,297)	2,297	-
Total comprehensive income for 2016		-	-	-	-	**(2,297)**	**14,848**	**12,551**
Transactions with owners								
Acquisition of treasury shares		-	-	-	(1,676)	-	-	(1,676)
Dividends for 2015	25	-	-	-	-	-	(2,342)	(2,342)
Total transactions with owners for 2016		-	-	-	**(1,676)**	-	**(2,342)**	**(4,018)**
Balance at 31 December 2016		**10,402**	**12,011**	**11,668**	**(5,102)**	**16,318**	**64,584**	**109,881**

Antanas Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

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

Approved
on 28 04 2017
MINUTES No. 1

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

Group's statement of changes in equity

		Attributable to owners of the Company						
	Note	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2015		10,388	12,011	11,668	(1,120)	12,795	52,605	98,347
Comprehensive income								
Profit/(loss) for the year		-	-	-	-	-	3,895	3,895
Other comprehensive income						15,683	-	15,683
Transfer to retained earnings (transfer of depreciation of revaluated assets and disposals of revaluated assets, net of deferred income tax)	25	-	-	-	-	(2,702)	2,702	-
Total comprehensive income for 2015		-	-	-	-	12,981	6,597	19,578
Transactions with owners								
Acquisition of treasury shares		-	-	-	(2,306)	-	-	(2,306)
Increase in share capital on adoption of euro		14	-	-	-	-	-	14
Total transactions with owners for 2015		14	-	-	(2,306)	-	-	(2,292)
Balance at 31 December 2015		10,402	12,011	11,668	(3,426)	25,776	59,202	115,633
Comprehensive income								
Profit/(loss) for the year		-	-	-	-	-	10,451	10,451
Transfer to retained earnings (transfer of depreciation of revaluated assets and disposals of revaluated assets, net of deferred income tax)	25	-	-	-	-	(2,819)	2,819	-
Total comprehensive income for 2016		-	-	-	-	(2,819)	13,270	10,451
Transactions with owners								
Acquisition of treasury shares		-	-	-	(1,676)	-	-	(1,676)
Dividends for 2015		-	-	-	-	-	(2,342)	(2,342)
Total transactions with owners for 2016		-	-	-	(1,676)	-	(2,342)	(4,018)
Balance at 31 December 2016		10,402	12,011	11,668	(5,102)	22,957	70,130	122,066

Antanas Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

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

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

Statement of cash flows

Group				Company	
Year ended 31 December				Year ended 31 December	
2016	2015		Notes	2016	2015
		Cash flows from operating activities			
30,810	(2,255)	Cash generated from/(used in) operations	32	15,891	(13,024)
(116)	(124)	Interest paid		(75)	(124)
(1,960)	(987)	Income tax paid			
28,734	(3,366)	Net cash generated from/(used in) operating activities		15,816	(13,148)
		Cash flows from investing activities			
(10,742)	(1,880)	Purchases of property, plant and equipment	15	(6,243)	(1,041)
(1,997)	-	Prepayments for purchases of property, plant and equipment		(910)	-
-	3	Disposal of investments (net of cash disposed)	17	-	2,951
(472)	(435)	Loans granted to farmers and employees		(472)	(435)
	(2,700)	Other loans granted			(2,700)
99	46	Proceeds from sale of property, plant and equipment	32	841	46
83	-	Government grants received	27	83	-
1,986	9,125	Other loan repayments received		1,813	7,624
381	516	Interest received		381	516
-	-	Dividends received	33	6,498	6,148
(10,662)	4,675	Net cash (used in)/generated from investing activities		1,991	13,107
		Cash flows from financing activities			
(2,341)	-	Dividends paid	25	(2,342)	-
-	-	Reduction of share capital of subsidiary	17	-	2,585
(1,676)	(2,306)	Purchase of treasury shares	24	(1,676)	(2,306)
78,895	140,371	Loans received		78,895	140,371
(92,011)	(141,273)	Repayments of borrowings		(92,011)	(141,273)
(17,133)	(3,208)	Net cash generated from financing activities		(17,134)	(623)
939	**(1,899)**	**Net (decrease)/increase in cash and cash equivalents**		**673**	**(664)**
1,427	3,326	Cash and cash equivalents at beginning of year	22	401	1,065
2,366	1,427	**Cash and cash equivalents at end of year**	22	1,074	401

Antanas Trumpa
Managing Director

Antanas Kavaliauskas
Finance Director

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

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

Notes to the financial statements

1. General information

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

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

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

The consolidated group ("the Group") consists of the Company and its two branches, and four subsidiaries (2015: two branches and five subsidiaries). Information on the Group companies and branches is presented below:

	Operating as at 31 December				**Group's ownership interest (%) as at 31 December**	
Branches	**2016**	**2015**		**Subsidiaries**	**2016**	**2015**
Utenos Pienas	Yes	Yes		Rokiškio Pienas UAB	100.00	100.00
Ukmergės Pieninė	Yes	Yes		Rokiškio Pieno Gamyba UAB	100.00	100.00
				Žalmargė KB	-	100.00
				Jekabpils Piena Kombinats SIA	100.00	100.00
				*SIA Kaunata **	60.00	60.00

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

Kaunata SIA, company code 240300369, VAT payer's code: LV42403003695, address: S. Rogs, Kaunatas pag. Rezekne novads.
Results of operations for the year ended 31 December 2016 (unaudited) are as follows:
Total assets: EUR 311,808;
Property, plant and equipment: EUR 42,900;
Result of operations: EUR (1,684).
Core line of business of the subsidiary: collection and realisation of milk. The company is the main supplier of raw milk to company Jekabpils Piena Kombinats SIA (subsidiary of Rokiškio Sūris AB).
Kaunata SIA was accounted for at cost.

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

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

The average number of the Company's employees during the year ended 31 December 2016 was 1,018 (2015: 1,064). The average number of the Group's employees during the year ended 31 December 2016 was 1,577 (2015: 1,643).

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

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

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

IFRSs and their amendments that became effective from 31 December 2016 did not have impact for Company's and Group's financial statement.

b) *New standards, amendments and interpretations that are not yet effective*

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2017, yet not applied in preparing these financial statements are as follows:

IFRS 9, 'Financial instruments: Classification and measurement' (effective for annual periods beginning on or after 1 January 2018, adopted by the EU).
Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit

losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Disclosure Initiative - Amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017; not yet adopted by the EU). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

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

The Company and the Group are currently assessing the impact of the new relevant standards and their improvements on their financial statements.

The Company and the Group consider that other IFRS standards, their amendments and improvements, and IFRIC interpretations that are not yet effective, will have no significant impact on their financial statements or are not relevant.

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

(b) Transactions with non-controlling interest

The group treats transactions with non-controlling interest as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.
In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 Stand-alone financial statements

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

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

2.6 Intangible assets

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

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

2.7 Impairment of non-financial assets

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

2.8 Financial asset

a) Loans and receivables

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

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

b) Available-for-sale financial assets

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

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

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

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

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

2.9 Inventories

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

2.10 Loans granted, trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Share capital

(a) Ordinary shares

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.

(b) Treasury shares

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

2.13 Reserves

(a) Other reserves

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

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

Revaluation reserve is included into other reserves.

(b) Reserve for acquisition of treasury shares

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

2.14 Borrowings

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

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

2.15 Current and deferred income tax

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

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

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

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

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

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

2.16 Leases – where the Group is the lessee

(a) Finance lease

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

(b) Operating lease

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

2.17 Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

(c) Bonus plans

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

2.18 Revenue recognition

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

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

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

2.19 Dividend distribution

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

2.20 Earnings per share

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

2.21 Segment reporting

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

2.22 Government grants and subsidies

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

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

2.23 Provisions

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

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

2.24 Trade payables

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

3. Financial risk management

3.1 Financial risk factors

The Group's and the Company's activities expose them to a variety of financial risks. The Group's overall risk management 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.

(a) Market risk

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

(ii) Cash flow and fair value interest rate risk
The Company's and the Group's interest rate risk arises from interest-bearing loans and borrowings. Borrowings with variable interest rates expose the Group to cash flow interest rate risk. Borrowings with fixed interest rates expose the Group to fair value interest rate risk. In 2016 and 2015, loans granted by the Group with fixed interest rate were denominated in the euros. In 2016 and 2015, the Group's borrowings were with variable interest rate and they were denominated in the euros.

As at 31 December 2016, the Company's and the Group's net assets sensitive to changes in interest rate amounted to EUR 1,895 thousand, respectively (31 December 2015: the Company's and Group's net liabilities sensitive to changes in interest rate amounted to EUR 13,458 thousand, respectively). If interest rate increased / decreased by 0.5 percentage point (2015: 0.5 percentage point), the Company's and the Group's profit would decrease / increase by EUR 9 thousand, respectively (2015: profit would decrease / increase by EUR 67 thousand, respectively).

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

(b) Credit risk

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

As at 31 December 2016, the Company's and the Group's all cash balances were held at banks that had external credit ratings from 'A+' to 'BBB', as set by the rating agency *Fitch Ratings* (31 December 2015: from 'A+' to 'BBB').

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

Group			**Company**	
2016	**2015**		**2016**	**2015**
2,366	1,427	Cash and cash equivalents at banks	1,074	401
38,348	31,847	Trade receivables	44,122	28,242
7,392	9,238	Loans granted	7,246	8,961
48,106	42,512		52,442	37,604

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

The table below presents credit limits, if management has established for the major customers and amounts receivable from them before allowance as at 31 December 2016.

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

The table below presents credit limits established for the major customers and amounts receivable from them as at 31 December 2015.

Group			**Company**	
Credit limit	Amount receivable		Credit limit	Amount receivable
3,800	3,719	Customer A	3,800	3,719
2,700	2,509	Customer B	2,700	2,509
2,100	2,006	Customer C	2,100	2,006
1,900	1,848	Customer D	1,900	1,848
4,345	3,694	Customer E		
2,028	1,167	Customer F		

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

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

The table below summaries concentration of the loans granted:

Group 2016	Group 2015		Company 2016	Company 2015
4,088	4,982	Loans granted in excess of EUR 580 thousand	4,952	6,000
1,233	2,032	Loans granted in excess of EUR 290 thousand, but not in excess of EUR 580 thousand	798	1,595
2,071	2,224	Loans granted not in excess of EUR 290 thousand	1,496	1,366
7,392	9,238		7,246	8,961

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

(c) Liquidity risk

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

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

Company

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

At 31 December 2015	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Borrowings from banks and other financial liabilities	10,849	4,129	-	-
Trade payables	11,677		-	-
	22,526	**4,129**	**-**	**-**

Group

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

At 31 December 2015	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Borrowings from banks and other financial liabilities	10,849	4,129	-	-
Trade payables	13,601	-	-	-
	24,450	**4,129**	**-**	**-**

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

3.2 Capital risk management

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

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

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

Group			Company	
2016	2015		2016	2015
1,862	14,978	Borrowings	1,862	14,978
(2,366)	(1,427)	Less: cash and cash equivalents	(1,074)	(401)
(504)	13,551	Net debt	788	14,577
122,066	115,633	Shareholders' equity	109,881	101,347
121,562	129,184	Total capital	110,669	115,924

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than EUR 40 thousand (the authorised share capital of a private company must not be less than EUR 2.5 thousand) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2016 and 31 December 2015, the Company and its subsidiaries registered in Lithuania complied with these requirements.

3.3 Fair value estimation

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

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

4. Critical accounting estimates and judgements

Provision for impairment of loans and amounts receivable

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

Estimates of useful lives of property, plant and equipment

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

Revaluation of property, plant and equipment

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

Inventory write-down to net realizable value

The Group and the Company recognise inventory at the lower of cost and net realizable value. The Group and the Company assess whether the value of inventory recognised at cost is not lower that its net realisable value based on the historical data and actual results of inventory items sold below cost after the financial year end. If the recognised inventory write-down to net realisable value was 5 % higher/lower, the Group's and the Company's profit before income tax for the year 2016 would be EUR 62 thousand lower/ higher (2015: EUR 248 thousand).

5. Segment reporting

Operating segments and reportable segments

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

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

- Fresh milk products
- Cheese and other dairy products

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

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

The table below summarises segment information for the years ended 31 December 2016 and 2015:

	Fresh milk products	**Cheese and other dairy products**	**Other segments (unallocated)**	**Group**
2016				
Sales	67,255	205,058	21,330	293,643
Inter-segment sales	(61)	(47,423)	(19,963)	(67,447)
Sales to external customers	**67,194**	**157,635**	**1,367**	**226,196**
Segment's gross profit	**18,150**	**16,628**	**(91)**	**34,687**
Depreciation and amortisation	**3,344**	**4,231**	**207**	**7,782**
Income tax expense (benefit)	**(364)**	**(792)**	**-**	**(1,156)**
Total assets	48,950	119,514	3,251	171,715
Elimination of intercompany transactions				(29,303)
Total assets less intercompany transactions	**-**	**-**	**-**	**142,412**
Additions to non-current assets (other than financial instruments and deferred tax assets)	5,271	6,242	13	11,526
Total liabilities	32,076	2,864	17,412	52,352
Elimination of intercompany transactions	-	-	-	(32,007)
Total liabilities less intercompany transactions	-	-	-	**20,346**

	Fresh milk products	**Cheese and other dairy products**	**Other segments (unallocated)**	**Group**
2015				
Sales	66,357	172,575	20,880	259,812
Inter-segment sales	(23)	(43,726)	(19,559)	(63,308)
Sales to external customers	**66,334**	**128,849**	**1,321**	**196,504**
Segment's gross profit	**13,057**	**12,453**	**(960)**	**24,550**
Depreciation and amortisation	**1,885**	**6,944**	**39,**	**8,868**
Income tax expense (benefit)	**(766)**	**595**	**-**	**(171)**
Total assets	35,661	126,706	2,816	165,183
Elimination of intercompany transactions	-	-	-	(10,576)
Total assets less intercompany transactions	**-**	**-**	**-**	**154,607**
Additions to non-current assets (other than financial instruments and deferred tax assets)	828	1,042	9	1,879
Total liabilities	16,376	33,138	2,734	52,248
Elimination of intercompany transactions	-	-	-	(13,274)
Total liabilities less intercompany transactions	-	-	-	**38,974**

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

Geographical information

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

	Sales		Total assets		Capital expenditure	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Lithuania	67,482	54,429	127,293	134,486	6,242	1,042
European Union member states	97,572	85,997	-	-	-	-
Near East	21,017	7,504	-	-	-	-
North America	10,305	12,708	-	-	-	-
Far East	5,063	6,041	-	-	-	-
Other countries	3,619	5,896,	-	-	-	-
	205,058	172,575	127,293	134,486	6,242	1,042

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

	Sales		Total assets		Capital expenditure	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Lithuania	80,155	70,047	138,444	151,187	10,742	1,879
European Union member states	106,037	94,308	3,968	3,420		-
Near East	21,017	7,504	-	-	-	-
North America	10,305	12,708	-	-	-	-
Far East	5,063	6,041	-	-	-	-
Other countries	3,619	5,896,	-	-	-	-
	226,196	196,504	142,412	154,607	10,742	1,879

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

The breakdown of the Company's revenue by category:

	2016	**2015**
Revenue from sales of goods	195,270	165,021
Other revenue (milk transportation)	9,788	7,554
	205,058	172,575

The breakdown of the Group's revenue by category:

	2016	**2015**
Revenue from sales of goods	224,542	195,579
Other revenue (milk transportation)	1,654	925
	226,196	196,504

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

6. Selling and marketing expenses

Group 2016	Group 2015		Company 2016	Company 2015
4,505	4,337	Transportation services	4,182	4,050
2,600	2,414	Wages and salaries	1,447	1,295
2,075	1,364	Intermediation services	2,075	1,364
867	827	Product image creation and advertising expenses	174	77
794	785	Repairs and maintenance	716	696
495	338	Depreciation of property, plant and equipment	470	309
1,038	1,212	Warehousing services	1,038	1,212
3,340	2,561	Other expenses	3,209	2,188
15,714	13,838		13,311	11,191

7. General and administrative expenses

Group 2016	Group 2015		Co 2016	Co 2015
2,556	2,406	Wages and salaries	1,700	1,611
102	66	Taxes (other than income tax)	49	41
(147)	-	Provisions for impairment of loans granted and write-offs of loans (Note 19)	(147)	-
245	1,680	Provisions for impairment of doubtful receivables and write-offs of amounts receivable (Note 21)	198	1,652
284	201	Consultations	225	142
465	425	Depreciation of property, plant and equipment and amortisation of intangible assets	368	287
244	217	Repairs and maintenance	211	184
2,464	775	Paid and accrued bonuses	1,164	775
105	88	Telecommunications and IT maintenance expenses	90	69
138	187	Insurance expenses	125	173
123	111	Bank charges	120	100
26	49	Business trips	14	34
150	43	Fines	43	3
31	28	Staff training	10	12
48	18	Membership fees	47	17
302	273	Charity, support	104	148
837	790	Other expenses	689	498
7,973	7,357		5,010	5,746

8. Other income

Group 2016	Group 2015		Company 2016	Company 2015
1,763	2,190	Income from goods resold	1,758	2,172
339	630	Interest income	307	549
204	391	Other income	6,871	6,507
2,306	3,211		8,936	9,228

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

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

9. Other expenses

Group 2016	Group 2015		Company 2016	Company 2015
1,753	2,121	Cost of goods resold	1,750	2,107
128	129	Other expenses	130	175
1,881	2,250		1,880	2,282

10. Other operating (loss)/profit

Group 2016	Group 2015		Company 2016	Company 2015
(176)	(49)	Result of disposal of property, plant and equipment (Note 32)	(176)	(48)
474	-	Result of disposal of investments in subsidiary (Note 17)	-	-
298	(49)		(176)	(48)

11. Expenses by nature

Group 2016	Group 2015		Company 2016	Company 2015
122,058	130,232	Raw materials and consumables used	106,810	102,582
20,424	(10,564)	Changes in inventories of finished goods and work in progress	20,445	(10,519)
19,070	17,830	Wages and salaries including social security contributions	12,290	12,100
12,127	13,501	Transportation services	11,793	13,204
2,464	775	Bonuses paid and accrued (reversed)	1,164	775
7,790	8,289	Depreciation and amortisation (Notes 15 and 16)	5,376	6,097
(220)	(325)	Amortisation of the Government grant for property, plant and equipment (Note 27)	(138)	(191)
2,075	1,364	Intermediation services	2,075	1,364
4,220	3,731	Repairs and maintenance	4,016	3,514
439	532	Cost of finished goods resold	19,206	28,543
245	1,680	Impairment of amounts receivable and amounts receivable written off (Note 21)	198	1,652
232	195	Taxes (other than income tax)	175	165
284	201	Consultations	225	142
121	103	Telecommunication and IT maintenance expenses	105	84
13,805	14,807	Utilities (energy)	8,386	9,485
10,062	10,798	Other	6,394	7,068
215,196	193,149	Total cost of sales, selling and marketing expenses and general and administrative expenses	198,520	176,065

12. Finance costs

Group 2016	Group 2015		Company 2016	Company 2015
		Interest expense:		
116	201	– bank borrowings	75	124
-	-	– finance leases	-	-
116	201		75	124

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

13. Income tax

Group 2016	Group 2015		Company 2016	Company 2015
(1,042)	(927)	Current income tax	(587)	(27)
-	86	Prior year income tax corrections		-
(114)	670	Deferred income tax (Note 18)	(205)	622
(1,156)	(171)	Income tax benefit/(expenses)	(792)	595

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

Group 2016	Group 2015		Company 2016	Company 2015
11,607	4,066	Profit/(loss) before income tax	13,343	3,284
1,741	610	Tax calculated at a rate of 15% (Note 2.15)	2,001	493
142	1,034	Expenses not deductible for tax purposes	86	115
(110)	(1,146)	Income not subject to tax	(1,060)	(1,140)
(91)	(74)	Charity expenses deductible twice for tax purposes	(31)	(36)
(561)	(253)	Other expenses deductible for tax purposes	(295)	(27)
-	-	Prior year income tax adjustments	-	-
35	-	Other	91	-
1,156	171	Income tax expense/(benefit)	792	(595)

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

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

14. Earnings per share

Group 2016	Group 2015		Company 2016	Company 2015
10,451	3,895	Net profit/(loss) attributable to shareholders	12,551	3,879
35,868	35,868	Weighted average number of ordinary shares in issue (thousand)	35,868	35,868
(2,842)	(869)	Weighted average number of treasury shares held (thousand)	(2,842)	(869)
0.32	0.11	Basic earnings/(deficit) per share (EUR per share)	0.38	0.11

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

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

15. Property, plant and equipment

Company	**Buildings**	**Plant and machinery**	**Motor vehicles and other assets**	**Construct-ion in progress**	**Total**
At 1 January 2015					
Acquisition cost and revalued amount	13,156	59,143	28,955	1,728	102,983
Accumulated depreciation	(5,209)	(47,861)	(23,445)	-	(76,516)
Net book amount	7,946	11,282	5,510	1,728	26,467
Year ended 31 December 2015					
Opening net book amount	7,946	11,282	5,510	1,728	26,467
Additions		80	475	487	1,042
Revaluation	452	10,532	2,750	-	13,733
Disposals	(52)	-	(43)	-	(95)
Write-offs	(3)	-	-,	-	(3)
Transfer from construction in progress	319	5	331	(655)	-
Depreciation charge	(378)	(3,675)	(2,033)	-	(6,086)
Closing net book amount	8,284	18,224	6,990	1,560	35,058
At 31 December 2015					
Acquisition cost and revalued amount	13,813	69,579	32,258	1,560	117,210
Accumulated depreciation	(5,529)	(51,355)	(25,268)	-	(82,152)
Net book amount	8,284	18,224	6,990	1,560	35,058
Year ended 31 December 2015					
Opening net book amount	8,284	18,224	6,990	1,560	35,058
Additions		1,686	2,837	1,719	6,242
Disposals	(123)	(797)	(98)		(1,018)
Write-offs		(189)	(24)		(213)
Transfer from construction in progress		304	129	(433)	
Depreciation charge	(401)	(3,103)	(1,864)		(5,368)
Closing net book amount	7,760	16,125	7,970	2,846	34,701
At 31 December 2016					
Acquisition cost and revalued amount	13,581	70,053	34,472	2,846	120,952
Accumulated depreciation	(5,821)	(53,928)	(26,502)		(86,251)
Net book amount	7,760	16,125	7,970	2,846	34,701

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

Group	Buildings	Plant and machinery	Motor vehicles and other assets	Construct-ion in progress	Total
At 1 January 2015					
Cost and revalued amount	21,092	74,777	30,213	1,728	127,810
Accumulated depreciation	(7,456)	(56,606)	(24,227)	-	(88,289)
Net book amount	13,636	18,171	5,986	1,728	39,521
Year ended 31 December 2015					
Opening net book amount	13,636	18,171	5,986	1,728	39,521
Additions	11	604	530	734	1,879
Revaluation	1,399	14,093	2,960	-	18,452
Disposals	(52)		(43)		(95)
Write-offs	(3)				(3)
Transfer from construction in progress	475	69	332	(876)	
Depreciation charge	(702)	(5,215)	(2,230)	-	(8,147)
Closing net book amount	14,764	27,722	7,535	1,586	51,607
At 31 December 2015					
Cost and revalued amount	23,701	87,832	33,031	1,586	146,150
Accumulated depreciation	(8,937)	(60,110)	(25,496)	-	(94,543)
Net book amount	14,764	27,722	7,535	1,586	51,607
Year ended 31 December 2016					
Opening net book amount	14,764	27,722	7,535	1,586	51,607
Additions	34	2,715	2,901	5,092	10,742
Disposals	(126)	(44)	(105)		(275)
Write-offs		(96)	(24)		(120)
Transfer from construction in progress	91	542	146	(779)	
Depreciation charge	(776)	(4,967)	(2,039)		(7,782)
Closing net book amount	13,987	25,872	8,414	5,899	54,172
At 31 December 2016					
Cost and revalued amount	23,680	90,114	35,292	5,899	154,985
Accumulated depreciation	(9,693)	(64,242)	(26,878)	-	(100,813)
Net book amount	13,987	25,872	8,414	5,899	54,172

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

In 2016, no revaluations were carried out for property, plant and equipment, because in the management's opinion, no significant changes occurred in real estate market, nor in the Company's business, nor in the market prices of equipment and machinery. Consequently, there were no significant changes in the fair value of property, plant and equipment of the Group in 2016. The members of the Board of Directors used the assumption that the carrying amount of property, plant and equipment of Rokiškio Sūris AB, Rokiškio Pienas UAB and Rokiškio Pieno Gamyba UAB approximated its fair value, and made the decision not to perform the revaluation for the property, plant and equipment of Rokiškio Sūris AB Group, but to review the depreciation rates used for these assets.

Building and Motor vehicles and other assets were attributed to **Level 2** of fair value hierarchy in 2016 and 2015.
Property, plant and equipment within **Level 2** was measured using the comparable sales price method. This method was used for the measurement of real estate, the majority of motor vehicles and constructions in respect of which sale transactions or offer examples were observable in the market. The comparable real estate objects were selected due to the similarity with the object being measured with respect to size, purpose, location, intended use, condition, engineering support and other parameters. The valuation of real estate required adjustments to reflect differences between the objects being measured and comparable objects. Comparable objects selected are of the closest possible similarity with the objects being measured and differences are related only to the location and surroundings, the year of construction and the total area of the object.

Whereas Plant and Machinery was attributed to **Level 3** of fair value hierarchy. The valuation of motor vehicles was based on the supply data. The value calculated based on at least two or three comparable inputs was treated as the value of the assets. Comparable inputs selected were similar to the assets subject to valuation.

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

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

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

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

As at 31 December 2016, the Company's and the Group's property, plant and equipment with a carrying value of EUR 6,321 thousand and EUR 13,921 thousand, respectively (31 December 2015: EUR 10,637 thousand and EUR 19,097 thousand, respectively) was pledged as a security for bank borrowings.

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

Had no revaluation been performed for property, plant and equipment, the net book amounts of the Group's and the Company's property, plant and equipment would have been as follows as of 31 December 2015 and 2016:

Company	**Buildings**	**Plant and machinery**	**Motor vehicles and other assets**	**Construction in progress**	**Total**
At 31 December 2015	4,872	5,988	3,270	1,560	**15,690**
At 31 December 2016	4,407	5,822	4,960	2,846	**18,035**

Group	**Buildings**	**Plant and machinery**	**Motor vehicles and other assets**	**Construction in progress**	**Total**
At 31 December 2015	8,101	11,422	3,621	1,586	**24,730**
At 31 December 2016	7,433	12,030	5,249	5,899	**30,611**

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

16. Intangible assets

Company	**Computer software**
At 1 January 2015	
Cost	712
Accumulated amortisation	(691)
Net book amount	21
Year ended 31 December 2015	
Opening net book amount	21
Additions	-
Amortisation charge	(11)
Closing net book amount	10
At 31 December 2015	
Cost	712
Accumulated amortisation	(702)
Net book amount	10
Year ended 31 December 2015	
Opening net book amount	10
Additions	-
Amortisation charge	(8)
Closing net book amount	2
At 31 December 2016	
Cost	712
Accumulated amortisation	(710)
Net book amount	2

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

Group	Contractual customer relations	Computer software	Total
At 1 January 2015			
Cost	262	713	975
Accumulated amortisation	(131)	(692)	(823)
Net book amount	131	21	152
Year ended 31 December 2015			
Opening net book amount	131	21	152
Additions	-	-	-
Amortisation charge	(131)	(11)	(142)
Closing net book amount		10	10
At 31 December 2015			
Cost	262	713	975
Accumulated amortisation	(262)	(703)	(965)
Net book amount	-	10	10
Year ended 31 December 2016			
Opening net book amount	-	10	10
Additions			
Amortisation charge	-	(8)	(8)
Closing net book amount	-	2	2
At 31 December 2016			
Cost	-	713	713
Accumulated amortisation	-	(711)	(711)
Net book amount	-	2	2

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

17. Investments

The Company's investments as at 31 December 2016 are listed below:

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

In 2016, Žalmargė KB was sold, which was fully provided for in the previous periods. Accordingly, there were no changes in the balance of the Company's investment value.

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

18. Deferred income tax

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

Group 2016	Group 2015		Company 2016	Company 2015
		Deferred income tax assets:		
97	209	– to be recovered after more than 12 months	97	209
1,037	1,536	– to be recovered within 12 months	948	1,448
1,134	1,745		1,045	1,657
		Deferred income tax liabilities:		
(3,581)	(4,078)	– to be settled after more than 12 months	(2,500)	(2,905)
		– to be settled within 12 months		
(3,581)	(4,078)		(2,500)	(2,905)
(2,447)	(2,333)	Net deferred income tax liability	(1,455)	(1,248)

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

Group 2016	Group 2015		Company 2016	Company 2015
(2,333)	(235)	In the beginning of the year	(1,249)	189
(114)	670	Recognised in the income statement (Note 13)	(206)	622
-	(2,768)	Recognised in the statement of comprehensive income	-	(2,060)
(2,447)	(2,333)	At the end of the year	(1,455)	(1,249)

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

Company

Deferred income tax assets	Inventory write-down to net realisable value	Amortised cost of loans granted	Impairment of amounts receivable	Bonuses and vacation reserve	Total
At 1 January 2015	**933**	**209**	**200**	**149**	**1,491**
Recognised in the income statement	(190)		240	116	166
At 31 December 2015	**743**	**209**	**440**	**265**	**1,657**
Recognised in the income statement	(558)	(112)		58	(612)
At 31 December 2016	**185**	**97**	**440**	**323**	**1,045**

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

Deferred income tax liabilities	**Revaluation of property, plant and equipment**	**Total**
At 1 January 2015	**(1,301)**	**(1,301)**
Recognised in the income statement	456	456
Recognised in other comprehensive income	(2,060)	(2,060)
At 31 December 2015	**(2,905)**	**(2,905)**
Recognised in the income statement	405	405
At 31 December 2016	**(2,500)**	**(2,500)**

Group

Deferred income tax assets	**Inventory write-down to net realisable value**	**Amortised cost of loans granted**	**Impairment of amounts receivable**	**Bonuses and vacation reserve**	**Total**
At 1 January 2015	**933**	**209**	**200**	**210**	**1,552**
Recognised in the income statement	(190)		240	143	193
At 31 December 2015	**743**	**209**	**440**	**353**	**1,745**
Recognised in the income statement	(490)	(112)		(9)	(611)
At 31 December 2016	**253**	**97**	**440**	**344**	**1,134**

Deferred income tax liabilities	**Accelerated tax depreciation**	**Revaluation of property, plant and equipment**	**Total**
At 1 January 2015	**(47)**	**(1,741)**	**(1,788)**
Recognised in the income statement	-	478	478
Recognised in other comprehensive income	-	(2,768)	(2,768)
At 31 December 2015	**(47)**	**(4,031)**	**(4,078)**
Recognised in the income statement	-	497	497
At 31 December 2016	**(47)**	**(3,534)**	**(3,581)**

Deferred income tax assets and deferred income tax liabilities were calculated using a tax rate of 15% (2015: 15%) enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

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

19. Loans granted

Group 2016	Group 2015		Company 2016	Company 2015
1,553	1,727	Long-term loans to farmers	1,553	1,727
258	333	Long-term loans to employees	201	273
2,547	2,660	Other long-term loans	2,374	2,303
(1,199)	(1,927)	Less: provision for impairment of loans receivable	(1,199)	(1,927)
3,159	2,793	Long-term loans, net	2,929	2,376
1,726	1,547	Current portion of loans to farmers	1,226	1,020
35	44	Current portion of loans to employees	32	41
3,053	4,854	Other short-term loans granted	3,640	5,524
(581)	-	Less: provision for impairment of loans receivable	(581)	-
4,233	6,445	Current portion of long-term loans and short-term loans, net	4,317	6,585

Loans to farmers were granted with repayment terms ranging between 2 months and 10 years. The annual interest rate ranged between 0 and 10%. Effective interest rate was 8.69% (2015: 9.3%). Majority part of loans granted to farmers were secured with pledges of assets (land, building) of the farmers.

Long-term loans to employees were granted with repayment terms ranging between 1 and 25 years. Effective interest rate was 9.85% in 2016 and 2015.

Repayment terms of other long-term loans granted ranged between 1 and 5 years. The loans bear average weighted interest rate of 3.52% (2015: 3.56%). Other loans repayments are secured with pledges of assets or guarantees.

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

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

Group 2016	Group 2015		Company 2016	Company 2015
6,861	8,566	Loans granted not past due	6,715	8,289
531	672	Loans granted past due but not impaired	531	672
1,781	1,927	Impaired loans granted	1,781	1,961
9,173	11,165	Gross value of loans granted	9,027	10,922
(1,781)	(1,927)	Impairment of amounts uncollectible	(1,781)	(1,961)
7,392	9,238	Net amount	7,246	8,961

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

20. Inventories

Group 2016	Group 2015		Company 2016	Company 2015
2,303	2,030	Raw materials	777	842
4,494	4,967	Work in progress	4,265	4,761
27,892	51,741	Finished products	27,413	51,047
732	826	Other inventories	673	642
35,421	59,564	Total inventories at cost	33,128	57,292
(1,231)	(4,950)	Less: inventory write-down to net realizable value	(1,231)	(4,950)
34,190	54,614	Total inventories	31,897	52,342

Inventory write-down to net realizable value provision decreased due to sold inventory in 2016 and increase in production sales price.

As at 31 December 2016, inventories with the cost of EUR 34,190 thousand (31 December 2015: EUR 40,000 thousand) were pledged to the banks as a security for credit line agreements.

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

As at 31 December 2015, the Company's inventories held with third parties in Lithuania comprised 3,813 tons of skim milk powder, 465 tons of whey protein concentrate and 1,971 tons of butter, 156 tons of fresh fermented cheese; inventories held in the EU member states comprised 39 tons of hard cheese and 6.6 tons of fresh fermented cheese. Inventories held in USA comprised 313 tons of hard cheese. The total value of these inventories is EUR 15 million.

21. Trade and other receivables

Group 2016	Group 2015		Company 2016	Company 2015
		Non-current receivables		
-	-	Prepayments	-	-
-	-		-	-
		Current receivables		
38,348	31,847	Trade receivables	44,122	28,242
1,449	1,365	VAT receivable	865	875
56	310	Prepayments and deferred expenses	56	310
39,853	33,522		45,043	29,427

As at 31 December 2016 and 2015, no trade receivables of the Company were pledged as collateral. As at 31 December 2016 and 2015, the subsidiary's Rokiškio Pienas UAB trade receivables and claim rights to future trade receivables were pledged as collateral for amount not larger than EUR 6,000 thousand.

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

Group 2016	Group 2015		Company 2016	Company 2015
5,823	18,107	Trade receivable neither past due nor impaired	18,892	16,143
28,982	8,295	Trade receivable past due but not impaired	21,687	6,654

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

6,478	8,380	Impaired amounts receivable	6,478	8,380
41,283	34,782	Gross value	47,057	31,177
(2,935)	(2,935)	Impairment charge	(2,935)	(2,935)
38,348	31,847	Net value of trade receivables	44,122	28,242

The Group received no collaterals as a security for impaired amounts receivable.
As at 31 December 2016, the Company's trade receivables from Rokiškio Pieno Gamyba UAB and Jekabpils Piena Kombinats SIA amounted to EUR 16,901 thousand and EUR 248 thousand, respectively (31 December 2015: the Company's trade receivables from Rokiškio Pienas AB and Jekabpils Piena Kombinats SIA amounted to EUR 3,653 thousand and EUR 248 thousand, respectively).

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

Group			Company	
2016	2015		2016	2015
18,838	6,376	Up to 30 days	11,718	5,946
7,648	1,599	31 to 60 days	7,636	436
2,433	261	61 to 90 days	2,274	261
63	59	More than 91 days	59	11
28,982	8,295		21,687	6,654

22. Cash and cash equivalents

Group At 31 December			Company At 31 December	
2016	2015		2016	2015
41	41	Short-term deposits	41	41
2,325	1,386	Cash at bank and on hand	1,033	360
2,366	1,427		1,074	401

As at 31 December 2016, cash at bank balances pledged amounted to EUR 784 thousand (31 December 2015: EUR 174 thousand).

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

Group At 31 December			Company At 31 December	
2016	2015		2016	2015
41	41	Short-term deposits	41	41
2,325	1,386	Cash at bank and on hand	1,033	360
2,366	1,427		1,074	401

23. Share capital

As at 31 December 2016, the share capital was divided into 35,867,970 (31 December 2015: 35,867,970) ordinary registered shares with par value of EUR 0.29 each. All the shares are fully paid.

24. Treasury shares

	2016		2015	
	Number	Amount	Number	Amount
At beginning of the year	2,414,579	(3,426)	802,094	(1,120)

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

Treasury shares acquired	1,172,218	(1,676)	1,612,485	(2,306)
Reduction of share capital			-	-
	3,586,797	(5,102)	2,414,579	(3,426)

In 2016, the Company acquired 1,172,218 treasury shares, and as at 31 December 2016 the Company had in total 3,586,797 treasury shares (31 December 2015: 2,414,579 treasury shares).
In respect of the treasury shares acquired, the Company is not entitled to property and non-property rights stipulated in the Lithuanian Law on Companies.

25. Other reserves and reserve for acquisition of treasury shares

Other reserves

Non-distributable reserves of EUR 1,041 thousand can only be used to increase the share capital and non-distributable reserves (legal reserves) of Rokiškio Sūris AB, Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB amounting to EUR 1,113 thousand, EUR 556 thousand and EUR 223 thousand, respectively, can only be used to cover future operating losses, if any. The remaining amount of other reserves totalling EUR 14,165 thousand for the Company and EUR 20,026 thousand for the Group (2015: EUR 16,461 thousand and EUR 22,846 thousand, respectively) consists of the revaluation reserve of property, plant and equipment. (*See below for the disclosure of the revaluation reserve*).

Reserve for acquisition of treasury shares

In 2016 and 2015, no decisions were made regarding the establishment of the reserve for acquisition of treasury shares. As at 31 December 2016, the total amount of the Company's reserve for acquisition of treasury shares remained unchanged and was equal to EUR 11,668 thousand.

Dividends

Dividends declared at the Company for the year 2015 were paid out in 2016 in amount of EUR 0.07 per share (other than treasury shares) and in total amount of EUR 2,342 thousand (when par value of each share equals EUR 0.29).

Revaluation reserve

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

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

Company	Revaluation reserve	Deferred income tax	Revaluation reserve net of tax
At 1 January 2015	**8,675**	**(1,301)**	**7,374**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Note 15)	(3,041)	455	(2,586)
Revaluation at 31 December 2015	13,733	(2,060)	11,673
At 31 December 2015	**19,367**	**(2,906)**	**16,461**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Note 15)	(2,702)	406	(2,296)
At 31 December 2016	**16,665**	**(2,500)**	**14,165**

Group	Revaluation reserve	Deferred income tax	Revaluation reserve net of tax
At 1 January 2015	**11,605**	**(1,740)**	**9,865**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Note 15)	(3,178)	476	(2,702)
Revaluation at 31 December 2015	18,451	(2,768)	15,683
At 31 December 2015	**26,878**	**(4,032)**	**22,846**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Note 15)	(3,317)	497	(2,820)
At 31 December 2016	**23,561**	**(3,535)**	**20,026**

26. Borrowings

Group			**Company**	
2016	**2015**		**2016**	**2015**
		Non-Current		
-	-	Non-current bank borrowings	-	-
		Current		
1,862	14,978	Current bank and other borrowings	1,862	14,978
-	-	Finance lease liabilities	-	-
1,862	14,978		1,862	14,978
1,862	14,978	**Total borrowings**	1,862	14,978

Under the loan agreements signed with the banks, certain property, plant and equipment (Note 15), inventories (Note 20), trade receivables (Note 21) and cash balances in bank accounts (Note 22) were pledged as collateral.

Weighted average interest rates (%) effective as at 31 December were as follows:

Group			**Company**	
2016	**2015**		**2016**	**2015**
1,05	1,05	Current bank borrowings	1,050	1,050

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

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

Group 2016	Group 2015		Company 2016	Company 2015
1,862	14,978	EUR	1,862	14,978
1,862	14,978		1,862	14,978

The fair value of borrowings approximates the carrying amount because interest rates on borrowings are repriced on a monthly basis.

As at 31 December 2016, the balance not withdrawn under the committed credit line facilities with the banks amounted to EUR 20,951 thousand (2015: EUR 9,634 thousand) for the Company and the Group. The Group is not in breach of the set borrowing limits or financial covenants (where applicable).

27. Deferred income

Group 2016	Group 2015		Company 2016	Company 2015
779	1,104	Government grants at beginning of year	374	565
83	-	New government grants received	83	-
(220)	(325)	Recognised in the income statement	(138)	(191)
642	779		319	374
(397)	(553)	Less: non-current portion	(157)	(234)
245	226	Current portion	162	140

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

28. Trade and other payables

Group 2016	Group 2015		Company 2016	Company 2015
9,449	13,601	Trade payables	9,230	11,677
1,309	1,399	Salaries, social security contributions and taxes	834	937
973	958	Advance amounts received and other payables	592	581
2,530	2,162	Bonuses and vacation reserve	2,075	1,686
14,261	18,120		12,731	14,881

As at 31 December 2016, there were no amounts payable to Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB (31 December 2015: there were no amounts payable to Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB).

29. Provisions

As at 31 December 2016, the Company did not recognise any provisions.

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

30. Contingent liabilities and commitments

Contingent liabilities

As at 31 December 2016 and 2015, no guarantees were granted to third parties on behalf of the Group and the Company.

Capital expenditure commitments

As at 31 December 2016 and 2015, there were no capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements.

Operating lease commitments – where the Group is the lessee

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

Group			Company	
2016	**2015**		**2016**	**2015**
246	205	Not later than 1 year	246	205
247	204	Later than 1 year but not later than 5 years	247	204
493	409		493	409

31. Available-for-sale financial assets

As at 31 December 2016 and 2015, the Company had no available-for-sale financial assets.

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

32. Cash flows from operating activities

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

Group At 31 December			Company At 31 December	
2016	**2015**		**2016**	**2015**
9,294	3,725	Net profit (loss) before income tax	13,343	3,284
		Adjustments for:		
7,782	8,147	– depreciation (Note 15)	5,368	6,086
8	142	– amortisation and impairment (Note 16)	8	11
120	3	– write-off of property, plant and equipment and intangible assets (Notes 15 and 16)	215	3
176	49	– loss on disposal of property, plant and equipment (Note 10)	176	48
116	124	– interest expense (Note 12)	75	124
(381)	(516)	– interest income (Note 8)	(381)	(516)
(3,719)	1,270	– inventory write-down to net realisable value	(3,719)	1,270
-	(1,600)	– impairment for doubtful receivables and write-offs of bad debts (Note 21)	-	(1,600)
-	-	– provisions for loans granted to farmers (Note 7)	-	-
-	-	– loss on disposal of investments	-	-
(1,164)	(775)	– accrual for vacation reserve and bonuses	(1,164)	(775)
(220)	(326)	– amortisation of government grants received (Note 27)	(138)	(190)
-	-	– dividend income (Note 33)	(6,498)	(6,146)
		Changes in working capital:		
(1,690)	171	– amounts receivable and prepayments	(12,673)	1,379
22,243	(8,034)	– inventories	22,263	(11,788)
(1,755)	(4,635)	– amounts payable	(984)	(4,214)
30,810	(2,255)	Net cash generated from/(used in) operating activities	15,891	(13,024)

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

Group At 31 December			Company At 31 December	
2016	**2015**		**2016**	**2015**
275	95	Net book amount (Note 15)	1,018	95
(176)	(49)	Loss on disposal of property, plant and equipment (Note 10)	(176)	(48)
99	46	Proceeds from disposal of property, plant and equipment	842	47

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

33. Related-party transactions

Main shareholders of Company:

	31 December 2016	31 December 2015
Mr Antanas Trumpa (Managing manager)	19,46%	19,46%
„Pieno pramonės investicijų valdymas" UAB (established in Lithuania) *	27,08%	27,97%
SIA „RSU Holding" (established in Latvia) *	24,84%	24,84%
Other shareholders (legal entities and natural persons)	18,62%	21,00%
Rokiškio sūris AB (treasury shares)	10%	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). The group of persons acting in concert holds in total 71.38 % of the Company's share capital and votes (72,27 % in 2015).*

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.

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.

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

Group At 31 December 2016	Group At 31 December 2015		Company At 31 December 2016	Company At 31 December 2015
2,899	3,253	Purchase of raw milk from other related parties	22,748	22,640
181	-	Purchase of non-current assets	181	-
-	-	Purchase of inventory	10,602	7,441
502	1,288	Purchases of services	1,408	2,065
-	-	Purchase of consulting services	-	-
-	-	Sales of transportation services to other related parties	8,229	6,418
116	261	Sales of production and other inventories	38,087	36,486
-	-	Sale of non-current assets	784	-
20	52	Interest charges on credit facility	65	129

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.

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

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

Group			**Company**	
At 31 December			**At 31 December**	
2016	**2015**		**2016**	**2015**
34	41	Non-interest bearing loans granted to directors (and their family members)	34	41
-	-	Loan granted to Jekabpils Piena Kombinats SIA	864	1,018
540	633	Trade payables to other related parties	2,016	1,740
-	-	Trade receivables from other related parties (Note 21)	17,289	3,976

Based on Resolution No 3 of the shareholder of Rokiškio Pieno Gamyba UAB made on 29 April 2016 (Item No 4 of the Agenda), it was decided to approve the proposed appropriation of profit (loss) for 2015 for Rokiškio Pieno Gamyba UAB and allocate EUR 5,769,232 for the payment of dividends. Dividends were paid out to Rokiškio Sūris AB in May 2016.
Based on Resolution No 22 of the shareholder of Rokiškio Pienas UAB made on 29 April 2016 (Item No 4 of the Agenda), it was decided to approve the proposed appropriation of profit (loss) for 2015 for Rokiškio Pienas UAB and allocate EUR 1728,614 for the payment of dividends. Dividends were paid out to Rokiškio Sūris AB in May 2016.
In 2015, all loans granted to Pieno Pramonės Investicijų Valdymas UAB were repaid and agreement was terminated.

(iii) Compensation to key management personnel

Group			**Company**	
At 31 December			**At 31 December**	
2016	**2015**		**2016**	**2015**
210	237	Salaries	189	237
2,075	-	Bonuses / management bonuses paid	775	-
1,164	775	Accrual for management bonuses	1,164	775
53	68	Social security contributions	53	68
3,502	1,080	Total	2,181	1,080

Key management personnel includes 9 (2015: 9) members of the Board and directors.

34. Events after the reporting period

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.

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.

ROKIŠKIO®
SŪRIS

CONSOLIDATED ANNUAL REPORT
2016

ROKISKIS APRIL 2017

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GENERAL INFORMATION

1. Reporting term of the submitted annual report

The consolidated annual report 2016 is prepared for the period starting 1 January 2016 until 31 December 2016.

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 December 31, 2016, the consolidated group (hereinafter the “Group”) consists of the Parent Company Rokiskio suris AB, its two subsidiaries, and four daughter enterprises (in 2015: two subsidiaries, five daughter enterprises).

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

<u>Subsidiaries of Rokiskio suris AB:</u>

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

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

<u>Daughter enterprises of Rokiskio suris AB:</u>

Rokiskio pienas UAB at legal address of Pramones 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 pieo 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 Rogs 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 tragets of the Group

The performance of AB Rokiškio sūris 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.

6. Legal grounds of the issuer's performance

The performance of Rokiskio suris AB is guided by the Law on Public Limited Liability Companies of the Republic of Lithuania, the Law on Securities, the Company's Articles of Association and other legal documents valid in Lithuania and applied to company operations.

7. Key milestones in the issuer's history

Rokiskio suris AB is one of the largest and most modern dairy production companies in Lithuania. The main activity of the company is production and sales of fermented cheese, short shelf life dairy products, butter, milk powders, whey and other milk products.

In 1964, a specialized cheese factory Rokiskio suris was planned and started to build.

In 1966, the factory started its operations and from the very beginning fermented cheese became the main product of the company.

In 1992, the state-owned enterprise at the time called "Rokiskio surio gamykla" was privatized and reorganized into a Public Limited Liability Company Rokiskio suris. Initially the Company's shareholders were its employees.

In 1994, the enterprise welcomed its first foreign investors.

In 1997, foreign capital investment reached USD 2 million.

In 1997, it was issued 150,000 ordinary registered shares in the form of international depository notes (Global Depository Receipt).

In 1999, European Bank of Reconstruction and Development together with the Bank of Bermuda invested LTL 40 million (EUR 11.5 million). Foreign investors have not only added to the company's capital, but also helped to form the western attitude of staff towards work.

To secure constant material supply and to strengthen its position in the local market, Rokiskio suris AB affiliated the following:
In 1995, dairy of Zarasai (Zarasų pieninė);
In 1996, dairy of Ukmerge (Ukmergės pieninė);
In 1998, dairy of Salcininkai (Šalčininkų pieninė);
In 2000, dairy of Utena (Utenos pienas);
In 2002, dairy of Eisiskes (Eišiškių pieninė).

In the months of **November and December, 2000**, Rokiskio suris AB increased the share portfolio of Švenčionių pieninė AB up to 90.6%.

In December, 2000, Rokiskio suris AB acquired 49.9% of share portfolio of Eišiškių pieninė AB, whereas in March, 2002, Rokiskio suris AB increased the share portfolio of Eišiškių pieninė AB up to 100% of authorized capital and votes.

In March, 2001, Rokiskio suris AB purchased 49.9% of share portfolio of Varėnos pieninė AB.

In October, 2001, Rokiskio suris AB" purchased 49.9% of share portfolio of Ignalinos pieninė AB and 100% Jonavos pieninė UAB.

On July 4, 2002, Rokiskio suris AB Board of Directors decided to cease operations of Rokiskio suris AB subsidiary Šalčininkų pieninė and to sign it out from the Register of Enterprises.

On September 6, 2002, at the general meeting of shareholders of Rokiskio suris AB it was approved the end of reorganization of Rokiskio suris AB, Eišiškių pieninė AB and Jonavos pieninė UAB, consequently property, rights and responsibilities acceptance and transfer acts of Eišiškių pieninė AB and Jonavos pieninė UAB were confirmed. Eišiškių pieninė AB and Jonavos pieninė UAB terminated their activities as legal persons and they were signed out from the Enterprises' Register.

On November 14, 2002, the Board of Directors of Rokiskio suris AB decided to establish a subsidiary company Eišiškių pieninė.

On February 14, 2003, following the decision of the Board of Directors of Rokiskio suris AB, the activities of Rokiskio suris AB subsidiary company Zarasų pieninė were terminated. On June 26, 2003, the subsidiary Zarasų pieninė was signed out from the Enterprises' Register of the Republic of Lithuania.

On August 20, 2003, Rokiskio suris AB bought 12 units of ordinary registered shares of Kalora UAB, which composed 100% of the authorized capital of Kalora UAB. In October, 2005, Rokiskio suris AB sold these shares.

On June 1, 2005, Rokiskio suris AB sold share portfolios of Varėnos pieninė AB and Ignalinos pieninė AB.

On February 18, 2005, an insolvency case with creditors, without the court process, was raised against Švenčionių pieninė AB. On April 29, 2005, due to its bankruptcy, Švenčionių pieninė AB was signed out from the register of legal persons.

On March 3, 2006, in order to achieve more effective operations in the field of fresh dairy production, the Board of Directors of Rokiskio suris AB decided to separate export-oriented cheese production business from fresh dairy production business oriented to the local market. For this reason a new subsidiary company Rokiskio pienas UAB was established.

On April 21, 2006, a daughter enterprise Rokiskio pienas UAB was registered into the register of legal persons. The daughter enterprise is 100% owned by Rokiskio suris AB.

On April 5, 2006, after termination of the activities of subsidiary Eišiškių pieninė the subsidiary of Rokiskio suris Eišiškių pieninė AB was registered out from Juridical Register of the Republic of Lithuania.

In 2007, Rokiskio suris AB acquired 50% of shares of Pieno upes UAB and 100% of each of the following companies: Skeberdis ir partneriai UAB, Skirpstas UAB, Batėnai UAB, Pečupė UAB and a dairy cooperative Žalmargė PK. The main activity of the companies is purchase of raw milk.

In 2009, Skeberdis ir partneriai UAB and Pečupė UAB were liquidated and registered out of the Registry of Legal Entities.

In 2010, shares of Batėnai UAB were sold.

In March 2011, Skirpstas UAB was liquidated and registered out of the Registry of Legal Entities.

In January 2008, Rokiskio suris AB acquired 50.05% of block of shares of Latvian company SIA Jekabpils piena kombinats. SIA Jekabpils piena kombinats specializes in production of fermented cheese and sales of raw milk.

In May 2011, the Company acquired the rest part of the shares of SIA Jekabpils piena kombinats which amounted to 49.95%. Rokiskio suris AB owns 100 per cent of the Latvian company SIA Jekabpils piena kombinats.

In July 2008, the company acquired Europienas UAB whose main business is purchase of raw milk.

In 2009, Europienas UAB was liquidated and registered out from Registry of Legal Entities.

In May 2010, the company acquired 40% of the shares of Latvian company SIA Kaunata.

On April 29, 2013, Rokiskio suris AB as a single shareholder of Rokiskio pienas UAB adopted a resolution regarding implementation of separation of Rokiskio pienas UAB – approved the separation conditions of Rokiskio pienas UAB and approved the articles of association of Rokiskio pienas UAB who is continuing its operations after separation and a newly established Rokiskio pieno gamyba UAB. The company is mainly performs in the field of dairy product production. Separation of the companies will ensure more effective performance of the group and achievement of better operational results.

On May 2, 2013, the new company Rokiskio pieno gamyba UAB was registered in the Registry of Legal Entities.

On April 24, 2014, Rokiskio suris AB sold its 50% block of shares of Pieno upės UAB. The block of shares was sold in accordance with a long-term contract of shareholders after the other part expressed its will to purchase the shares. Pieno upės UAB is in the activity of raw milk purchasing.

On December 28, 2016, Rokiskio suris AB sold its share of 100% of the dairy cooperative Zalmarge PK.

8. Belonging to the associated organizations

Rokiskio suris AB is a member of the Lithuanian Dairymen Association "Pieno centras". The company also participates in the activities of the Chamber of Commerce, Industry and Trade of Panevezys.
The activities of the Lithuanian Dairymen Association are regulated by the Law on Associations of the Republic of Lithuania and by the Confederation Regulations.
On February 20, 2010, Rokiskio suris AB established an association together with other processors of agricultural production. The activities of the Association are regulated by the Law on Associations of the Republic of Lithuania, articles of association and other legal acts.

As from the beginning of 2015, Rokiskio suris AB became a member of Rokiskis business club. The club unites large and small businesses of the region of Rokiskis, and it aims to improve business conditions in the region with an active support of governing bodies of the region.

INFORMATION ON THE OPERATIONS OF THE COMPANY AND THE GROUP

9. Business operations

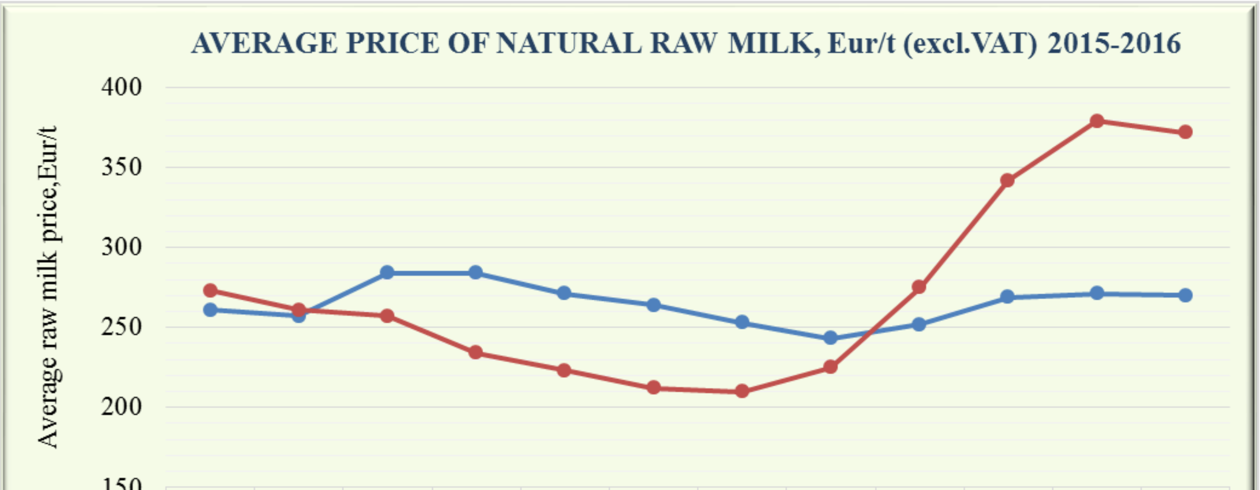
The Public Limited Liability Company Rokiskio suris is a good example of a successful business proving that cohesion, assiduous aspiration towards a common goal, and a professional approach enable the company to survive critical situations. Moreover, the company, having learned from its mistakes each time, can present new challenges to its competitors. Rokiškio 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), in 2016 in Lithuania it was bought 1,412.13 thousand tons of raw milk of natural fat content, i.e. less by 1.8 per cent compared to 2015. The average purchase price during the same period decreased by 1 per cent and it was EUR/t 212.67.

During the period, purchasing of ram milk (of natural fat content) from farmers and family households decreased by 2.7 per cent (down to 1,052.42 thousand tons), from agricultural companies and companies it increased by 1.1 per cent (up to 359.70 thousand tons). In 2016, the average raw milk (of natural fat content) price paid to farmers and family households was EUR/t 194.94, and it makes 2.5 per cent less than in 2015. The average price paid to agricultural companies and companies was by 1.8 per cent higher, and it made EUR/t 264.55.
In January 2017 the price for natural raw milk paid to the farmers with more than 40 tons of milk per month was by 37.8 per cent higher than a year ago.

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.



	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2015	261	257	284	284	271	264	253	243	252	269	271	270
2016	273	261	257	234	223	212	210	225	275	342	379	372

The average prices of natural raw milk in March-August 2016 were lower than in the same period of 2015. The most dramatic drop of raw milk purchase price was in June (less by 19.7 per cent compared to 2015). In September-December 2016, the average price for natural raw milk increased compared to the same period 2015. The biggest difference was in November 2016 when the average price for natural milk increased by 39.9 per cent compared to November 2015, and it made EUR/t 379.00.

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.

In 2016, the group’s companies pursued a programme of production maintaining the production volumes similar to previous periods.

Rokiškio sūris AB

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 A. Frosio.

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.

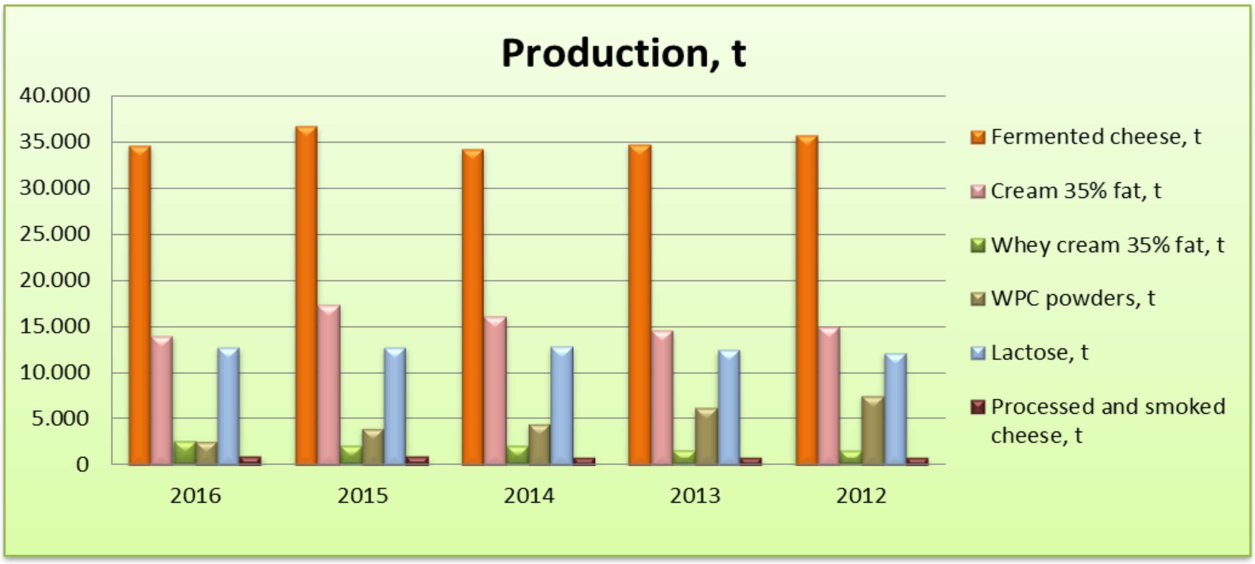
In 2016, Rokiskio suris AB produced smaller quantities of fermented cheese less by 6.0 per cent compared to 2015, and the production of cream decreased by 20.0 per cent. This was caused by lower production of hard cheeses. The maid reason why quantities of cheese decreased was higher production of skim milk powder. In terms of production of individual groups of cheese, it is noted that production of hard cheese decreased by 28.0 per cent, production of semi-hard cheese increased by 30.0 per cent, and production of fresh cheese also increased by 22.0 per cent.

The production of long term maturing hard cheese ROKISKIO GRAND is further developed, it is packed in various weight packaging.

In regards with the production of whey products in 2015 and 2016, the production of lactose is on the same level, however the production of whey protein concentrate decreased. It was caused by different quantities produced as per type, e.g. it was produced less of whey protein concentrate IBK 34, yet the production of whey protein concentrate 80 increased by 22.0 per cent.

The following table and chart represent changes in the production of Rokiskio suris AB within 5 latter years:

Production / Year	2016	2015	2014	2013	2012
Fermented cheese, t	34,603	36,759	34,295	34,807	35,751
Cream 35% fat, t	14,038	17,423	16,153	14,558	14,969
Whey cream 35% fat, t	2,578	2,073	2,033	1,612	1,503
WPC powders, t	2,622	4,004	4,479	6,224	7,515
Lactose, t	12,746	12,774	12,878	12,510	12,146
Processed and smoked cheese, t	960	941	875	815	797



Rokiskio pieno gamyba UAB

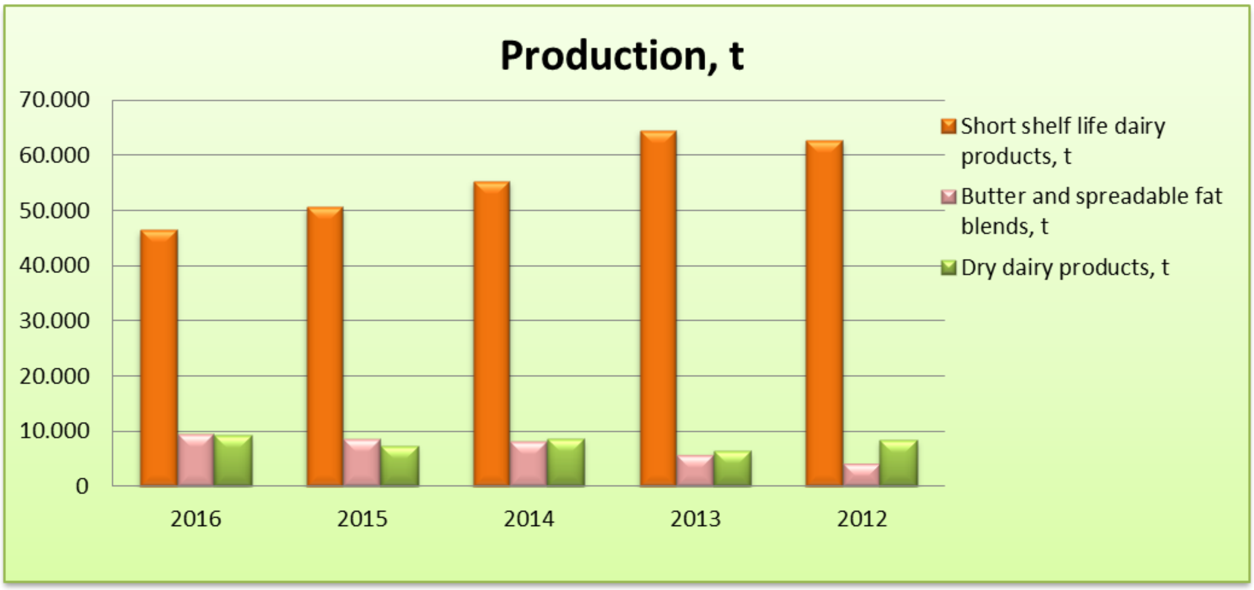
Rokiškio pieno gamyba UAB specializes in the production short shelf life dairy products, i.e. fluid milk, sour milk, kefir, cream, curds and fresh cheese, chocolate coated cheese bars, yogurts, butter for the local market, also the company provide service to Rokiskio suris AB producing the products for export such as butter, cream, WPC (whey protein concentrate) 34 and 80, and skim milk powder.

In 2013, Rokiskio pieno gamyba UAB launched a new line of yogurt production. This is a new type of yogurt in Lithuania in whose production no sugar is used and the sweetness comes from fruits only.

Heavy investments were made in the production of dry products. A new modern line for the production of WPC 80 was installed, and the technology of this product was successfully mastered. The production of those products was implemented cooperating with the largest dairy company of New Zealand Fonterra.

In 2014, production of instant WPC80 was started. Also, the facilities were upgraded with a new, modern compressor room. The plant's raw milk reception facilities undergone major repairs.
In 2015, the reconstruction of facilities of fresh dairy products was started in order to decrease production costs, improve quality of production and extend shelf life of the products.
In 2016, an assortment of yogurts was increased by a new yogurt with oats.

Production / Year	2016	2015	2014	2013	2012
Fresh dairy products, t	46,475	50,633	55,428	64,606	62,772
Butter and fat blends, t	9,391	8,455	7,960	5,576	4,101
Dry milk products, t	9,234	7,379	8,721	6,537	8,442



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 set targets the plant was modernized improving the technological process and implementing whey purification system.

In 2015, the subsidiary launched a series of new chocolate coated cheese bars produced with buttermilk. Also, the segment of processed cheese was added with a new type of processed cheese produced with hard cheese GRAND. The plant started production of blue cheese Baltic Blue.

A modern packaging line for processed cheese was renovated, and a new line for packaging of curds into briquettes of 180/200 gr was installed.
In 2016, a new building for production and maturing of blue cheese – Rokiškio Baltic Blue – was completed. Assortment of processed cheese was enriched using hard cheese Rokiskio Grand. New tastes of processed cheese were launched. They are branded as Grand Picante 23% fat, 175g per pack, with spices, and Processed cheese Baltic Blue 23% fat, 175g per pack.
The cheese Rokiskio Mini Mozzarella 45% DM 120g, which is well recognized on the local market, in December 2016 was awarded with a gold medal "Product of the year 2016". It was installed the Italian packaging equipment TECHNO-D for this cheese.
Stracchino type cheese was also launched to supermarkets. It is a typical Italian dairy product, and the quantities of sales are not high.

The following table represents changes in the production within 5 latter years:

Group of products	2016	2015	2014	2013	2012
Curds and curd products	4,765	4,272	4,648	5,353	5,228
Fermented cheese	120	115	107	83	-

Sales and marketing

As is the case each year, the largest share of the company's produce is exported. In 2016, the Group export comprised roughly 65% of the total sales. In the beginning of 2016, the company was loss-making because of the general global fall of the market prices of the dairy products, however, in spring of the same year, when the prices of dairy products, cheese in particular, started to pick-up, the general outcomes of the group have significantly improved. Due to the aforementioned low prices on the dairy market, during 2016, the company practically did not feel the consequences of the embargo imposed by the Russian Federation, because in the past two years the company managed to find new export markets, especially for fresh cheese. 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. Fresh cheese (Cagliata and Mozzarella) continues to be exported, mainly to Italy, Netherlands and Spain.

In 2016, total export of all products to the USA, as compared to 2015, has decreased due to low cheese prices and accumulation of large cheese resources on the US market – dropped from 2,589 tons to 2,173 tons, i.e. decreased by 40%. However, upon the increase of prices and US dollar exchange rate, the company is planning to continue increasing export of cheese to the USA.

As regards fat, in 2016, the company's largest production volumes were of butter, while cream sales were very low. This was the result of high butter demand in the Middle East and Far East, due to which the company was able to sell 40% more butter in 2016 than it did in 2015.

Another significant change on the market was at the end of 2016, when the Chinese market opened its doors for the Lithuanian dairy producers. Due to this, in the beginning of 2017, the company has already started exported lactose to the Chinese market, and is now attempting to offer other dairy products.

The Group's sales in Lithuania in 2016 compared to 2015 increased by 14.4% and it made EUR 80 million.
Average prices of dairy products dropped a bit as compared to 2015, and they started increasing only in the very end of the year 2016 when the situation in raw milk market and export market changed. Higher product prices will be reflected in the sales of 2017.

The Group remains the second largest local market player and it enhanced its influence in 2016 from 22% to 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.

Key product family of the company is Rokiskio Naminis, which is among the most known brands in the sector of FMCG (fast moving consumer goods). The brand refers to the Lithuanian traditions and family values.

In 2016, the company launched some new products. The Group started production of blue cheese Baltic Blue, and similar spreadable processed cheese, 175 gr per pack. Also, it should be emphasized a new line of healthier products with reduced amount of sugar and increased protein/fiber content: chocolate coated fresh curd bars Graikiški sūreliai, yogurts with oats Avižų, whey butter yogurts Pasukų. In addition, according to data processed by AC Nielsen, the yogurt BiFi Active with kiwi and pears is recognized as one out of three best novelties in the Lithuanian dairy market.

Rokiskio group is mostly famous because of cheese, so the assortment of cheese is continuously improved. The company's pride is hard cheese Rokiskio GRAND, and its sales in 2016 increased by 90%. Lithuanian consumers progressively recognize the cheese as their most preferable. The assortment is extended with new packaging.

This cheese was granted with the gold stars by **Superior Taste Awards** (blind tasting by famous chefs; organized by International Taste and Quality Institute situated in Brussels).

In March 2016, Lithuanian Trade Association (Lietuvos prekybos įmonių asociacija), which unites supermarkets such as Maxima, IKI, and RIMI, awarded Rokiškio fluid milk as **The most Lithuanian Supplier of the Year.**

The company is also nominated as one of the most social suppliers.

In December 2016, the product **Rokiškio Mini Mozzarella** made by Rokiskio pieno gamyba UAB subsidiary Ukmerges pieninė was awarded with the gold medal at the competition organized by Lithuanian Confederation of Industrialists. The product evaluated as **The Product of the Year**.

The Group also has a range of high quality products in other product categories, they are of high value added and they are assigned to the products with „clean label", e.g. product family NAMINIS, chocolate coated curd bars Graikiški sūreliai etc.

At the competition organized by the Lithuanian Trade Association **Most popular goods,** the following products of Rokiskio suris AB were recognized as the most popular in 2016:

- Kefir, sour milk, whey butter – **Kefir Rokiskio NAMINIS, 2.5%, 0.9 kg per pack.**
- Fermented cheese – **Fermented cheese ROKIŠKIO, 45%, 240 g.**
- Processed cheese – **Cheese Visiems, 330 g.**

On March 16, 2016, Lithuanian Trade Association (LPĮA) together with Maxima, IKI and Rimi elected and honoured partners of retail chains – producers and suppliers of products. Consequently Rokiskio pienas UAB was announced as **The most Lithuanian Supplier of the Year.** This evaluation obligates the Company to pay even greater attention to the product quality and freshness, emphasizing Lithuanian traditions and family values.

The company is not strongly participating in small market segments, it is more orientated towards massive production, which ensures lower costs and steady quality for high quality products. In 2016, the company started supplying the retail chain LIDL Lietuva.

Rokiskio Group considers it is essential to encourage consumers to choose Lithuanian goods, and to augment their understanding of fresh, healthy and valuable products.

A key factor is stability of the produce quality which is essential for implementation of marketing strategy, as well as continuous strengthening the company's brands. The company has a range of strong brands designated to various consumer groups, and which are related with high quality.

Brands:

10. Food safety and quality

The dairy products produced by the Company have high recognition on the international level for their flawless quality. The implemented and internationally approved systems of food safety, quality and environment protection ensure supplies with high quality, delicious products of wide range. Experience obtained throughout many years as well as implementation of new technologies, heavy investments lead to strong position of the company in the competition markets of raw milk purchase and dairy product sales.
Production of hard cheese is a long procedure which takes from several months to several years. Such production particularity does not allow instant response to changes in the cheese market which might influence operational results.

The Companies are highly concerned about food safety and quality issues in order to satisfy customer needs and comply with the environmental requirements. The Company Rokiskio suris AB was the first in Lithuania who was certified in accordance with the Quality management and Environment management systems (ISO 9001:2008, ISO 14001:2004, ISO 22000:2005).

The most important aspect of the companies' performance is food safety. In order to reach higher level of food safety effectiveness the company in Rokiskis improved the food safety system and in 2013 it was certified in accordance with the scheme for certification of food safety systems FSSC 22000. The system covers ISO 22000:2005 and ISO/TS 22002-1:2009 as well as additional requirements. The food safety scheme is recognized by the Global Food Safety Initiative GFSI, and it can replace some other previously recognized food safety standards such as BRCm IFS and SQF.

Rokiskio pieno gamyba UAB (plant in Utena) and Rokiskio pieno gamyba UAB subsidiary Ukmergės pieninė (plant in Ukmerge) are both certified according to the international standards of Quality Management (ISO 9001:2008), Environment Management (ISO 14001:2004), Food safety (ISO 22000:2005). In 2016, the companies are certified according to *Food Safety Management System under the requirements of FSSC 22000*.
Following the requirements of those standards, the company implemented rules which ensure production of steady, uniform, qualitative and safe produce aiming to improve overall effectiveness of environment protection, and following the company's politics. The system covers all processes from raw milk purchase to the service of end customers, and it is time from time reviewed and improved in order to maintain high quality of the products. The systems are reviewed on the constant basis and improved in order to maintain high product quality, satisfy customer needs and have wide product range for the market.

The international certification company BUREAU VERITAS Lit carries out the surveillance audit in the Company every year and repeated certification of the system (re-certification) every 3 years.
After the last surveillance audit of the integrated management system of Rokiškio sūris AB, the system received a very positive evaluation from the auditors, who distinguished the following strengths: low turnover of the staff, staff competence, regular updates of equipment and working environment and regular updates of the system.

The possession of the Food Safety System Certification Scheme FSSC 22000 proves that the Company's activities and resources related to such activities are a managed process. Interconnected processes are understood and managed as a system, which increases the Company's productivity and efficiency. A properly operating food safety system allows managing identified risks both at critical and important control points, which are related to the production processes, transportation and consumption.

The Company's management reviews and approves the food safety, quality and environmental protection policy every year emphasizing constant development: "According to us, "to do it right" is never enough. We know that the things we do right today will be done even better tomorrow!'" The Company has created the atmosphere where every employee of the Company is involved in the struggle for the set goals and raised tasks.

The Company has prepared and installed requisite operating programmes which stipulate the conditions, measures and rules preventing biological, chemical and physical pollution and helping ensure the production of safe products.

In 2007, the State Food and Veterinary Service of the Republic of Lithuania approved the compliance of the diary products' production to the new EU hygiene requirements and granted the following veterinary approval numbers:

- Rokiškio sūris AB: LT 73-01 P EB
- Rokiškio pieno gamyba UAB: LT 82-01 P EB
- Ukmergės pieninė, the branch of Rokiškio pieno gamyba UAB: LT 81-01 P EB

The laboratory of the company in Rokiškis has been certified according to the international standard LST EN ISO/IES 17025. The operations of the laboratories of the companies in Utena and Ukmergė have been evaluated according to the *Description of the Procedures for Issuing Approval Permits to the Food Business Operators' Laboratories* approved by the State Food and Veterinary Service.

In 2003, the public institution EKOAGROS approved that Rokiškio sūris, AB meets the requirements laid down in EU Council Regulation EC No. 889/2008 and has been certified for the production of ecologic products: hard cheese BIO, Cagliata BIO, Mozzarella BIO, cheese Gouda BIO. Annual inspections of the public institution EKOAGROS and issued certificates manifest the compliance of the Company with the established requirements. In the production of ecologic products, strict requirements are set not only for the production processes but also for their components.
Some of the Company's products (lactose, whey protein concentrate, butter, skimmed milk powder, fermented cheese) have been granted special quality certificates HALAL and KOSHER (lactose, whey protein concentrate, skimmed and whole milk powder, buttermilk flour, butter).
Rokiškio sūris, AB has been granted the status of an approved exporter to the Republic of South Korea.
Rokiškio sūris, AB has been involved into the list Certification and Accreditation Administration of the People's Republic of China (23/08/2016).
Competent Mexican authorities carried out an audit and evaluated the activities of the Lithuanian Veterinary Service positively, which means that the Company's products can be exported to that country too.

In 2012, Rokiškio pienas, UAB and Rokiškio pieno gamyba, UAB introduced a new standard of Social Responsibility SA8000. This standard has established requirements for the Company that wants to demonstrate, with the help of independent evaluation, its socially responsible attitude towards the creation and maintenance of working conditions.
Purpose of Standard SA8000 is to establish requirements based on international norms related with human rights and national legislation concerning employment in order to secure all employees throughout the management chain, as well as all other employees who produce goods or supply services to the company, including the employees hired directly by the company, and its suppliers and subcontractors.
Keeping in line with the standard's requirements the company will be able to:
- create, maintain and implement the politics and procedures related with the issues being in its control or sphere of influence.

- demonstrate to the third parties that the company's politics, procedures and practices conform to the standard requirements.

Fundamentals of social responsibility:
Accountability (for impact on the society, economics, and environment);
Transparency (decisions and the operations influencing the society and environment);
Ethical conduct;
Honor in regards with the third parties' interests (hear and react);
Honor the superiority of laws;
Follow the international conduct norms;
Honor human rights.

11. Environment protection

The risk produced by the manufacturing operations is managed in accordance with the Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (integrated pollution prevention and control) (IPPC Directive). Rokiškio sūris AB is classified as an installation with a mandatory possession of the IPPC permit. The IPPC permit was issued on 30/12/2005 and renewed on 12/09/2014. The company has implemented the best available technology reference documents (BREF) and its resources consumption and pollution emission levels conform to the EU regulations.

In 2001, for the purposes of management of environmental risks, Rokiškio sūris AB has voluntarily implemented ISO 14001 Environmental Management System standard. The management system was certified and the independent audits are conducted by Bureau Veritas Lit UAB. In 2016, the Environmental Management System was successfully recertified. The external and internal audit of 2016 did not produce any remarks or inconsistencies.

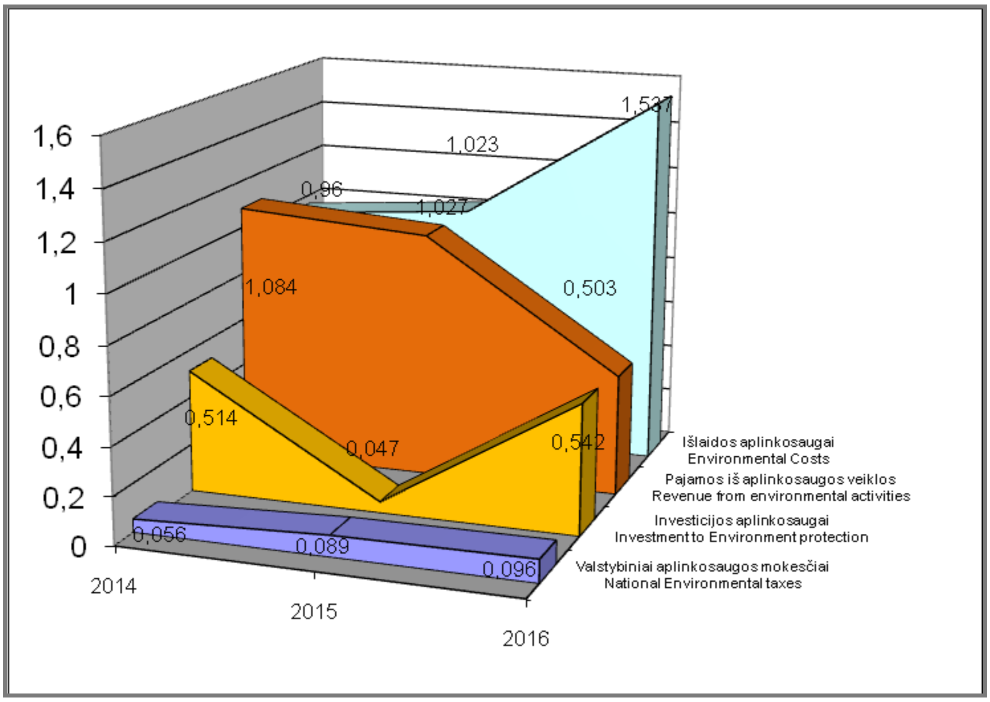
The environmental policy of Rokiškio sūris AB is aimed at mitigation of impact on the environment, implementation of pollution prevention measures, ensuring minimum consumption of resources and waste generation in order to prevent adverse impact on air, water and soil as a result of the operations conducted. Seeking continuous improvement and reduction of environmental risks, the environmental targets have been set. The assessment and analysis of the operation is performed regularly.

In 2016, five environmental monitoring programmes have been followed for monitoring of impact on the environment at Rokiškio sūris AB: 1) Programme for local monitoring of the fields fertilised with wastewater treatment sludge; 2) Programme for monitoring of the receiver of wastewater discharged after treatment at Ruopiškis (Alseta) Lake in Rokiškis District; 3) Programme for monitoring of underground water of the water reservoir; 4) Programme for monitoring of underground water at the petrol station in Rokiškis and Obeliai. Monitoring is conduced by the environmental engineering research company Geoaplinka UAB. 5) Monitoring of emissions from the pollution sources. The tests are performed at the certified laboratories. The reports are submitted to the Environmental Protection Agency. No negative impact on the environment has been established.

The company has performed the hazard and risk analysis, prepared accident prevention measures and response plan. The critical sites of the company: ammonia compression station, warehouse and storage facility for chemical substances at the lactose department. The company's buildings have been evaluated and marked according to the general fire safety rules. The fire alarm and fire safety measures have been provided where necessary for prevention of fire and mitigation of possible damage.

Environmental activities, EUR million

	2014	2015	2016
State tax for environmental pollution	0.056	0.089	0.096
Environmental investments	0.514	0.047	0.542
Income from environmental activities	1.084	1.027	0.503
Environmental costs	0.960	1.023	1.537



12. Risk factors associated with the issuer's operations

The risk shall be understood as a hindrance to achieve the set targets due to potential evens or their possible impact on business. The Company's objectives also include long-term strategic goals and specific actions related to the operations. The 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 February 2016, the number of cows registered in Lithuania amounted to 299,710, which is 4.26 per cent less than in the same period of 2015. The number of dairy farms dropped by 10.66 per cent. This change creates a risk of increased competition on the raw milk purchase market and rise in raw milk prices.

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.

<u>Negative factors related to sale of products:</u>

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 and excise duty;
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 completive 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.
The emissions which result in the greenhouse effect are not present in the system because the quantity of emission is too low. The facilities which use the ozone-depleting substances have been registered and controlled. Substances are replaced with the ones with smaller effect in accordance with the procedure established by legal acts. The emission levels into the atmosphere are low and controlled; accordingly, the potential 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 (page 26) of the December 31, 2016 financial report of consolidated and parent company Rokiskio suris AB.

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

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

The preparation of consolidated and parent company's 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. The estimates are based on the knowledge obtained by the management as well as current situation and actions.

The financial accounts include consolidated financial accounting of the Group and individual financial accounting of the Company.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquirer and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.
Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognizes the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

14. Investment projects implemented during the last 3 fiscal years

Every year Rokiskio suris AB gives great attention to new investment into the production procedures, modernization of existing production facilities and their maintenance, procurement of raw material, continuation of environmental protection, and transport.
During 3 latter fiscal years, the company’s investments were mainly directed to further development of whey processing and acquisition of needed equipment, reconstruction and modernization of cheese production facilities and equipment.
In general, Rokiskio suris AB investments are organized in the way to ensure food safety requirements within the production procedures and external surrounding including raw milk processing, production, slicing, packaging, loading and delivery of produce to the customer.

In 2015, the group of Rokiskio suris AB prepared a business plan „Modernization of milk processing and marketing“, and presented to the National Paying Agency in order to get an EU financial support. The project investments amount EUR 27 million and cover the period of 2016-2017. The investment will be directed to all three plants of the group of Rokiskio suris AB located in Rokiškis, Utena and Ukmergė. The investment is intended to use for the modernization of current equipment and implementation of new technologies in order to develop production for alternative markets. The Company will use its own resources to implement the project as well as borrowed resources. It is planned to invest EUR 4 million.

Investments of the group of Rokiskio suris AB:

	Investment (million EUR)
2010	1.88
2011	4.75
2012	3.30
2013	11.30
2014	6.37
2015	1.88
2016	7.21

The main investments implemented in 2016:

- Investments for the improvement of effective production of new product WPC80 in Rokiskio suris AB daughter enterprise Utena plant in order to achieve customer demands.
- Improvement of whey and raw milk used for the production of dairy products.
- Development of value added long maturing cheese.
- Product quality control.
- Economic use of power resources.
- Product safety.
- Accumulation of raw milk and ready-to-cook products.
- Improvement of butter quality.
- Monitoring of new drying technologies and packaging for dried products.
- Innovative packaging technologies of short shelf life products (curds).
- Modernization of acid whey processing technologies.
- Packaging of processed cheese.
- Refrigeration equipment.
- Acquisition of milk-trucks.
- Improvement of work conditions for the employees.

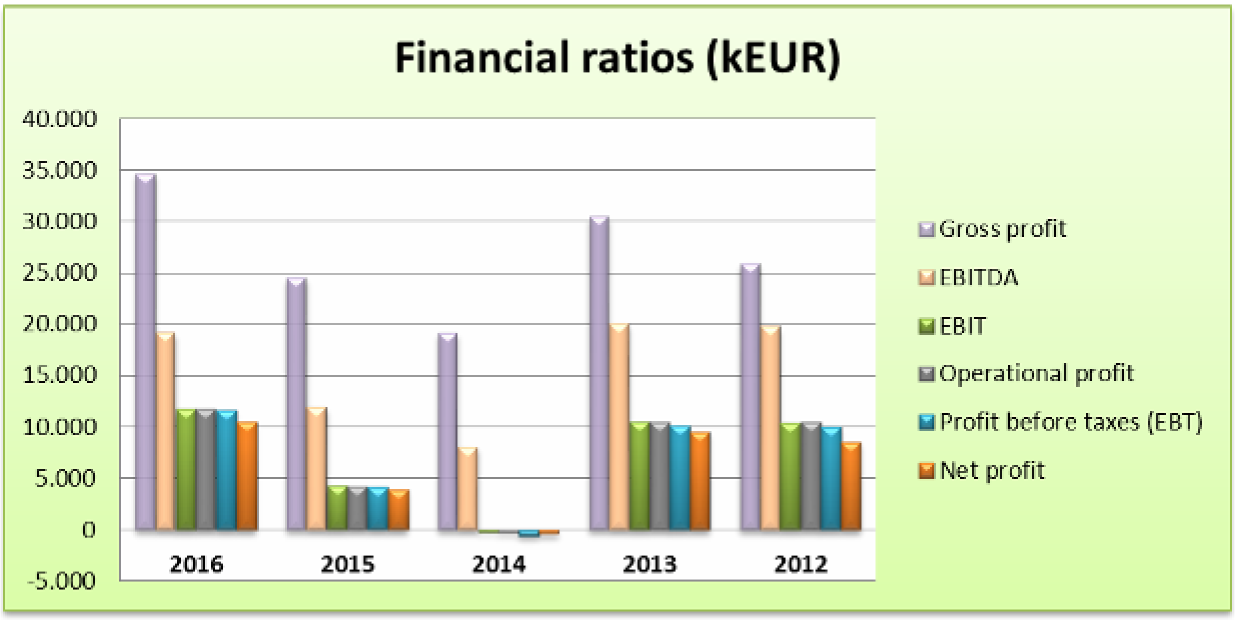
All investments were made in Lithuania: Rokiskis and the related sites in Utena and Ukmerge.

In 2016, it was planned to allocate EUR 15.3 million for investments. It was expected to receive in 2016 a financial support according to the program KPP 2014-2020, measure "Investments into tangible assets", area of activities „Support for the investment into processing, marketing and/or development of agricultural products". As the applicants' evaluation procedure protracted the investments made by Rokiskio suris AB in 2016 amounted only to mEUR 7.21. The contract for financial support was signed only in July 2016. Therefore the part of investment which was planned for 2016 will be implemented in 2017 and 2018, unless there are any administration changes made by the state institutions.

RESULTS OF FINANCIAL PERFORMANCE

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

	2016	2015	2014	2013	2012
Financial ratios (kEUR)					
Income from sales	226,196	196,504	249,251	249,466	230,655
Gross profit	34,687	24,550	19,202	30,485	25,928
EBITDA	19,174	11,926	8,096	20,006	19,771
EBIT	11,723	4,267	(199)	10,492	10,418
Operational profit	11,723	4,267	(199)	10,492	10,418
Profit before taxes (EBT)	11,607	4,066	(604)	10,157	9,957
Net profit	10,451	3,895	(383)	9,495	8,497
Non-current assets	60,623	56,324	43,731	57,101	53,477
Current assets	81,789	98,283	97,024	91,066	76,749
Total assets	142,412	154,607	140,754	148,167	130,226
Property of shareholders	122,066	115,633	98,347	99,746	91,270
Profitability (%)					
Return on assets [ROA]	7.04	2.64	(0.26)	6.82	6.54
Return on equity [ROE]	8.79	3.64	(0.39)	9.94	9.71
Margin of gross profit	15.33	12.49	7.70	12.22	11.24
EBITDA margin	8.48	6.07	3.25	8.02	8.57
EBIT margin	5.18	2.17	(0.08)	4.21	4.52
Profitability coefficient [EBT margin]	5.13	2.07	(0.24)	4.07	4.32
Net profit margin	4.62	1.98	(0.15)	3.81	3.68
Finance structure					
Debt-to-equity ratio	0.17	0.34	0.43	0.49	0.43
Capital-to-asset ratio	0.86	0.75	0.70	0.67	0.70
General liquidity ratio	5.00	2.86	2.44	2.03	2.16
Market value ratios					
Price to profit per share ratio [P/E ratio]	5.53	12.91	-	5.89	5.75
Net earnings per share	0.32	0.11	(0.01)	0.27	0.24



Rokiskio suris AB covers the following business segments: hard cheese, semi hard cheese, butter, milk, cream, sour cream, sour milk, yogurt, curds, fresh cheese etc. The segments were coupled into two main segments presented by the financial statements based on alike production procedure, customer group and distribution channels.

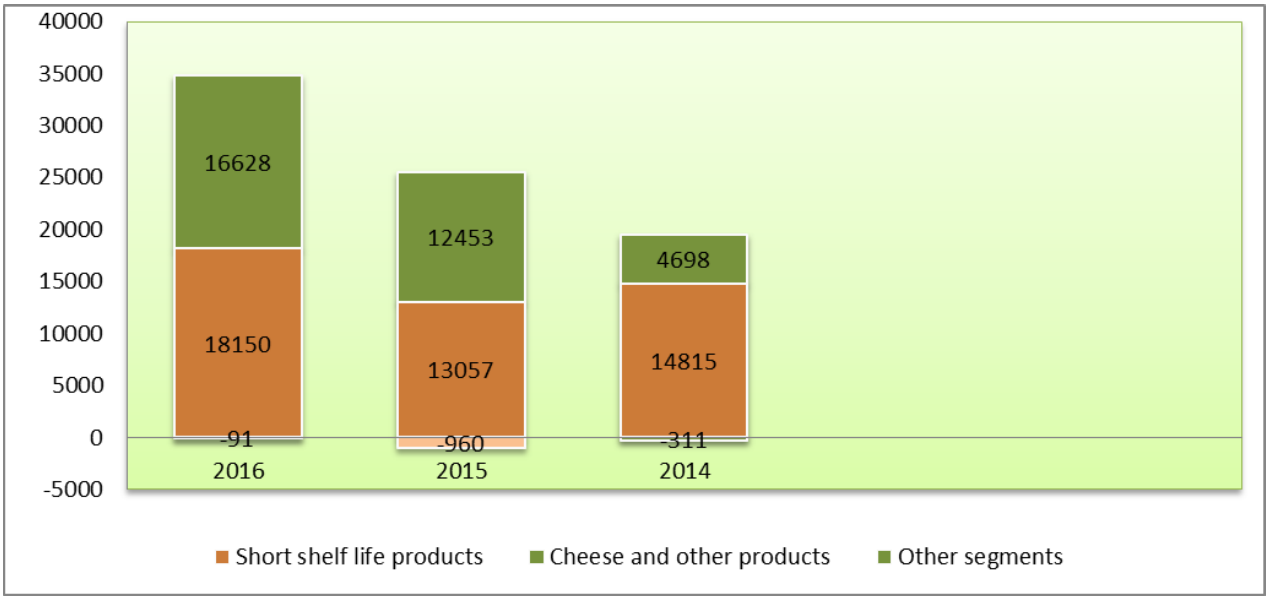
The Group's main business segments provided in financial statements are as follows:
- Fresh dairy products
- Cheese and other dairy products.

Other operations of the Group comprise of raw milk collection. Transactions between the business segments are on normal commercial terms and conditions. In the segment of short shelf life products there are 2 external customers whose income individually makes more than 10% of total income of the segment.

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

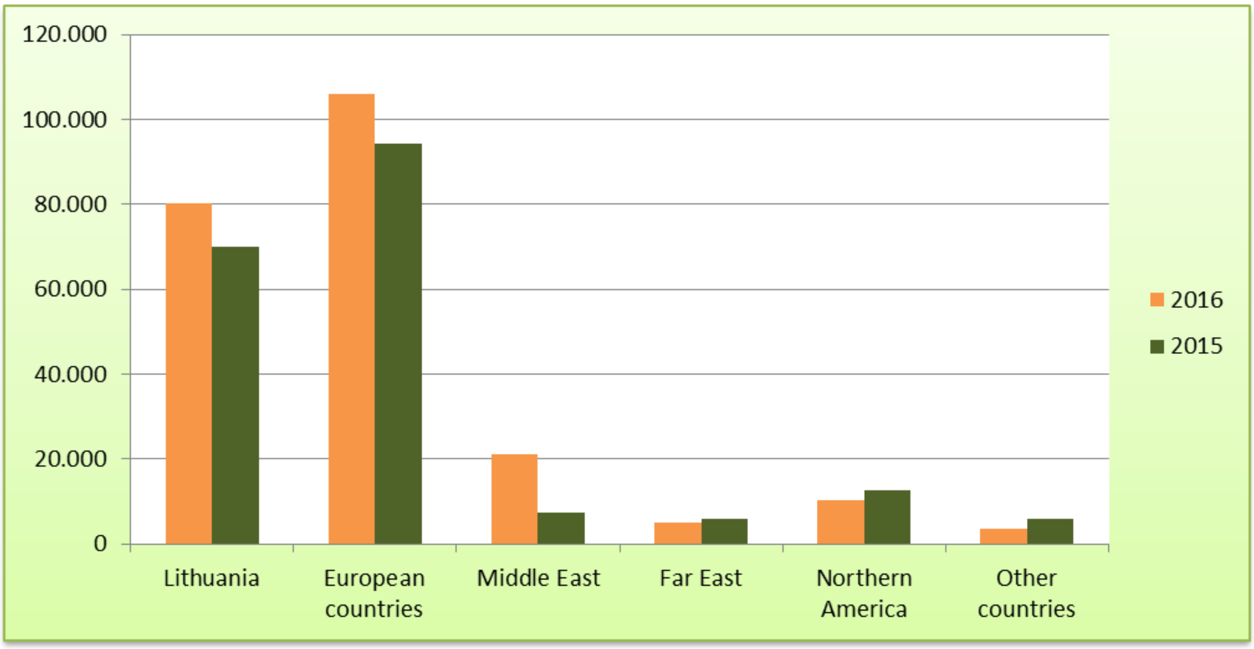
	2016	2015	Pokytis (%)
Total income from sales (kEUR):	**226,196**	**196,504**	**15.11**
Short shelf life products	67,194	66,334	1.30
Cheese and other dairy products	157,635	128,849	22.34
Other segments	1,367	1,321	3.48
Total gross profit (kEUR):	**34,687**	**24,550**	**41.29**
Short shelf life products	18,150	13,057	39.01
Cheese and other dairy products	16,628	12,453	33.53
Other segments	-91	-960	-90.52

Gross profit according to segments (kEUR)



Group's sales according to markets

Countries	Sold				
	2016		2015		Change
	kEUR	%	kEUR	%	%
Lithuania	80,155	35.43	70,047	35.65	**14.43**
European countries	106,037	46.88	94,308	47.99	**12.44**
Middle East	21,017	9.29	7,503	3.82	**180.11**
Far East	5,063	2.24	6,041	3.07	**-16.19**
Northern America	10,305	4.56	12,708	6.47	**-18.91**
Other countries	3,619	1.60	5,897	3.00	**-38.63**
Total:	**226,196**	**100**	**196,504**	**100**	**15.11**



In 2016, the Group's sales income amounted to kEUR 226,196, it increased by 13 per cent as compared to 2015 (kEUR 196,504). The recovery of world dairy prices in the second half year 2016 resulted in higher sales. The crisis of world dairy market, which started in 2014, was still going on in 2015 and in the beginning of 2016. This cause drop of sales in 2015 and in the beginning of 2016.
In the second half year 2016, there was an increase of prices in Europe for fresh cheese and in USA for hard cheese. Prices for other products recovered as well: butter, WPC, lactose. In 2015, the company produced high quantities of skim milk powder which was sold under terms of intervention in 2016.
The charts above represent sales according to geographical and product segments. In the market of short shelf life products the rise is not significant due to firm competition between local producers and other countries' competitors (polish).

The year 2016 was quite profitable for the group of Rokiskio suris AB. In 2016, net profit made kEUR 10,451, i.e. 2.68 times as much as last year. In 2015, net profit of the group Rokiskio suris AB amounted to kEUR 3,895. The increase of net profit was mainly caused by the increase of sales prices in the second half year 2016: hard cheese, fresh cheese, cream, and butter. In the markets of fermented cheese, the most significant factors for the profit increase were higher quantities of hard cheese sales and lower production costs.
In 2016, quantity of hard cheese sales increased by 43 per cent as compared to 2015. The improved results (decrease of loss) of hard cheese sales resulted in kEUR 2,938 as compared to 2015.
The decrease of raw milk prices in 2016 improved results of sales of fresh cheese. The loss obtained in the sales of this product in 2016 decreased by kEUR 1,356. The most significant influence however was made by the increase in sales prices.
Profit from butter sales increased by kEUR 2,440 due to higher sales prices and lower production costs. Profit from exported cream increased by kEUR 741 due to higher sales prices.
The result of other product sales (processed cheese, molasses, fluid milk) improved by kEUR 1,031.
In 2016, the company sold hard cheese, butter, lactose, skim milk powder from stocks which were accumulated in the end of 2014 and in 2015 when the crisis in world dairy markets started.

The Group's objectives are further strengthen customer trust in its produce, encourage healthy style of life meanwhile increasing dairy product consumption per capita.

16. 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.

Mainly the investment in 2017 will be used for the following:

- Implementation of innovative production technologies in the production of short shelf life dairy products and further investment to the production of WPC80.
- Enhance the company's competitiveness.
- Lower production costs, economically use power resources, diminish harmful impact on environment.
- Improve quality of products.
- Meet customer demands in regards with the produce.
- Prolong shelf life of short shelf life dairy products.

The investments into the innovative production of high quality product WPC80, high value added product such as long term maturing hard cheese and technologies of short shelf life products

which were started in 2016 will be further continued in 2017 (it was acquired 1260 containers for cheese drying).
In addition, these new technologies will ensure higher yield and quality of lactose. There will be acquired a new line for lactose packaging and an equipment to condense permeate.
The company is constantly looking for new markets, consequently the main target is to strengthen processing the products of interest. Therefore the company will acquire an equipment for fresh cheese packaging.
The related investments cover main production facilities and servicing facilities.
Also, it is planned to renovate other technological equipment, modernize climate control systems, acquire new forklifts, packaging lines, new cheese moulds, new tanks for accumulation and storage of milk and semi-manufacturers, new milk trucks and vehicles for transportation of finished products.
In order to economically use the power resources, it is planned to acquire systems for air and power accounting. For the control of production parameters, it is planned to implement a system for production process control.
To increase capacity of cheese chambers there will be build a new transformer, and a new air compressor for cheese packaging.
For the production of short shelf life dairy products in the subsidiaries in Utena it will also be invested to improve and innovate the technological process of production of short shelf life dairy products.
The investment will create value added product, longer shelf life fluid milk which will be transported, stored and packed in sterile environment.
Also, to ensure constant storage and delivery of ready-to-cook products and finished products within the company’s departments there will be acquired new forklifts. Herewith it is aimed to improve internal transportation of finished products and semi-manufacturers for storage and migration between production departments.
In order to solve environmental problems, it is planned to implement a system for odour collection and a suction vehicle for sewage disposal.

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.

Perspectives associated with sales:

The new grounds of the Chinese market opens new possibilities for sale of milk powder, lactose, and particularly, hard and Mozzarella cheeses. Therefore, the company is actively searching for opportunities on this huge market using all aforementioned products;

As in 2016, the company's main export focus will continue to be the Asian countries. This is a place of a great concentration of population, where consumption of dairy products is increasing annually. South Korea and China (already in action) can be named as the most potential points on the Asian market that are of interest to the company. The company will also attempt to penetrate Japan, Singapore, Indonesia, Philippines and other Asian markets.

In the future, attention will be focused on former Soviet countries, such as Kazakhstan, Uzbekistan and Azerbaijan. The company is planning to expand export of value-added products to these countries, i.e. to supply them to retail markets without restricting itself to wholesale operations.

Saudi Arabia, UAE and Iran are the countries the company continues to cooperate with and is concentrated not only on wholesale trade in butter and cheeses, but also hopes to try the retail products, such as snacks, as this sector has a particularly high potential for its development.

The company is hoping to change the customer segment in the USA and sell hard cheese not only for grating, but also to the catering sector (HORECA) distributors, who deliver cheese directly to restaurants/cafés/hotels, etc.

In brief, keeping in mind the general trends on the global dairy market, it is reasonable to state that in the near future the markets with the highest perspectives for the company will be the USA, Middle East and Asia.
On the local market the company aims to strengthen its leading positions by providing the market with production made using the most advanced technologies which maintain nutritional value of milk for long time.

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

17. Information on the Company’s Authorized capital

As December 31, 2016, 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	35,867,970	0.29	10,401,711.30	100.00

As from January 18, 2017, the Authorized capital of Rokiskio suris AB comprises 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

Pursuing the resolution of the 28 October 2016 General meeting of shareholders of Rokiskio suris AB it was decided to decrease the Authorized Capital of Rokiskio suris AB by EUR 1,040,171.13 (one million forty thousand one hundred seventy one euros 13ct), in the way of annulment of 3,586,797 (three million five hundred eighty six thousand seven hundred ninety seven) ordinary registered shares with nominal value of EUR 0.29 (twenty nine euro cents). After annulment of treasury shares, the Authorized Capital of Rokiskio suris AB shall make EUR 9,361,540.17 (nine million three hundred sixty one thousand five hundred forty euros 17ct) divided into 32,281,173 (thirty two million two hundred eighty one thousand one hundred seventy three) ordinary registered shares at par value of EUR 0.29 (twenty nine euro cents).

All shares of Rokiskio suris AB are paid-up, and they are not subject to any limitations of transference.

18. 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 decition 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 Assocoation come into forrce when they are registered in accordance with the procedure settled by the legal documents of the Republic of Lithuania.

19.Contracts with financial brokers

The Company has made a contract with UAB FMĮ 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.

20. 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:

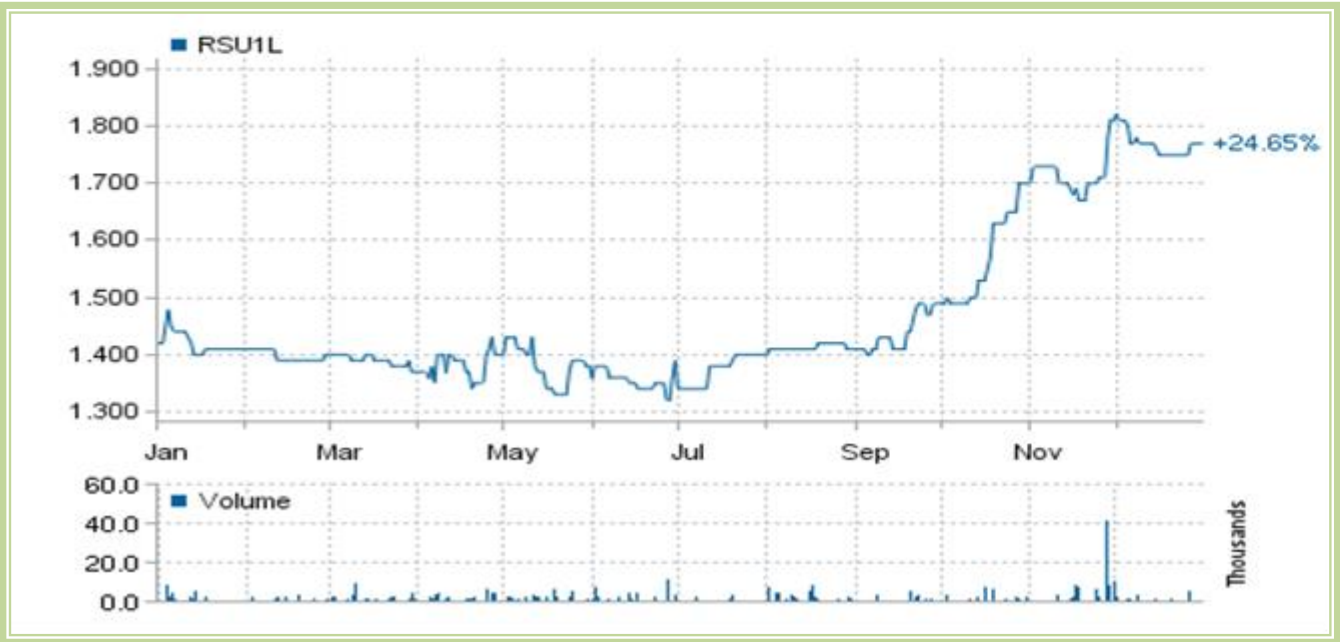
Trade on central market:

Reported period		Price (Eur)				Turnover (Eur)			
from	to	max	min.	aver.	Last session	Date of last trading session	max	min	Last session
2012.01.01	2012.03.30	1.388	1.29	1.360	1.359	2012.03.30	118,945.00	0	0
2012.04.01	2012.06.30	1.40	1.25	1.36	1.360	2012.06.29	108,953.50	0	4,128.00
2012.07.01	2012.09.30	1.40	1.30	1.37	1.40	2012.09.28	641,665.74	0	1,158.70
2012.10.01	2012.12.31	1.47	1.33	1.37	1.40	2012.12.28	390,622.20	0	1,950.00
2013.01.01	2013.03.28	1.59	1.39	1.46	1.57	2013.03.30	77,386.93	0	4,671.62

2013.04.01	2013.06.28	1.63	1.44	1.49	1.50	2013.06.28	335,690.00	0	5,992.78
2013.07.01	2013.09.30	1.64	1.48	1.57	1.64	2013.09.30	93,753.10	0	93,753.10
2013.10.01	2013.12.31	1.62	1.50	1.55	1.59	2013.12.30	265,880.80	0	1,162.22
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

Rokiskio suris AB Share price change within January-December 2016

Price, EUR



Data souce – website of AB NASDAQ Vilnius:
http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=lt&currency=0&date=&start=2016.01.01&end=2016.12.31

Rokiskio suris AB Share price change within January-December 2015

Price, EUR

Data souce – website of AB NASDAQ Vilnius:
http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=lt&currency=0&date=&start=2015.01.01&end=2015.12.31

Rokiskio suris AB Share price change within January-December 2014

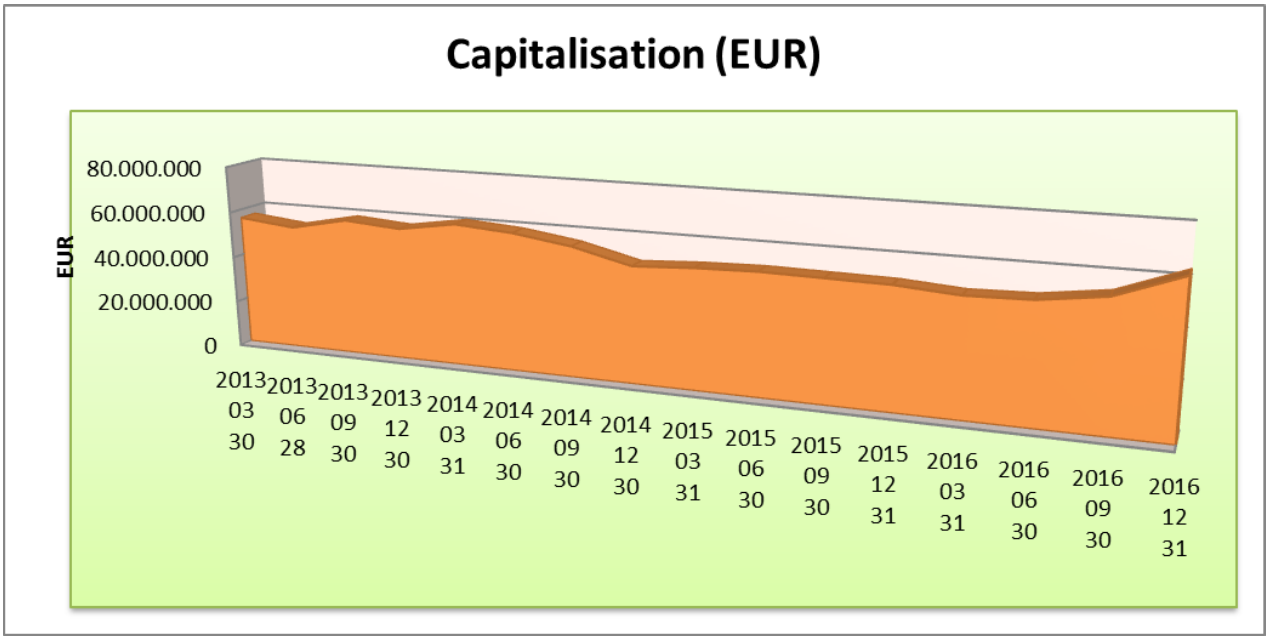
Price, EUR

Data souce – website of AB NASDAQ Vilnius:
http://www.nasdaqomxbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&date=&start=2014.10.01&end=2014.12.31&start=2014.01.01&end=2014.12.31

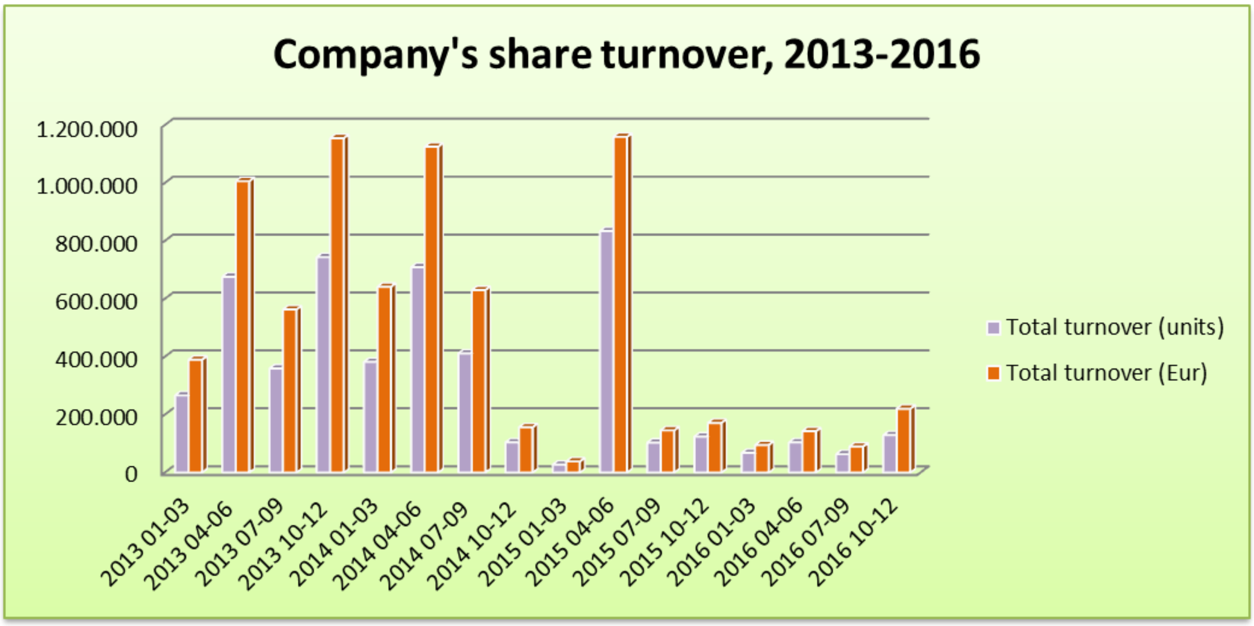
21. Capitalization of securities

Reporting period from	Reporting period to	Total turnover (units)	Total turnover (Eur)	Date of last trading session	Capitalisation (Eur)
2012.01.01	2012.03.31	189 564	257 712.33	2012.03.31	48 744 571
2012.04.01	2012.06.30	228 464	310 179.89	2012.06.29	48 780 439
2012.07.01	2012.09.30	835 557	1 142 089.88	2012.09.28	50 215 158
2012.10.01	2012.12.31	525 165	717 997.30	2012.12.28	50 215 158
2013.01.01	2013.03.31	265 841	389 055.13	2013.03.30	56 312 713
2013.04.01	2013.06.30	675 596	1 005 631.66	2013.06.28	53 801 955
2013.07.01	2013.09.30	358 981	562 423.85	2013.09.30	58 823 471
2013.10.01	2013.12.31	743 434	1 154 134.97	2013.12.30	57 030 072
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

Capitalisation of the company‘s securities within 2013-2016, Eur



The company's share turnover within 2013-12016 (units, EUR)

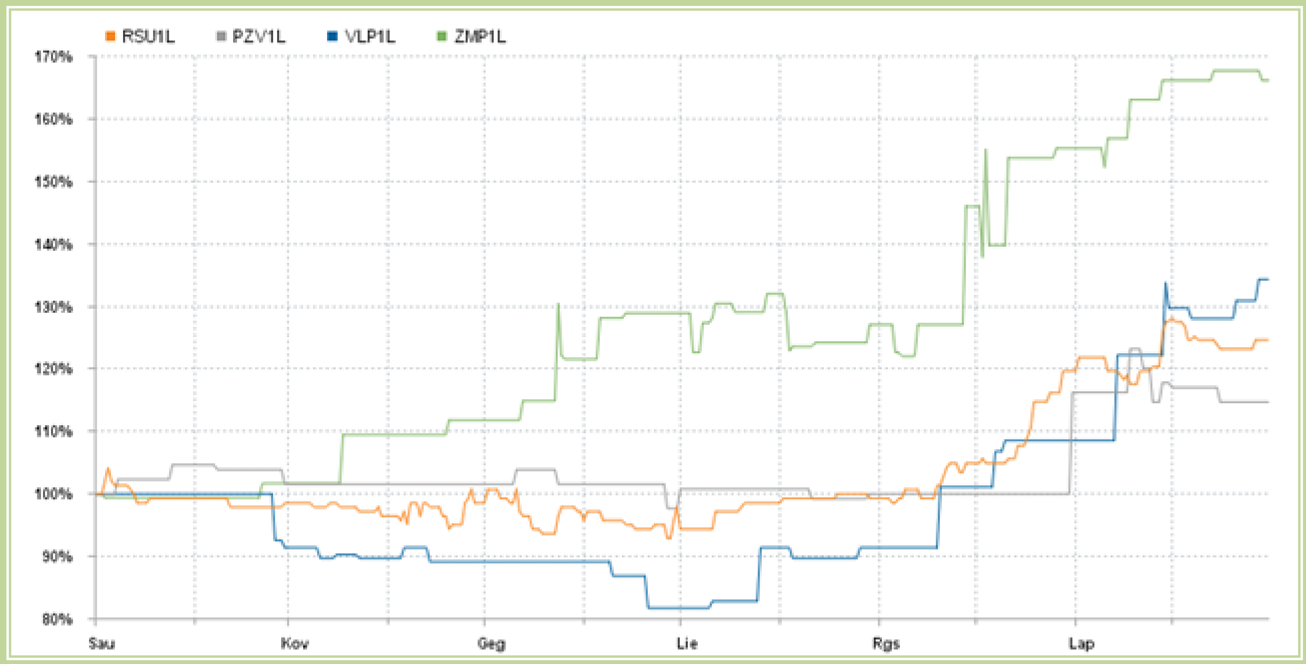


Dynamics of indices of RSU1L, OMX Baltic Benchmark and OMX Vilnius:
(2016.01.01-2016.12.31)

Data of the chart:

Index/ Shares	2016.01.01	2016.12.31	+/-%
OMX Baltic Benchmark GI	648.32	788.17	21.57
OMX Vilnius	485.99	558.50	14.92
OMX Baltic Benchmark PI	359.03	411.83	14.71
RSU1L	1.420 EUR	1.770 EUR	24.65

Comparative share price CHART: Rokiškio sūris AB (RSU1L), Pieno žvaigždės AB (PZV1L), Žemaitijos pienas AB (ZMP1L) and Vilkyškių pieninė AB (VLP1L):
(2016.01.01-2016.12.31)



Data of the chart:

Index/ Shares	2016.01.01	2016.12.31	+/-%
RSU1L	1.420 EUR	1.770 EUR	24.65
VLP1L	1.750 EUR	2.350 EUR	34.29
ZMP1L	0.644 EUR	1.070 EUR	66.15
PZV1L	1.290 EUR	1.450 EUR	12.40

22. 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

23. Shareholders

Total number of shareholders (as at 31.12.2016) – 5,323 shareholders.

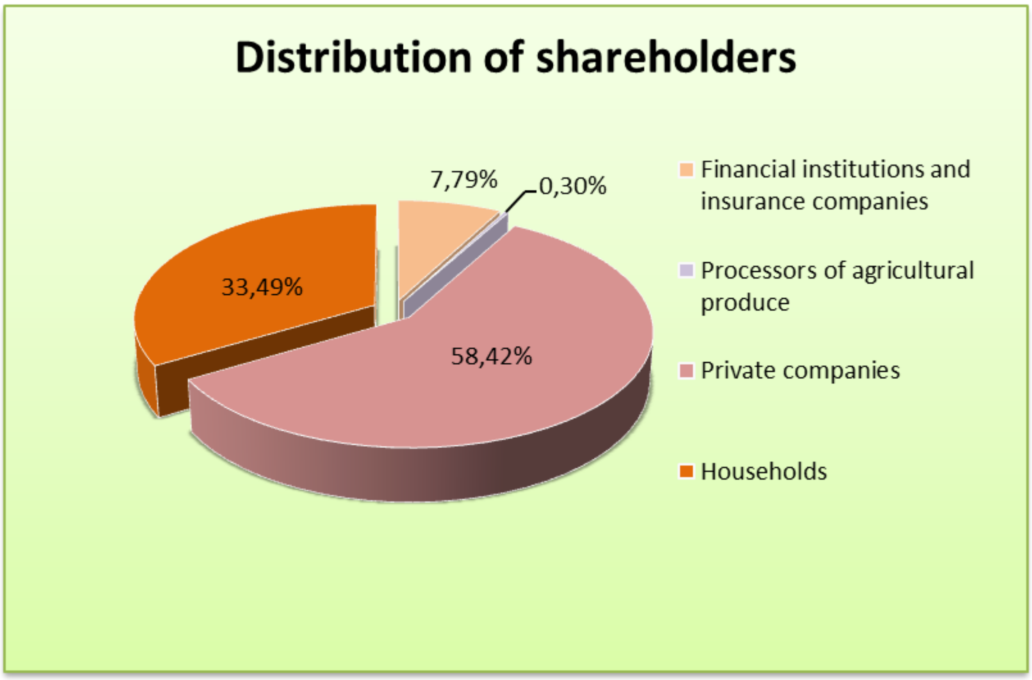
The shareholders having or owning over 5 percent of the issuer’s authorized capital (as at 31.12.2016)*:

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
Mr. 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	-	-

* - 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), i.e. EUR 9,361,540.17, divided into 32,281,173 ordinary registered shares.

** - 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).

Below there is distribution of shareholding in Rokiskio suris AB according to investors' groups as at December 31, 2016.



24. Shareholders' rights

<u>Shareholders have the following non-economic rights</u>:

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.

<u>Shareholders have the following property rights</u>:

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.

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

There are no shareholders with special control rights.

26. Overall limitations of voting rights.

There are no shares with limited voting rights.

27. Overall agreements between shareholders.

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

28. Information on purchase of issuer‘s own shares

During the financial year 2016 (the period of share purchase from August 4, 2016 until September 2, 2016), Rokiskio suris AB bought 1,172,218 own shares which made 3.27 per cent of the Company's Authorized Capital. Purchase price per share was EUR 1.43. The shares were acquired in accordance with the resolution of the 21 August 2015 General meeting of shareholders.
Including the shares acquired previously, Rokiskio suris AB holds 3,586,797 treasury shares which makes 10 per cent of the Company's Authorized Capital.
The 28 October 2016 General meeting of shareholders of Rokiskio suris AB resolved to withdraw treasury shares (3,586,797) and decrease the Authorized Capital of Rokiskio suris AB by EUR 1,040,171.13. After annulment of treasury shares (3,586,797), on 18 January 2017 the decreased Authorized Capital of Rokiskio suris AB was registered in the Register of Legal Bodies, consequently the Authorised Capital makes EUR 9,361,540.17 divided into 32,281,173 ordinary registered shares at par value of EUR 0.29 (twenty nine euro cents).
At the time of preparation of the annual report, the company was not holding any treasury shares.

29. Dividends paid

The decision on allocation and payment of dividends is taken by the General Meeting of Shareholders, appropriating the profit/loss of the company available for appropriation. The Company pays out dividends within one months after the decision is made to allocate dividends.
The dividend can be allocated for a fiscal year or a period shorter than one fiscal year.
The General Meeting of shareholders may not adopt the decision to allocate and pay dividends if at least one of the following conditions is met:
1) the company has not discharged all its obligations that terms had expired before the decision was taken;
2) the result of the financial year available for appropriation is negative (losses were incurred);
3) the equity capital of the company is lower or after the payment of dividends would become lower than the aggregate amount of the authorised capital of the company, the legal reserve, the revaluation reserve and the reserve for own shares.
If the company fails to pay the statutory taxes before the required deadline, it may not pay the dividend, annual bonuses to the Board members and incentives to its employees.
Persons who were shareholders of the company at the end of the day when the General Meeting declared the dividends (of the tenth day from the General Meeting of Shareholders that took the decision) or were entitled to receive dividends on other legal grounds shall be entitled to the dividend.

Dividends paid according share types and class during the last 9 years:

Year	Total sum of dividends, EUR	Dividend per share, EUR	Net profit per share, EUR	Multiplier of dividend payments
2007	2,867,855.42	0.0695	0.2346	0.30
2008	Dividends were not paid			
2009	244,579.30	0.0290	0.1101	0.26
2010	1,038,808.21	0.0290	0.1883	0.15
2011	1,015,578.08	0.0290	0.2288	0.13
2012	1,015,578.08	0.0290	0.2433	0.12
2013	1,015,578.08	0.0290	0.2693	0.11
2014	Dividends were not paid			
2015	2,341,737.37	0.0700	0.1086	0.64

COMPANY MANAGEMENT

30. 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 restructuration 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 31/12/2016)

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 point 30 as per information about the 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 point 30 as per information about the Management bodies of the Company.

Data on the allocated funds

In 2016, it was allocated the following sums to the members of the Board of Directors of AB Rokiškio sūris, manager of the Company and the chief financier, average amounts are calculated falling on one member of management bodies, as well as transferred property and guarantees:

Members of collegial bodies	Number of persons	Total allocated sums (wages and tantiemes), kEUR	Average amount per person, (wages and tantiemes), kEUR	Transferred property, kEUR	Guarantees given, kEUR
Members of the Board of Directors	5	874.02	174.80	-	-
Manager of the company and chief financier	2	100.53	50.26	-	-

Within the reporting period, the Company allocated kEUR 775 to be paid as tantiemes to the Board of Directors, and kEUR 99 income associated with working relations.
The tantiemes of kEUR 775 were allocated and paid out from the distributable profit of the year 2015.

31. Committees formed in the Company

Audit Committee of Rokiskio suris AB:

The company‘s Audit Committee is made of 3 members one of which is independent. The cadency of the Audit Committee is four years. Upon recommendation of the company‘s Board of Directors the members of Audit Committee are elected by the general meeting of shareholders. The members of Audit Committee were elected by the 26th April 2013 general meeting of shareholders. Cadency period of the Audit Committee ends on April 26, 2017.

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.

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.

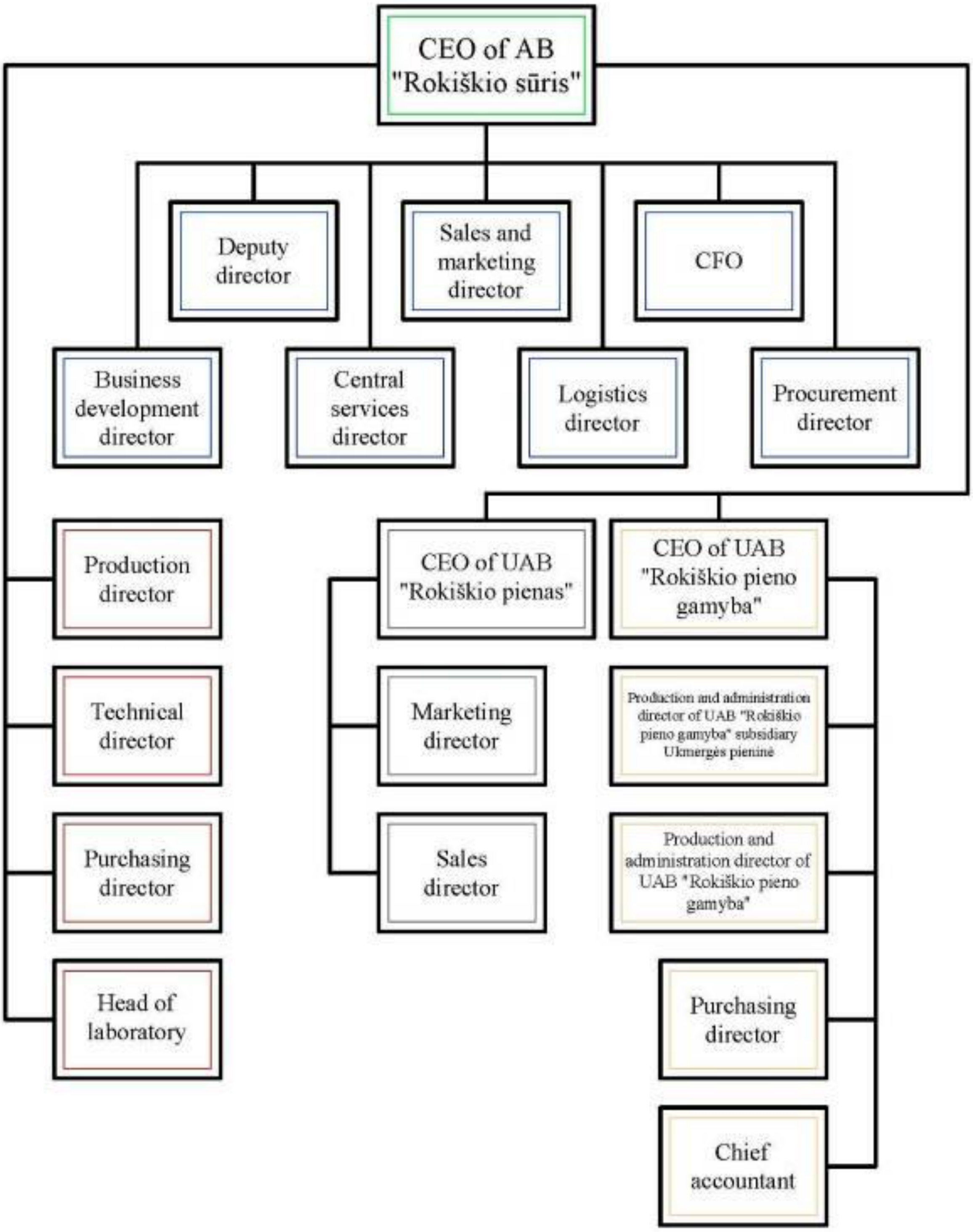
Members of the Audit Committee:
Kęstutis Kirejevas – independent member, director of EuropaPrint UAB, has no shares of Rokiškio sūris AB;
Rasa Žukauskaitė – works for Rokiskio suris AB, in the financial department, has 2 shares of Rokiškio sūris AB;
Asta Keliuotytė - works for Rokiskio suris AB, in the financial department, has no shares of Rokiškio sūris AB.

There are no other committees formed in the company.

32. 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.


CEO of AB "Rokiškio sūris"
Deputy director
Sales and marketing director
CFO
Business development director
Central services director
Logistics director
Procurement director
Production director
Technical director
Purchasing director
Head of laboratory
CEO of UAB "Rokiškio pienas"
Marketing director
Sales director
CEO of UAB "Rokiškio pieno gamyba"
Production and administration director of UAB "Rokiškio pieno gamyba" subsidiary Ukmergės pieninė
Production and administration director of UAB "Rokiškio pieno gamyba"
Purchasing director
Chief accountant

Executive Management of the Company (31/12/2016)

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 2016, the average number of employees in the group of Rokiškio sūris AB amounted to 1,577, it decreased by 66 employees or 4% as compared to 2015 (1643). The decrease is related with reorganization of the company, also with the fluctuation in the number of seasonal workers.

In 2016, workers made 82.4%, (in 2015 m. – 82.3%) out of all employees of the company; specialists – 17.0% (in 2015 – 17.04%); number of managers did not change* - 10 employees, 0.62% (in 2015 – 0.61%).

The Group's employees according to categories

Group of employees	Average number of employees		Change
	2016.12.31	**2015.12.31**	**(%)**
Managers*	10	10	**0.00**
Specialists	268	280	**-4.29**
Workers	1299	1353	**-3.99**
Total:	**1577**	**1643**	**-4.02**

*Executive directors are considered as managers of the company

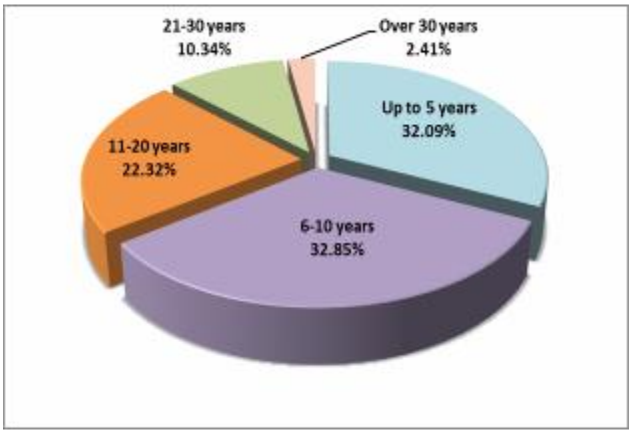
As at December 31, 2016, in the Group of Rokiškio sūris AB worked – 52.8% of men and 47.2% of women (as at December 31, 2015 – 53.5% and 46.5% respectively).
Average age of the Group's employees – 47 years old.
Employees working for the Company are of high level of qualification; out of total number there are 10.2% of employees with university degree (in 2015 – 9.98%); 49.3% of employees with

college education (in 2015 – 47.7%); and 40.1% with high school education (in 2015 – 41.6%); also there are 0.3% of employees have unfinished high school education (in 2015 – 0.7%).

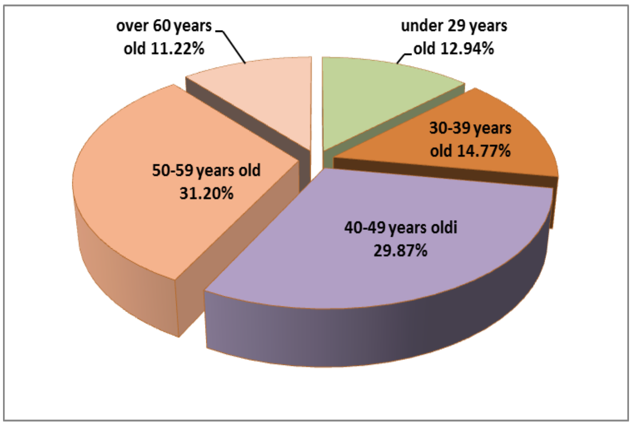
Education of employees of the Group of Rokiškio sūris AB

Education	2016.12.31	2015.12.31	Change (%)
University degree	161	164	**-1.83**
College degree	778	784	**-0.76**
High school	633	683	**-7.32**
Unfinished high school	5	12	**-58.33**

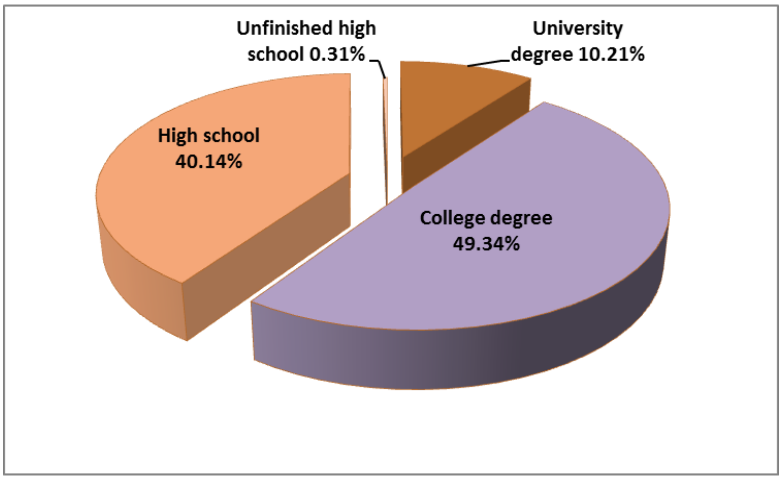
Work experience



Age of employees



Education of employees



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 (%)
	31/12/2016	31/12/2015	
Managers	1789	1690	5,86
Specialists	875	850	2,94
Workers	839	790	6,20
Average in the group	**877**	**826**	**6,17**

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.

Collective agreement

The Company has a collective agreement. This agreement has been concluded between the Director of Rokiškio sūris, AB and Chairman of the Committee of the trade union of workers in the food industry AB Rokiškio sūris' Trade Union. The goal of this collective agreement is to create the conditions which are appropriate for the harmonious activities of the staff, ensure that various categories of employees are subject to employment, remuneration, safety and health and other employment conditions which are higher than the ones established by Lithuanian laws, resolutions of the government, legal acts and create better employment and social guaranties for the Company's employees.

The rights and obligations of the Company's employees are set forth in their job descriptions. Employment contracts do not provide for any special rights and obligations.

Competence development

The development of the personnel of Rokiškio sūris, AB and improvement of their special and general skills are the main priorities of the Company because only educated and experienced employees with appropriate knowledge may create a high quality product. Training schedules are drawn up annually considering the Company's goals and compatibility of the employees' competence with these goals. The Company's employees may deepen their knowledge and get training in various workshops, seminars, conferences; the Company also supports vocational training at public universities, colleges or other educational institutions providing qualification degrees. A particular attention is paid to learning of foreign languages.

Rokiškio sūris, AB also prepares special courses and trainings to local farmers in order they could take care of the health of their herds successfully, monitor milking, cooling and keeping equipment properly and modernize their dairy farms. The success of the dairying depends on modern dairy farm, milk quality and health of a herd.

Occupational safety

The Company has approved the procedures for instructing, training and certifying of the employees' occupational safety and health issues. When employees are admitted to work, safety and health specialists provide introductory instructions, meanwhile the managers of the departments provide on-site instructions. On-site instructions are provided every time when a person is employed and every year. In the Company, employees are instructed about safety and health issues on the site additionally in accordance with the procedure set forth in the instruction procedures. Employees are trained and certified on employees' safety and health issues in the established procedure. They are trained by the Company and by the providers of vocational training.
In the Company, employees are instructed on fire safety issues. The managers of the departments provide introductory instructions on fire safety when a person is admitted to work and periodically after one year. The Company provides also additional instructions on fire safety issues. It is being provided by the managers of the departments. Additional instructions are given in accordance with the procedure set forth by legal acts. Training and certification of employees on fire safety issues are organized every three years in the Company.

The employees from other companies who carry out the work or provide services for the Company under individual contracts, are instructed in accordance with a description of cooperation and coordination of actions. According to the description, both parties appoint their coordinating persons.

Pursuant to the operating strategy prepared and approved by the Board, the goals of the Company cover the main areas: finances, marketing, purchase of raw materials, control of production and human resources and achievement thereof. To achieve these goals, the Company has an internal control system and audit committee. Their main functions are to analyse, assess and provide recommendations concerning the improvement of the efficiency of the corporate operating processes. Audit reports are submitted to the Company's management; an action plan is drawn up to eliminate the identified deficiencies.

INFORMATION ON TRANSACTIONS WITH ASSOCIATED PERSONS AND SIGNIFICANT AGREEMENTS

33. 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 Remark 33 (page 52) of Financial accounting.

34. 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.

35. 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.

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

The 28 October 2016 General meeting of shareholders of Rokiskio suris AB resolved to decrease the Authorized Capital of Rokiskio suris AB by EUR 1,040,171.13 (one million forty thousand one hundred seventy one euros 13ct), in the way of annulment of 3,586,797 (three million five hundred eighty six thousand seven hundred ninety seven) ordinary registered shares with nominal value of EUR 0.29 (twenty nine euro cents). After annulment of treasury shares and decrease of the Authorised Capital, the new wording of the Articles of Association was registered in the Register of Legal Bodies on **18 January 2017**. Consequently, the Authorized Capital of Rokiskio suris AB makes EUR 9,361,540.17 (nine million three hundred sixty one thousand five hundred forty euros 17ct) divided into 32,281,173 (thirty two million two hundred eighty one thousand one hundred seventy three) ordinary registered shares at par value of EUR 0.29 (twenty nine euro cents).

On 15 February 2017, it was amended the Credit Agreement with AB SEB bank according to which the deadline to return a credit limit of EUR 18,000,000 (eighteen million) provided to the receiver (Rokiškio sūris AB) is prolonged until 15 February 2018, and an overdraft of 1,000,000 (one million) is renewed, as well as the last deadline to return the limit is extended to 28 February 2018. Interest rate established by the Agreement was not changed.

Other information on significant events accomplished after the end of fiscal year is provided in the financial statements of consolidated and parent company of Rokiskio suris AB dated 31 December 2016, remark 34 (page 53).

OTHER INFORMATION

37. Information on audit

Audit of consolidated balance sheet of Rokiškio sūris AB (The Group) as at 31st December 2016 as well as related comprehensive income statement, cash flow and change in equity statements was performed by an international audit company PricewaterhouseCoopers, UAB.

An audit company to perform annual auditing of financial accounting is elected by the General Shareholders' Meeting, also the Meeting settles terms of payment for the audit. As the Company is a listed company and its financial accounting is handled in accordance with international standards, there is a requirement to elect an international audit company.

PricewaterhouseCoopers International Limited (PwC) is a network of companies providing audit and tax services, it is one of The Big Four (the other ones - KPMG, Ernst & Young, and Deloitte Touche Tohmatsu). UAB PricewaterhouseCoopers (PricewaterhouseCoopers Lietuva) is a legally independent company in Lithuania, a member of the global PwC network.
PricewaterhouseCoopers, UAB in Lithuania provides assurance, actuarial, advisory, accounting, tax and legal services. Its clients include both multinational corporations and large local companies.
The group of Rokiškio sūris AB paid EUR 40,500 for the audit in 2016.

38. Information on the publicly announced data

- **Regarding a submitted lawsuit:**

On December 31, 2015 Rokiskio suris AB received a notification from Panevezys district court regarding a lawsuit submitted to the company's manager Antanas Trumpa launched by East Capital (Lux) Baltic Fund. The lawsuit states that by granting loans Rokiskio suris AB provided unacceptable financial support as defined in the Law on Public Limited Liability Companies of the Republic of Lithuania. Consequently, it is requested to adjudge damage equal to EUR 11.474 million from the company's manager Antanas Trumpa on behalf of Rokiskio suris AB. In the opinion of the management of Rokiskio suris AB, the company has always lawfully granted all the loans, and no harm was done to the company, therefore the lawsuit submitted by East Capital (Lux) Baltic Fund has no grounds and will not be contented.

- **The Group of Rokiskio suris AB prepared a business plan for the EU support:**

The Group of Rokiskio suris AB prepared a business plan "Modernization of milk processing and marketing" and submitted it to the National Paying Agency in order to receive the EU support for implementation of the project. The project investment amounts to EUR 27 million and it covers the period of 2016-2017. The investment will be directed to all three plants of the Group of Rokiskio suris AB, situated in Rokiskis, Utena and Ukmerge. The investment will be used for modernization of current equipment and implementation of new technologies designed to develop production for alternative markets. The company will use its own resources as well as borrowings for the implementation of the project.

- **Regarding the request submitted to the Bank of Lithuania:**

Rokiskio suris informs that on 27/01/2016 Rokiskio suris AB approached the Supervision Service of the Bank of Lithuania with the request to investigate whether East Capital (Lux) Baltic Fund has not breached a ban on market manipulation as stated by the Law on Markets in Financial Instruments of the Republic of Lithuania by launching the ungrounded, according to the opinion of the management of Rokiskio suris AB, lawsuit to adjudge damage equal to EUR 11.474 million from Antanas Trumpa as well as, in the opinion of the company's management, raising some of market players unsound expectations.
Considering the lawsuit initiated by East Capital (Lux) Baltic Fund, the management of Rokiskio suris AB would like to emphasize again that in the opinion of the management of Rokiskio suris AB, the company has always lawfully granted all the loans, and no harm was done to the company, therefore the lawsuit submitted by East Capital (Lux) Baltic Fund has no grounds and will not be contented. Respectively, the management of Rokiskio suris AB would like to encourage the company's shareholders and other market players to estimate critically the conditions related with the lawsuit submitted by East Capital (Lux) Baltic Fund and not to hurry to make investment decision under these conditions before the legal procedure is completed.

- **Resolutions of the 29 April 2016 General Meeting of Shareholders of Rokiskio suris AB:**

<u>1. Auditor's findings regarding the consolidated financial reports and annual report.</u>
Debriefed.

<u>2. The Audit Committee report.</u>
To endorse the report of the Audit Committee.

<u>3. The Company's consolidated annual report for the year 2015.</u>
Debriefed with the consolidated annual report for the year 2015 of Rokiskio suris.

<u>4. Approval of the consolidated and company's financial accounting for the year 2015.</u>

Resolution:
To approve the audited consolidated and company's financial reports for the year 2015.

5. Allocation of the profit (loss) of the Company of 2015.
Resolution:
To approve the following profit (loss) distribution of the year 2015:

	Title	kEUR
1.	Non-distributable profit (loss) at beginning of year	45,614
2.	Approved by shareholders dividends related to the year 2014	-
3.	Transfers from other reserves	2,585
4.	Non-distributable profit (loss) at beginning of year after dividend payout and transfer to reserves	48,199
5.	Net profit (loss) of the Company of fiscal year	3,879
6.	Distributable profit (loss) of the Company	52,078
7.	Profit share for mandatory reserve	-
8.	Profit share for other reserves	-
9.	Profit share for dividend payout	(2,342)
10.	**Profit share for annual payments (tantiemes) to the Board of Directors, employee bonuses and other as accounted by Profit (loss) statement**	775
11.	Non-distributable profit (loss) at end of year transferred to the next fiscal year	49,735

[1] It is distributed the profit earned by 2009

Dividends for the year 2015 are allocated to 33,453,391 shares, i.e. 0.07 eur per share (before taxes).
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 13, 2016.
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. Election of the Company's auditor and establishment of payment conditions.
Resolution:
To elect an audit company UAB PricewaterhouseCoopers to perform an audit of annual consolidated financial statements and evaluation of the annual report of the Group of AB Rokiskio

suris and the Parent Company. Remuneration for the audit shall be identified by the Board of Directors. The Company's manager is authorized to sign an agreement with the audit company.

- **Regarding payout of dividends related to 2015:**

The April 29, 2016 general meeting of shareholders of Rokiskio suris AB (company code 173057512, address: Pramones str. 3, Rokiskis, Lithuania) resolved to distribute dividends to the company's shareholders amounting to EUR 0.07 (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 13, 2016.
Dividends will be paid starting from May 24, 2016.
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 street 3, Rokiskis LT- 42150, Lithuania) 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.
Residents of foreign countries with whom the Republic of Lithuania has made international agreements in order to avoid double taxation may enjoy benefits provided by such agreements if they present a request of a resident of foreign country to decrease the enumerated tax, form FR0021 (DAS-1).

- **Results of AB Rokiskio suris for first six months 2016:**

The consolidated non-audited sales of the AB Rokiskio suris group for 6 months 2016 made EUR 97.106 million, i.e. 3.93 per cent less compared to the same period last year. In 2015, the consolidated sales of six months made EUR 101.078 million.
The consolidated non-audited net loss of the group within six months 2016 made EUR 1.902 million. During six months 2015, net profit of the group made kEUR 992.

- **Regarding purchase of own shares:**

On August 1, 2016, the Board of Directors of Rokiškio sūris AB pursuing the resolution of 21 August 2015 General Meeting of Shareholders resolved to acquire own ordinary registered shares with a nominal value of EUR 0.29, subsequently the total nominal value of the shares including the nominal value of already owned shares would not exceed 1/10 of the Company's Authorized Capital. A reserve of EUR 11.668 million is accumulated for acquisition of treasury shares. The acquisition will be implemented through the market of official tender of Nasdaq Vilnius AB stock exchange.
Share sale offers shall be accumulated during the entire purchase period. Should sale offers exceed quantity of shares to be acquired, all offers shall be reduced in proportion.
Purchase conditions:
Share purchase starts on August 4, 2016.
Share purchase ends on September 2, 2016.

Max number of shares to be acquired (units): 1,172,218.
Purchase price (EUR): 1.43 per share.

- **The company Rokiškio sūris AB completed purchasing of own shares:**

Rokiškio sūris AB completed purchasing of own shares through the market of official offer of Nasdaq Vilnius AB stock exchange. During the period from August 4, 2016, until September 2, 2016, the company acquired the maximal intended amount of shares, i. e. 1,172,218 units.
Payments for the acquired shares will be settled on September 6, 2016.
Including the treasury shares previously acquired, now the company will have 3,586,797 units of own shares which will make 10 per cent of the Authorized Capital.

- **Information on Rokiskio suris AB issued shares and votes granted as of 06/09/2016:**

Shares	Ordinary registered shares
ISIN code	LT0000100372
Total number of securities, units	35,867,970
Nominal value per share, EUR	0.29
Authorized Capital, EUR	10,401,711.30
Number of own shares, units	3,586,797
Shares with voting right, units	32,281,173

- **Resolutions of the 28/10/2016 Extraordinary General Meeting of Shareholders of Rokiskio suris:**

1. Regarding decrease of the Authorized Capital of the Company by annulment of treasury shares
Resolution**:**
To decrease the Authorized Capital of Rokiskio suris AB by EUR 1,040,171.13 (one million forty thousand one hundred seventy one euros 13 ct), in the way of annulment of 3,586,797 (three million five hundred eighty six thousand seven hundred ninety seven) ordinary registered shares with nominal value of EUR 0.29 (twenty nine euro cents).
After annulment of treasury shares, the Authorized Capital of Rokiskio suris AB shall make EUR 9,361,540.17 (nine million three hundred sixty one thousand five hundred forty euros 17 ct) divided into 32,281,173 (thirty two million two hundred eighty one thousand one hundred seventy three) ordinary registered shares at par value of EUR 0.29 (twenty nine euro cents).

2. Regarding approval of new wording of the Company's Articles of Association.
Resolution**:**
2.1. To approve the new wording of the Company's Articles of Association.
2.2. To delegate the CEO of Rokiskio suris AB Antanas Trumpa to sign the new wording of the Company's Articles of Association.
The new wording of the Articles of Association attached.

3. Regarding purchase of the Company's own shares.
Resolution:

1. The Company shall purchase own shares. Maximal number of shares to be acquired: Total nominal value of the treasury shares owned by the Company cannot exceed 1/10 of the Company's Authorized Capital.
2. Purpose of acquisition of own shares: Maintain and increase the price of the Company's shares.
3. Period during which the Company may purchase own shares: 18 months from the day of approval the resolution.

4. Maximal and minimal purchase price per share: Maximal purchase price per share shall be settled at 10 per cent higher from the market price of the Company's shares at the Nasdaq Vilnius Stock Exchange on the date when the resolution to start purchasing own shares is adopted by the Board of Directors, and the minimal purchase price per share shall be settled at 10 per cent lower from the market price of the Company's shares at the Nasdaq Vilnius Stock Exchange on the date when the resolution to start purchasing own shares is adopted by the Board of Directors.
5. The procedure of selling of own shares and minimal sales price: The treasury shares acquired by the Company may be annulled or sold on condition that the minimal sales price of shares will be equal to the price of acquisition, and the selling procedure will ensure equal opportunities for all shareholders to acquire the Company's shares.
6. Following the conditions set by this Resolution and the requirements of the Law on Public Limited Liabilities Companies of the Republic of Lithuania, the Board of Directors of the Company is authorized to adopt resolutions in regards with the purchase of the Company's shares, organize the purchase and sales of the own shares, establish a procedure and time for purchase and sales of the own shares, as well as their price and number, and also complete all other related actions.

4. Regarding accumulation of reserve for purchase of own shares
Resolution:
To approve a reserve accumulated for purchase of own shares equal to EUR 11,668,000 (eleven million six hundred sixty eight thousand euros).

- **Sale of shares of a daughter company:**

On December 29, 2016, Rokiskio suris AB sold its 100 percent share of a Dairy Cooperative Zalmarge. The sale of shares will not have any influence on the company's operations, purchase of raw milk, performance results, assets or financial status. The nature of performance of Dairy Cooperative Zalmarge is purchase of raw milk.

- **Dates of periodic information disclosure of Rokiskio suris AB for the year 2017:**

Rokiskio suris AB informs that the operational results of the Group of Rokiskio suris AB for the year 2017 will be announced as follows:

April 6^{th}	Annual audited Consolidated Financial Statements for year 2016
July 28^{th}	Consolidated six month financial accountability of the Group for the year 2017

All information on the company's material events is presented following Article 28 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

39. Information on observance of the Company management codex.

Annex to the Consolidated Annual Report.
Rokiskio suris AB disclosure of compliance with the Governance Code of the companies whose securities are traded on a regulated market is provided as an annex and it is a part to the consolidated annual report.

SUPPLEMENT TO THE CONSOLIDATED ANNUAL REPORT

2016

Rokiskio suris AB disclosure of compliance with the Governance Code of the companies whose securities are traded on a regulated market

Rokiskio suris AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ Vilnius, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company announces its development strategy and objectives publicly in its annual reports and interim reports which are submitted via the central base of regulated information and the company's website.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company's managing bodies act in furtherance of the strategic plan according to which the mission is to form a strong, financially sound and technically modern enterprise creating and constantly increasing its value for shareholders.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	As the Company does not have a supervisory body – a Supervisory Board, the function of supervision is acted by the Audit Committee, as well as the Board of Directors and the Company's

		manager in the manner of close cooperation (the Company's manager, and members of the Board when needed, are invited to participate at the meetings of the Audit Committee. They submit reports on the company's performance, implementation of strategic plan and budgeting, provide recommendations for the financial reporting), which benefits to both the Company and shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company's Board of Directors and managing bodies ensure the rights and interests of shareholders, employees, raw material suppliers are duly respected, also financial aid is provided. The support is provided in order to maintain more stabile raw milk supply and/or improve relationship with main partners and maintain beneficent relationships with durable buyers of production. Employees can enjoy opportunities to improve their qualification at various seminars and courses in Lithuania and abroad. Raw milk suppliers are provided with trainings and seminars for farmers in order to enhance their knowledge of foodstuff preparation, animal breeding, promotion of organic farming. The Company keeps its financial and other obligations to creditors.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief	No	Pursuing resolutions of the General Shareholders' meeting, the Company's managing bodies are a general shareholders' meeting, the Board of Directors and the Company's Chief Executive Officer. The Company does not have a collegial supervisory body, and its functions are overtaken by the Board of Directors. The Company's CEO is accountable to the Board of Directors.

executive officer, which, in its turn, facilitate a more efficient and transparent management process.		
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	Functions of the collegial management body are carried out by the Company's Board of Directors.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company has only one collegial management body and it is the Board of Directors. Shareholders of the company delegate all managerial function to the Collegial Body – The Board of Directors. They believe that one collegial body is sufficient to have effective management of the company.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The Company has a collegial management body – the Board of Directors. Principles III and IV of the Code are applied to the Board of Directors which do not contradict with the functions assigned to the Board of Directors.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	According to the Company's Articles of Association the Board of Directors consists of 5 members. The Company believes that 5 members are able to ensure productive work of the Board of Directors enabling to adopt resolutions. The Audit Committee consists of 3 members, who are elected by the general shareholders' meeting. Every member has one vote. None of the Company's managing or supervisory bodies have such number of their members that any individual or small group could dominate decision-making on the part of these bodies.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals	Yes	According to the Articles of the Association the Board of Directors is elected for the 4 year period. Number of cadencies is not limited. A

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

		according to the Law on Joint Stock Companies the Board members are provided remuneration in the form of tantiemes
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about candidates to the Company's Board of Directors is provided to the shareholders together with the documents of the shareholders' meeting following the requirements of the Law on Public Limited Liability Companies of the Republic of Lithuania. Shareholders may see the documents prior the meeting. Information about the members of the Board of Directors (names, education, qualifications, professional experience, participation in the activities of other companies, other important professional obligations) is provided in the periodical reports.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	A candidate to the members of the Board of Directors shall inform shareholders about his/ her education, professional performance, position and participation in the activities of other companies. Members of the Board provide information on the participation in qualification programs related with activities on the Board.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or	Yes	The members of Company's collegial body – the Board of Directors – are the Company's Functional Directors leading some specific areas of the Company's performance, they are competent and qualified to maintain their functions. The Audit Committee consists of 3 members, one of which is independent and has at least 5 year experience in accounting. Other members of the Audit Committee are also qualified to maintain their functions. The Auditing Committee carries

audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.		out independent and objective activities analyzing, evaluating and consulting the Company in order to improve the Company's performance and increase its added value.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	All new Board members are informed on the Company's performance, corporate organization and changes in the meetings of the Board of Directors. All members of the Board are also the executive directors, so they know the Company's structure and activities. The Company does not see that an annual review of the Company's Board of Directors should be conducted.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Currently there are no independent members on the Board of Directors. During the last tenure of the Board of Directors there was one vacant place intended to an independent member, however this vacancy had not been filled in up to the end of term.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last	No	At the general meeting of shareholders when electing the new Board of Directors, shareholders not related with the Company did not nominate any independent members to the Board of Directors. Members of the Board elected by the general meeting of shareholders are self-dependent and act in favor to the Company and its shareholders, although they do not comply with the recommendation of independence. The Audit Committee consists of one independent member who complies with all independency criteria thereof.

five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company		

or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the	No	The Company's does not apply any practice for the evaluation and declaration of independency of the Board members.

member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.		
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	At present, there are no members who comply with the independency criteria. Within 2016, no other group of shareholders having no relations with the company's management have raised a will to have their member on the Company's Board, and they didn't offer a candidacy.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	No	As there are no members who comply with the independency criteria, no remuneration is applied.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board of Directors approves and submits reciprocations and recommendations to a general meeting of shareholders regarding annual accountability of the Company, distribution of the profit, annual report of the Company, as well as carries out other functions.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise	Yes	By the Company's information, all Board members should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders. They are guided by the Company's interests but not their own or any third parties seeking to maintain their independence in decision-making, and they do not accept any unjustified privileges that would

their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).		compromise their independence.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Each member of the collegial body fulfills his/ her functions properly: actively participates at the meetings of collegial body, and devotes sufficient time to perform his/ her duties as a member of the collegial body. The quorum of each meeting was regulated so the Board of Directors would be enabled to accept decisions constructively. In 2016, there were 11 meetings of the Board. All Board meetings were attended by all members of the Board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company acts honestly and without bias with its shareholders. The shareholders are informed on the Company's activities in accordance with the Lithuanian legislation by announcing the information in annual reports, through the Central information base and the company's website.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such	Yes	The Company's collegial body concludes transactions according to the Articles of Association of the Company and Work regulations of the collegial body.

transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.		
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	No	The Company's Board members are not independent from the Executive management of the Company. All board members are the company's employees. The Board of Directors pursues the Work Regulations of the Board in order to pass decisions. They work for benefit of the Company, and ensure continuous rise of shareholder value. The Company ensures that the collegial body – the Board of Directors – is provided with sufficient resources (including financial) to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. The Remuneration Committee is not formed at the Company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in	Yes/No	Pursuing the Law on Audit Article 52 part 1, the Company established the Audit Committee complying with the 21st August 2008 Resolution No. 1K-18 of the Securities Commission. Following the above requirements, the 24th April 2009 general meeting of shareholders approved Regulations of establishment and performance of the Audit Committee, also it elected an independent member of the committee, and approved full composition of the Audit Committee. The 26 April 2013 General Meeting of Shareholders elected the same members of the Audit Committee for further four year cadence. The Audit Committee is an independent, and objective committee carrying out the functions of

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

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

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

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

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

• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and		directors in order to implement set objectives. The Audit Committee analyses the consolidated financial information and provide their recommendations for the integrity of such information, the Committee make their recommendations regarding selection of the external auditor and inspects effectiveness of the external auditor's performance as well as the reaction of the Company's management to their recommendations which are provided by the letter to the management. All members of the committee are furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management informs the Audit Committee of the methods used to account for significant and unusual transactions. The Audit Committee has a right to demand that the Board Chairman, Chief Executive Officer of the company, Chief Financial Officer would participate at its meetings. The committee is also entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. The Audit Committee will present its performance report for the general meeting of shareholders, when the annual financial reports are being approved.

responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the		

company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	There is no practice of collegial body assessment. As all members of the Board of Directors belong to the Company's execute management (the Company's executive directors), effective since 2001, therefore it does not conduct the assessment of its ability to act as a group, as well as competence and work efficiency.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body.	Yes	The Company's Board of Directors is chaired by the Board Chairman acting in accordance with the approved Work Regulations. The Board Chairman is responsible for sufficient information about the meeting being convened and its agenda communication to all members of the body. He/ she also ensures order and working atmosphere during the meeting.

The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.		
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time, i.e. not less than once per three month period. 5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman. The agenda might be supplemented only if all members of the Board of Directors present at the meeting, and they all agree that the item is important enough to be put on the agenda.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company does not have a Supervisory Board and this statement is not applied.

Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	As at 31st December 2015, the authorized capital of AB Rokiskio suris amounted up to 35,867,970 ordinary registered shares. Nominal value of the shares amounts to EUR 0,29. All company's owners have the same property and non-property rights, except treasury shares are not entitled to enjoy these rights. The company had bought 2,414,579 treasury shares which made 6.73 per cent of the company's authorized capital. The shares with voting right equals to 33,453,391.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	Investors have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	N/A	According to the Articles of Association of the Company, important transactions, i.e. the decisions regarding investment, transference, lease or mortgage of non-current assets whose book value makes over 1/5 of the Company's Authorized Capital, as well as the decisions regarding execution, warranty or pledge of other bodies' liabilities whose total sum is over 1/5 of the Company's Authorized Capital, and the decisions to acquire non-current assets whose price is over 1/5 of the Company's Authorized Capital, do not require approbation by shareholders. Such resolutions (according to the Articles of Association) are approved by the Board of Directors, therefore such recommendation is not relevant. In addition, the Board members together with related persons own 77,74 per cent of votes, consequently it would be just a formality to approve transactions already adopted by the Board of Directors at the

		general meeting of shareholders, also it would obstruct the Company's smooth operations.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	All shareholders of the Company are publicly informed on the date, time and venue of the general shareholders' meeting as it is required by the eligible documents, the company publishes its information about the summoned general meeting of shareholders, its agenda and draft resolutions through the base of Central Public Information, at the website of Register of Juridical Persons – "Public announcements of Juridical Persons" and the company's website www.rokiskio.com
6.5. It is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The documents prepared for General meeting of shareholders including draft resolutions of the meeting are available not later than 21 day prior the date of general meeting of shareholders as required by the Law on Joint stock companies. The documents placed on the website of NASDAQ Vilnius security exchange and the company website are available in Lithuanian and English languages. Resolutions accepted by the general meeting of shareholders including financial reports, the audit report, annual report, amendments of articles of association etc. are announce in Lithuanian and English languages are announced via the central base of regulated information of NASDAQ Vilnius security exchange and the company website www.rokiskio.com
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the company have the right to participate at general meeting of shareholders personally or appoint a representative if there is a proper Power of Attorney or Agreement to pass votes according to the applicable legislation. Also, the Company provides its shareholders with the right to fill in a common voting bulletin as it is required by the Law on Joint Stock Companies.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	This statement is not followed by the Company because there is not an opportunity to secure safety of the transmitted information and it is impossible to identify personality of the participator and voter.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	Management bodies conduct in a way to ensure there is no personal interest conflicts. There have not been any such situations so far.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the	Yes	The company follows the recommendation. A Board member abstains from voting, when

company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		discussing the transactions or other issues in which he/ she has certain interests.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The company follows the recommendation. A Board member abstains from voting, when discussing the transactions or other issues in which he/ she has certain interests.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	Yes	The company's remuneration policy is implemented and approved by the Board of Directors. General information on the remuneration politics, average wages of the Company employees according to groups and total annual payouts to the Company's top management are publically announced in the Company's consolidated annual report.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	As from 2004 and up to date, the Company applies a remuneration system which conforms all the statements of this point. The system is approved by the Company's manager, but it is not announced publicly. Information on total annual payouts to the Company's top management are publically announced in the Company's consolidated annual report and consolidated financial accounts.

8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for	Yes	Please refer to point 8.1.

directors; • Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	Please refer to point 8.1.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;	Yes	Please refer to point 8.1.

• If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during		

the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Yes	The Company applies the remuneration system according to which compensation for work consists of variable parts. The variable constituents are allocated to every function according to the overall functional management system.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The variable constituents are allocated by the Company's management, taking into account the results of the Company's performance, number of employees, market situation and other factors.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Yes	When a variable part of compensation is allocated, the biggest part of the payment of variable part of compensation is reserved to the first quarter.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Yes	The variable part of compensation is only paid when its validity is fully certain.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	Termination payments are paid in accordance with the statements of Work Codex of the Republic of Lithuania article 140, and the statements of Corporate Agreement approved by the Company.
8.11. Termination payments should not be paid if the	Yes	Termination payments are not paid out if the job

termination is due to inadequate performance.		contract is terminated due to bad performance results.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The company doesn‘t have any other remuneration system designed to the directors except the variable part of salary which depends on the company‘s performance results, market situation and other factors.
8.13. Shares should not vest for at least three years after their award.	No	Remuneration is not based on share award as this is not provided by the remuneration policy of the Company.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	No	Please refer to point 8.13..
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	No	Please refer to point 8.13..
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	Please refer to point 8.13..
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	Shareholders are encouraged to attend general meetings of shareholders, yet the meetings do not consider issues of the directors' remuneration system. It is considered to be a prerogative of the Board of Directors.

8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	Please refer to point 8.13.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not determined at the Company.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which	No	Schemes anticipating remuneration of directors in shares are not determined at the Company.

the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	There are no share subscription transactions or grants based on share price fluctuation.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	The employees of the company and subsidiaries do not get remuneration with shares.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	Please refer to point 8.19.

<table>
<tr><td colspan="3">Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</td></tr>
<tr><td>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</td><td rowspan="3">Yes</td><td rowspan="3">The corporate governance framework assures the rights of stakeholders that are protected by law are respected. The company applies a Corporate Contract with employees, and the contract is signed by the CEO and Trade Union. Also it is ensured the interest holders are able to participate in governance. For example, participation of the company’s employees and raw milk suppliers in the company’s Capital. The greatest part of shareholders is the company’s employees. The interest holders have the right to receive information required.</td></tr>
<tr><td>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</td></tr>
<tr><td>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</td></tr>
<tr><td colspan="3">Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</td></tr>
<tr><td>10.1. The company should disclose information on:

• The financial and operating results of the company;

• Company objectives;

• Persons holding by the right of ownership or in control of a block of shares in the company;

• Members of the company’s supervisory and management bodies, chief executive officer of the</td><td>Yes</td><td>The company announces the information immediately via the central base of regulated information in both the Lithuanian and English languages simultaneously. The information is placed immediately so the information would be accessible to each shareholder simultaneously. In addition, the company when possible provides information before or after trading sessions of Nasdaq Vilnius in order to ensure all shareholders and investors of the Company would have equal</td></tr>
</table>

company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.		opportunities to get the information needed to make appropriate investment decisions. The company does not disclose any information possibly influencing share price prior it is announced publicly via the central data base of the regulated information.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company's consolidated annual reports and consolidated financial accounts disclose information on the annual payments to employees, total sums annually paid to the top management and amount of tantiemes paid to the Board members.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		The company's annual reports include information about the activities of Board members, participation in the activities of other companies as well as the amount of shares of the company owned by the members. Also, there is information about the average payment amounts.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share	Yes	Also, consolidated report includes information if the Board of Directors or top management were granted any loans, guarantees or support, as well as the information on any payments received for

capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		the work done at the collegial body.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company announces the information immediately via the central base of regulated information NASDAQ Vilnius in both the Lithuanian and English languages. The information is placed immediately so the information would be accessible to each shareholder simultaneously. In addition, the company when possible provides information before or after trading sessions of NASDAQ Vilnius in order to ensure all shareholders and investors of the Company would have equal opportunities to get the information needed to make appropriate investment decisions. The company does not disclose any information possibly influencing share price prior it is announced publicly via the central data base of the regulated information.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English, including the Company's annual report, a set of financial statements and other periodical reports prepared by the Company, as well as other stock events.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English, including the Company's annual report, a set of financial statements and other periodical reports prepared by the Company, as well as other stock events.

Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent audit company performs auditing of the Company's and its subsidiaries individual and consolidated (the group) annual financial reports in accordance with International Accounting Standards applicable in the EU. An independent auditing company also evaluates conformity of annual report to the audited financial statements.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Board of Directors proposes an auditing firm to the general meeting of shareholders.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The Audit Company has been paid for the service to supervise tax management. Such information shall be provided to the general meeting of shareholders.