

Report of the Audit Committee for the year 2017

The Audit Committee of Rokiškio sūris AB was elected by the 28 April 2017 General Meeting of Shareholders. The Audit Committee consists of 3 members, two of which are independent members. The term of office of the Committee is four years.

The activities of the Audit Committee are governed by the Republic of Lithuania Law on Audit of Financial Statements, the Resolution No. 03-14 dated 24 January 2017 of the Board of Bank of Lithuania "On the Requirements for the Audit Committees", the Articles of Association of Rokiškio sūris AB and the approved Regulations of Formation and Activity of the Audit Committee.

Key functions of the Audit Committee:

1. To monitor the process of preparation of the financial statements presented by the Company and its subsidiaries;
2. To supervise the efficiency of the Company's internal control, risk management and internal audit systems;
3. To make recommendations to the Board of Directors related to selection of the external audit firm, and monitor the performance procedure of the conducted audit;
4. To monitor the independence and impartiality of the external auditor and audit firm;
5. To monitor effectiveness and procedure of the external auditing;
6. To monitor preparation procedure of the audit of financial statements of Rokiskio suris AB;
7. 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;
8. To act fairly and responsibly in the interest of the Company and its shareholders.

Audit Committee held 3 meetings.

At the 28 July 2017 Audit Committee's meeting, it was made the evaluation of independent members of the Audit Committee which came with a conclusion that the independent members comply with the criteria, consequently the meeting elected the Chairman of the Audit Committee.

An independent member of the Audit Committee should comply with the following criteria:

- 1) He/she is not an executive director of the Company or any associated company and has not been such during the last 5 (five) years;
- 2) He/she is not an employee of the company or some any company and has not been such during the last 3 (three) years;
- 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;
- 4) He/she is not a controlling shareholder or representative of such shareholder;
- 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;
- 6) He/she is not and has not been, during the last 3 (three) years, partner or employee of the current or former external audit company of the company or associated company;

- 7) He/she has not been in the position of a member of the collegial body for over than 12 (twelve) years;
- 8) He/she cannot be a close relative to the Company's manager or to the person described in point 1-7 above.

The meeting stated that members of the Audit Committee comply with the criteria set for the Audit Committee's members by the Regulations of the formation and operation of the Audit Committee.

In 2018, the Audit Committee held 2 meetings. During the meetings, the annual and interim financial reports were discussed and conclusions were provided. The 25 January 2018 Audit Committee was held in presence of PricewaterhouseCoopers UAB, the audit team discussed a general auditing plan which describes overall perception of current situation, as well as characterization of risk factors, auditing plan of external audits and other issues. The Audit Committee approved the project of service of audit and had no further comments.

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

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

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

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

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

The audit of the financial statements for the year 2017 of Rokiškio sūris AB was conducted by the independent international audit firm PricewaterhouseCoopers UAB. Pursuant to the requirements of

the Republic of Lithuania Law on Audit, the audit firm presented a written confirmation of the independent firm to the Audit Committee. The Audit Committee did not identify any circumstances contradicting the audit regulations of the Republic of Lithuania and principles of the professional audit ethics that could compromise independence of the audit firm.

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

Having reviewed the consolidated audited financial statements and consolidated annual report, members of the Audit Committee issued a recommendation to the Board of Directors to present the consolidated audited financial statements for the year 2017 for the approval of the Company shareholders.

Chairman of the Audit Committee



Kęstutis Kirejevas