



**A SET OF OPERATIONAL RESULTS AND
INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF ROKISKIO SURIS AB
FOR FIRST SIX MONTHS 2016**

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1. Reporting term of the consolidated financial statements

Consolidated financial statements are prepared for six month period of the year 2016.

2. Key information of the issuer

Name of the issuer: AB Rokiskio suris
Legal base: Public Limited Liability Company
Address: Pramones str. 3, LT 42150 Rokiskis, Republic of Lithuania
Telephone: +370 458 55 200
Fax: +370 458 55 300
E-mail address: rokiskio.suris@rokiskio.com
Website: www.rokiskio.com
Registered in on 28th February 1992 by the Authorities of Rokiskis region.
Re-registered - 28th November 1995 by the Ministry of Economy of the Republic of Lithuania.
Company code 173057512.
Manager of registry of legal entities – State company Registru centras.
The authorized capital of AB Rokiskio suris equals to EUR10,401,711.30.
There are 35,867,970 shares. Nominal value per share equals to EUR 0.29 (twenty nine euro cents).

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

The Consolidated Group (hereinafter the “Group”) consists of the Parent Company, two branches and five subsidiaries. (In 2015: Parent Company, two branches and five subsidiaries).

Subsidiaries of AB Rokiskio suris:

Registered address of UAB Rokiskio pienas: Pramones str. 8, LT-28216 Utena. Company code: 300561844. AB Rokiskio suris is its founder and the only shareholder with 100 per cent of shares.

Registered address of UAB Rokiskio pieno gamyba: Pramones str. 8, LT-28216 Utena. Company code: 303055649. AB Rokiskio suris is its founder and the only shareholder with 100 per cent of shares.

Registered address of Dairy cooperative PK Žalmarge: Kalnalaukio str.1, Sirvintos. Company code: 178301073. AB Rokiskio suris owns 100 per cent of the cooperative’s shares.

Latvian company SIA Jekabpils piena kombinats (company code 45402008851, registered address: Akmenu iela 1, Jekabpils, Latvija LV-5201). AB Rokiskio suris owns 100 per cent of the company’s shares.

Latvian company SIA Kaunata (company code 240300369, registered address Rogs, Kaunata pag., Rezeknes nov., Latvia). AB Rokiskio suris owns 20 per cent of the company’s shares.

Branches of AB Rokiskio suris:

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

AB Rokiskio suris branch Ukmerges pienine (Company code: 182848454, Kauno str. 51, LT-20119, Ukmerge).

4. Characterization of key business

Key business of the Group of Rokiskio suris:

- ◆ Dairying and cheese production (EVRK 10.51);

AB Rokiskio suris

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

Subsidiaries:

Key business of UAB Rokiskio pienas is sales of fresh dairy products.

Key business of UAB Rokiskio pieno gamyba is production of fresh dairy products (fluid milk, kefir, sour milk, butter, curds, fresh cheese, sour cream, chocolate coated curds dessert, desserts).

Key business of KB Zalmarge is purchase of raw milk.

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

Key business of SIA Kaunata – purchase of raw milk.

5. Contracts with financial brokers

AB Rokiskio suris has made a contract with UAB FMI Orion securities (A.Tumeno str. 4 , LT-01109 Vilnius, teleph. +370 5 231 3833, info@orion.lt) regarding administration of the issued company's shares and provision of investment support.

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

Rokiskio suris AB has issued 35,867,970 units of ordinary registered shares. Nominal value per share is EUR0.29. (VVPB symbol RSU1L; ISIN code LT0000100372). Total nominal value equals to EUR 10,401,711.30.

The shares of AB Rokiskio suris are listed on the Official List of NASDAQ OMX Vilnius Stock Exchange.

The Company is included on the trading lists as from July 25, 1995.

The Company's shares are listed on the Baltic state's index of 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.

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
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
2014.07.01	2014.09.30	1.68	1.49	1.53	1.55	2014.09.30	347,029.70	0	0
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	1,781.00
2016.04.01	2016.06.30	1.43	1.32	1.37	1.39	2016.06.30	15,027.24	0	3,922.56

Trade by the shares of AB Rokiskio suris within January-June 2016

Price EUR



Data source – website of AB NASDAQ Vilnius:

<http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical&lang=en¤cy=0&downloadcsv=0&date=&start=01.01.2016&end=30.06.2016>

Capitalization of the Securities

Reporting period		Total turnover		Date of last trading session	Capitalisation (EUR)
from	to	(units)	(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	640,913.17	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	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

7. Authorized capital of the issuer

As at June 30, 2016, the Authorized capital of AB Rokiskio suris comprised of the following:

Type of shares	Number of shares	Nominal value, EUR	Total nominal value, EUR	Share of authorized capital (%)
1	2	3	4	5
Ordinary registered shares	35,867,970	0.29	10,401,711.30	100.00

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

8. Shareholders.

Total number of shareholders (as at 30.06.2016) – 5,398 shareholders.

The shareholders having or owning over 5 per cent of the issuer's authorized capital (as at 30.06.2016):

Name, surname Name of company	Address	Proprietary rights			With associated persons	
		Number of shares	Capital share %	Votes %	Capital share %	Number of shares
UAB Pieno pramonės investicijų valdymas Company code 173748857	Pramones str. 3, Rokiskis Lithuania	10,032,173	27.97	29.99	72.50	77.74
SIA RSU Holding, reg.No.40103739795	Sliežu iela 9A-25, Rīga Latvia	8,909,347	24.84	26.63	72.50	77.74
Antanas Trumpa	Sodu 41a, Rokiskis Lithuania	6,980,233	19.46	20.87	72.50	77.74
Client Assets Ucits SEB S.A. LUESSE24C	Luxemburg	1,778,605	4.96	5.32	-	-
AB Rokiskio suris Company code 173057512	Pramones g.3, Rokiskis Lithuania	2,414,579	6.73	-	-	-

9. Shareholders' rights

Shareholders have the following non-economic rights:

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

Shareholders have the following property rights:

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

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

10. Information on purchase of issuer's own shares

In the way of tender offer:

From 07/09/2011 to 20/09/2011, AB Rokiskio suris acquired 788,804 own shares which made 2.20% of the company's authorized capital;

From 01/12/2011 to 14/12/2012, it was acquired 13,290 own shares which made 0.04% of the company's authorized capital;

From 10/12/2015 to 23/12/2015, it was acquired 1,612,458 own shares which made 4.50% of the company's authorized capital;

Consequently at the end of period (30th June 2016), AB Rokiskio suris has in treasure 2,414,579 ordinary registered shares and it makes 6.73% of the company's authorized capital.

The treasury shares have no voting right.

11. Operations of the issuer, business projection and forecast

The Group of AB Rokiskio suris is the largest and strongest dairy processor in Lithuania. The sales of commodities are widely spread in both Eastern and Western export markets, as well as sales of short shelf life dairy products on the local market and in neighborhood countries.

As a result of Russian embargo and loss of sales in that country, the Company increased its sales to the USA. Also, it strengthened search for new markets in the Central Asia, Middle East and Far East.

The Group's production is developed in the towns of Rokiskis (AB Rokiskio suris), Utena (UAB Rokiskio pieno gamyba) and Ukmerge (UAB Rokiskio pieno gamyba subsidiary Ukmerges pienine).

- Specialization of Rokiskis production plant – production and sales of fermented cheese and whey products.
- Specialization of UAB Rokiskio pieno gamyba (Utena production plant) – fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
- Specialization of UAB Rokiskio pieno gamyba (Ukmerge production plant) – curd and curd cheese production.
- Specialization of UAB Rokiskio pienas – sales of the Group's products in Lithuania, Latvia and Estonia.

The cheese produced by the company AB Rokiskio suris 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: Rokiskio suris (various fat content and weight), Saules suris, Lietuviskas, PREMIA, Gouda, TIKRAS, Naminis etc., whereas Kietasis suris (various fat, moisture content and weight), and Montecampo belong to the hard cheese type. The production of long term maturing hard cheese ROKISKIO GRAND has been fully developed by Rokiskio suris AB with the assistance of Italian cheese expert Angelo Frosio.

Besides the main production of fermented cheese, AB Rokiskio suris 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. Production of fermented cheese in first half year 2016 decreased by 13 per cent compared to the same period last year. Production of hard cheese reduced significantly, and this was caused by the severe situation in global dairy market. As the production of fermented cheese decreased, the stream of raw milk was directed into the production of skim milk powder. In 2016, the production of skim milk powder increased by 2022 tons compared to the same period last year. Skim milk powder is subject to intervention buying.

The Group of Rokiskio suris is one of the leaders on the local market with the market share of 20-25 per cent.

UAB Rokiskio pieno gamyba specializes in the production of fresh 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 AB Rokiskio suris producing

the export products such as butter, cream, WPC (whey protein concentrate) 34 and 80, and skim milk powder. The greatest part of the production of Rokiskio suris AB is exported.

After Russian dairy embargo in 2014, the company changed export directions. Fresh cheese as usual is mainly sold to the EU countries such as Italy, the Netherlands, and Spain. Furthermore, new markets in the Middle East and Asia opened. Luckily the Company reinvented market of the United States to which it exports its hard cheese. In the past sales to this market were stopped due to low rate of US dollar compared to euro. The sales of hard cheese in the US in 2016 decreased compared to 2015 as the supplies in the US market are very high and there are considerable stocks in warehouses.

The sales of fresh cheese have increased. Trading in big quantities was started to the market of South Korea which became the biggest Mozzarella market for our company.

Also this year, exports of fresh cheese were started to Singapore, Egypt, Morocco and Saudi Arabia. The quantities are not high but it is believed to increase them with time. The company maintained constant sales of lactose to Philippines, India, and Russia. In 2016, the trade with the UK and the Netherlands was started.

Sales of whey protein concentrate 80% were expanded. This product is sold to France, Germany, Denmark, the Netherlands and Spain.

Sales of butter to the Middle East increased significantly, and it became the main sales market for butter.

Due to the considerable drop in the global dairy market, the sales of the Company decreased in terms of value. Yet there were first signs of the market recovery in June and the prices are getting up especially for fresh cheese. It is believed that this is not seasonal and the prices will further go up or at least remain on the same level by the end of holiday season.

The January-June 2016 consolidated non-audited sales of the Group of Rokiskio suris amounted to kEUR 97,106; i.e. 3.93 per cent less than in the same period last year. The first six months 2015 consolidated sales made kEUR 101,078.

Main factor causing the decrease of sales in terms of value was the ongoing crisis in the global dairy market and further fall of dairy product prices. In 2016, the prices were still dropping down and they were down by 12 per cent for fermented cheese compared to the same period in 2015, respectively it was down by 17 per cent for butter, by 20 per cent for lactose, and 10 per cent for short shelf life products.

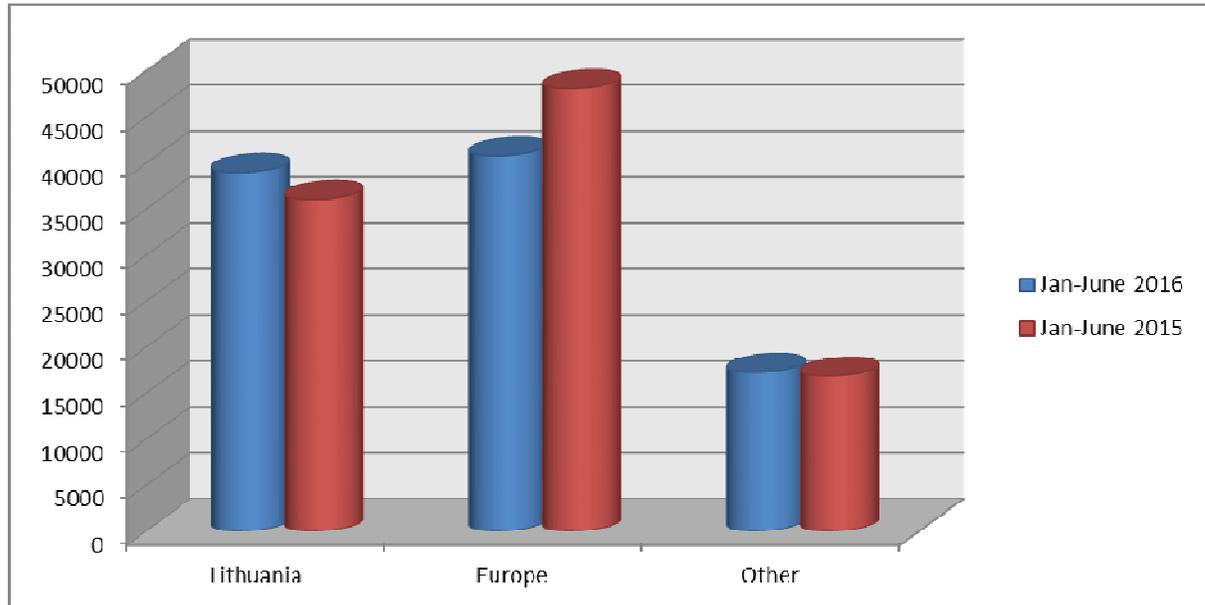
The decrease of sales was caused by the crisis of world dairy market which started in 2014, yet it was even worsened by the Russian embargo on dairy products in August 2014.

The January-June 2016 consolidated non-audited net loss of the Group of Rokiskio suris made kEUR 1,902. Whereas during the same period last year, the Group made net profit of kEUR 992.

The loss of the Group of Rokiskio suris in 2016, was caused by reduced sales quantities, increased stocks of products, drastic drop of sales prices and shrunk demand on dairy products.

Sales markets

Name of countries	Sold			
	Jan-June 2016		Jan-June 2015	
	k EUR	%	k EUR	%
Lithuania	39 014	40.18	36 086	31.80
European countries	40 809	42.02	48 122	46.20
Other countries	17 283	17.80	16 870	22.00
Total	97 106	100	101 078	100



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 AB “Rokiškio sūris” 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 company’s laboratory is accredited in accordance with the international standard LST EN ISO/IES 17025.

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.

In 2012, the Utena plant implemented and certified the social responsibility standard SA8000.

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. The systems are reviewed periodically and improved in order to maintain high quality of production, and to supply customers with qualitative wide range production.

In 2016, as each year, the Company intends to allocate a considerable share of its earning to investment projects. The group of AB Rokiškio sūris is going to make investments amounting to LTL 15.3 million.

In 2016, the investment covers wide range of areas which are necessary for the company's development and which help to improve the product quality and consequently find new markets, also the investments are needed to improve current production facilities, as well as for the environment protection, improvement of working conditions and economical consumption of power supply.

In addition, the newly acquired equipment should firstly meet customer demand for finished products. It is aimed the equipment would ensure safety and quality of the product as well as variability of packaging responding to growing market demand. As the Company is redirecting its sales to various global markets, the investments should firstly strengthen the areas related with products which are of interest to the new markets.

In 2016, it is planned to make investments into the innovative production of high quality product WPC80 and high value added product such as long term maturing hard cheese. The related investments cover main production facilities and servicing facilities.

For the production of WPC80, a part of investment will be used in the cheese production plant where whey is separated. These are the processes of separation and pasteurization which would improve effectiveness of the production of whey used for WPC80.

In addition, these new technologies will ensure higher yield of lactose which was difficult to reach with old technologies.

Also, it is intended to acquire some internal transport in order to have constant and harmonized transportation of raw materials and finished products within the production departments.

In 2015, the group of AB „Rokiškio sūris“ 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 AB „Rokiškio sūris“ 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.

In 2015, it was allocated kEUR 139.2 for the project “Waste less processing of whey at Rokiskio suris AB” via the programme of Lithuanian Environment Protection Investment Fund. Total value of the project was kEUR 509.4. The project was covered by the resources of the company and the Lithuanian Environment Protection Investment Fund (LAAIF). In July 2016, the project was completed, i.e. it was implemented a modern technology of curds separation from whey in the process of cheese production. Therefore it was acquired a whey purifier and a decanter for concentration of curds particles. To control and monitor the technological process it was installed the automated monitoring system for preparation of run of separator and decanter. Having implemented the new equipment it is collected more curds used for the production of foods products. This stage of process is completely waste less.

Long term objectives of AB Rokiskio suris Group:

- Create, consolidate and secure a safe long-term market for the produce
- Ensure stable and coordinated waste-free production programme
- Keeping stabilized relationships with raw milk suppliers.

12. Environment Protection

The food safety and quality and environment protection politics of AB Rokiškio sūris covers continuous decrease of negative impact on environment, ensuring minimal consumption of resources, and strengthening waste treatment in order to minimize negative impact on air, water and earth.

Within the reporting period, AB Rokiškio sūris implemented successfully the targets and tasks provided by the Environment Protection Program 2015. The company employs six programs in order to monitor and analyze the impact on environment. It was not identified any unwelcome facts, the reports are supplied to the Environment Protection Authority.

Within the first half year 2016, the company processed 7.1 per cent less of raw material compared to 2015, consequently the use of resources has changed also.

Consumption of energy resources in the first half year 2016, per 1 ton of raw material:

Thermal power	Electricity	Water	Waste effluent
Decreased by 11.2 %	Increased by 4.0 %	Decreased by 10.3 %	Increased by 0.8 %

During the first half year 2016, 78% of used water was extracted from the company’s fresh water bores. The savings of the underground water made 6.3 % as it was used the cleaned whey water instead.

The whey from production procedure is fully processed. Nanofiltration, ultrafiltration and reverse osmosis are used in the processing technology. The water extracted from whey (“cow water”) complies with the environmental requirements. Effectiveness of cleaning equals to 98% in terms of BDS₇. 21.3 % of the cleaned water is used second time.

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

A part of waste is handled by UAB Rokiškio vandenys, it amounts to 1.2 % of total waste. The amount of discharged contaminants with the waste in accordance with BDS₇ is equal to 0.04 kg/ton of raw material.

AB Rokiškio sūris employs 311 vehicles: 193 trucks, 118 cars, and 8 others. 74 % of which complies with the requirements set by Euro 2-6.

The comprised waste (both hazardous and non-hazardous) is handled by UAB Rokiškio komunalininkas. In the first half year 2016, it was 197.7 t of household waste, 7.66 t of

hazardous waste, and 2,712 t of sludge from waste water treatment plant was used for soil fertilization. It was collected the secondary waste as follows: paper and carton 19.4 t, plastics 22.8 t.

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

13. Procedure for amendments of the Articles of Association

Pursuing the Articles of Association of AB „Rokiškio sūris“, the Articles may be exclusively changed 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 2/3 of votes of total participants in general meeting of shareholders.

14. Management bodies of the issuer

In accordance with the Articles of Association of AB „Rokiškio sūris“, the managing bodies of the company are as follows: General shareholders' meeting, the Board of Directors and the Chief Executive Officer.

The competence and procedure of announcement applied to the general shareholders' meeting complies with the competence and procedure of announcement applied to the general shareholders' meeting established by the Law on Joint Stock Companies.

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 Joint Stock Companies.

The Board of Directors of Rokiskio suris AB were elected by the August 21, 2015 extraordinary general meeting of shareholders of AB Rokiškio sūris. Term of service of the Board of Directors is 4 years.

Members of the Board of Directors:

Dalius Trumpa – Board Chairman, (elected on 21/08/2015, term ends 21/08/2019), Deputy Director of AB Rokiškio sūris, holds 83,500 shares, i.e. 0.23% of the Authorized Capital of AB Rokiškio sūris and 0.24% votes.

Education – university degree. Works for the company since 1991. As from 2002 in the capacity of production director. As from 2007 appointed a deputy director.

Participation in the activities of other companies:

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

As from 2007, Chief executive officer of a subsidiary UAB Rokiškio pienas, having no shares;

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

As from April 29, 2013, Chief executive officer of a subsidiary UAB Rokiškio pieno gamyba, having no shares;

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

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 AB Rokiškio sūris, does not hold any shares of AB Rokiškio sūris. Works for the company since 2002 in the capacity of finance director. Education – university degree. In 1997, obtained a master degree of finance management in Kaunas technology university.

Participation in the activities of other companies:

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

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 AB Rokiškio sūris, holds 6,980,233 shares of AB „Rokiškio sūris“, i.e. 19.46% of Authorized Capital of AB “Rokiškio sūris“ and 20.87% of votes.

Education – university degree. Works for the company as from 1966. In 1979, prepared a dissertation "Organizing the work of vacuum apparatus“ in Kaunas Polytechnic Institute, consequently on 12th October 1994 was granted a doctor degree by Lithuanian Science Council.

Participation in the activities of other companies:

Board Chairman in UAB Rokiskio pienas and UAB Rokiskio pieno gamyba.

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

Shareholder of SIA „RSU Holding“, holds 77.37% of the company shares.

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

Education – university degree. Works for the company since 2005 in the capacity of business development director.

Participation in the activities of other companies:

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

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.

Education – university degree. Works for the company since 2001 in the capacity of the sales and marketing director.

Participation in the activities of other companies:

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

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 CEO of the Company – Antanas Trumpa.

Information on the company's CEO is presented with the information on the members of the Board of Directors.

15. Committees formed in the Company

Audit Committee of AB Rokiskio suris:

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 in April 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.

In half year 2016, the Audit Committee convened 2 meetings. All meetings were attended by all members of the Audit Committee.

Key functions of Audit Committee include the following:

- 1) supervision of preparation of financial accounts;
- 2) supervision of functional internal control of the company, risk management and internal audit system,
- 3) supervision of the Company's auditing procedure;
- 4) supervision how an auditor pursues the principles of independency and impartiality;
- 5) honest and responsible operation in favour of the Company and its shareholders.

Members of Audit Committee:

Kęstutis Kirejevas – independent member, director of UAB „EuropaPrint“, has no shares of AB Rokiškio sūris;

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

Asta Keliuotytė - works for AB „Rokiskio suris“, in the financial department, has no shares of AB Rokiškio sūris.

There are no other committees formed in the company.

16. Management structure and Employees

AB „Rokiškio sūris“ Group's management structure is formed in line with the key functions such as Sales, Production, Finance management, Milk procurement, Logistics, Central services, and Development.

In accordance with the corporate strategy approved by the Board of Directors the Company's key operational targets cover all functional areas such as finance, marketing, procurement, production and control of human resources and their achievements. In order to reach the set

targets the company has established an internal control system as well as the Audit Committee. The main functions include analyzing and evaluation, also providing recommendations for improvement of the Company's operational performance. The findings of Audit Committee are presented to the Company's management, and an action plan is prepared accordingly in order to eliminate identified weaknesses. The accounting system of the company's groups is prepared in accordance with the International Accounting Standards applied in the European Union.

The company's Audit Committee is made of 3 members one of which is independent and has at least 5 year experience in accounting. Other members of the Committee also have appropriate experience to perform their duties. The Audit Committee performance includes independent and objective surveillance, review, evaluation and consultation of the company in order to improve procedures and to increase additional value.

The Company's performance is managed and controlled in assistance with the informational technologies. Security of the data on the Company's information system is ensured by document copying.

As at 30th June 2016, the number of employees working for the group of AB Rokiškio sūris amounted to 1,595 (average number of employees).

The table shows average number of employees of Rokiškio sūris group and variation of average salaries in six month period 2016:

Average number of employees	2016.06.30	2015.12.31
Total:	1595	1643
Incl. Managers	10	10
Specialists	276	280
Workers	1309	1353
Average monthly salary, EUR	848	826
managers	1695	1690
specialists	854	850
workers	818	790

Education of the employees working for Rokiskio suris

Education	2016.06.30	2015.12.31
University degree	165	164
Vocational school	791	784
High school	637	675
Unfinished high school	2	12

There is a practice of signing Corporate Labour Contract between the Company and an employee, also there is Trade-Union Committee of AB Rokiskio suris.

17. Key up-to-date information of the issuer's performance

1. Regarding a submitted lawsuit

Rokiskio suris AB informs that on 31/12/2015 it was received a notification from Panevezys district court regarding a lawsuit submitted to Antanas Trumpa as a manager of Rokiskio suris AB by a small shareholder East Capital (Lux) Baltic Fund, holding 4.96 per cent of the Company's Authorized Capital.

2. Additional information on the 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.

Note: On May 29, 2016, East Capital (Lux) Baltic Fund reduced the claim to EUR 7.230 million.

3. 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.

4. 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.

Note: On May 29, 2016, East Capital (Lux) Baltic Fund reduced the claim to EUR 7.230 million.

5. Resolutions of General Meeting of Shareholders of Rokiskio suris dated 24/04/2015

5.1. Auditor's findings regarding the consolidated financial reports and annual report. Debriefed.

5.2. The Audit Committee report.

Resolution:

To endorse the report of the Audit Committee.

5.3. The Company's consolidated annual report for the year 2015.

Debriefed with the consolidated annual report for the year 2015 of Rokiskio suris which is prepared by the Company, evaluated by auditors and approved by the Board of Directors. (Attached).

5.4. Approval of the consolidated and company's financial accounting for the year 2015.

Resolution:

To approve the audited consolidated and company's financial reports for the year 2015. (Attached).

5.5. 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.

5.6. 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.

6. Audited financial accountability of the Group for the year 2015

Audited consolidated sales of AB „Rokiškio sūris“ Group for the year 2015 made EUR 196.504 million, i.e. 21.16 per cent less than in the same period last year. Audited consolidated sales for the year 2014 made EUR 249.251 million.

Within 12 months of 2015, the Group of AB „Rokiškio sūris“ earned EUR 3.895 million of consolidated audited net profit. In 12 months 2014, the Group's consolidated audited loss made EUR 383 thousand.

7. 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 str. 3, Rokiskis LT-42150) or e-mail address grazina.jankauskiene@rokiskio.com

The dividends are subject to taxes as follows:

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

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

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).

Authorized persons of the company capable to provide additional information:

Grazina Jankauskiene, ph. +370 458 55243.

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

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

18. Pursuing the Governance Code of the companies

Pursuing the company's strategy and internal politics, Rokiskio suris AB respects the recommendations provided by the Governance Code approved by NASDAQ Vilnius.

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

19. Consolidated Balance sheet

	June 30, 2016	December 31, 2015	June 30, 2015
PROPERTY			
Long-term tangible assets	50,352	51,607	36,157
Intangible assets (with prestige)	5	10	161
Other receivables in a year	5,255	4,707	3,956
	55,612	56,324	40,274
Current assets			
Inventories	47,423	54,614	42,649
Receivables and advance payments	33,374	33,522	38,642
Short-term investments	4,386	6,445	13,461
Prepaid income tax	2,671	2,275	905
Cash and cash equivalents	1,382	1,427	1,691
	89,236	98,283	97,348
Total assets	144,848	154,607	137,622
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	10,402	10,402	10,402
Share premium	12,011	12,011	12,011
Reserve for acquisition of treasury shares	11,668	11,668	11,668
Treasury shares	(3,426)	(3,426)	(1,120)
Other reserves	23,692	25,776	11,605
Retained earnings	57,042	59,202	54,787
	111,389	115,633	99,353
Non-current liabilities			
Deferred income tax liability	3,696	4,078	1,562
Deferred income	465	553	702
	4,161	4,631	2,264
Current liabilities			
Trade and other payables	18,661	18,120	22,511
Tax liabilities	119	1,019	346
Deferred income	190	226	233
Borrowings	10,328	14,978	12,915
	29,298	34,343	36,005
Total equity and liabilities	144,848	154,607	137,622

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

20. Consolidated Statement of comprehensive income

	January - June	
	2016	2015
Sales	97,106	101,078
Cost of sales	(88,110)	(89,675)
Gross profit	8,996	11,403
Selling and marketing expenses	(11,107)	(10,089)
Operating profit (loss)	(2,111)	1,314
Finance costs	(85)	(97)
Profit before tax	(2,196)	1,217
Income tax (accumulation)	294	(225)
Operating activity income (loss)	(1,902)	992
Net profit (loss)	(1,902)	992
Other comprehensive income	-	-
Total comprehensive income for the year	(1,902)	992

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21. Consolidated cash flow statement

	January-June	
	2016	2015
Operating activities		
Profit before tax and minority interest	(2,196)	1,217
<i>Corrections:</i>		
- depreciation	4,483	4,033
- amortisation (negative prestige not included)	25	25
- write-off of property, plant and equipment and intangible assets	-	3
- loss on disposal of property, plant and equipment	1	19
- interest expense	85	97
- interest income	(179)	(244)
- net unrealized currency exchange profit	(165)	62
- amortization of government grants received	(194)	(398)
<i>Circulating capital changes:</i>		
- inventories	7,191	3,201
- amounts payable	(932)	(2,049)
- amounts receivable and prepayments	148	(3,521)
Cash flows from operating activities	8,267	2,445
Interest paid	(85)	(97)
	-	-
Net cash generated from operating activities	8,182	2,348
Investing activities		
Purchase of property, plant and equipment	(3,463)	(742)
Purchase of intangible assets	-	-
Loans granted to farmers and employees	(279)	(195)
Proceeds from sale of property, plant and equipment	820	34
Other loans granted	-	(2,049)
Repayments of loans granted to farmers and employees	339	389
Interest received	179	244
Other loan repayments received	1,410	1,334
Government grants received	-	-
Net cash generated from investing activities	(994)	(985)
Financing activities		
Loans received	51,541	66,056
Repayments of borrowings	(56,432)	(69,054)
Dividends paid	(2,342)	-
Net cash generated from financing activities	(7,233)	(2,998)
Net increase in cash and cash equivalents	(45)	(1,635)
Cash and cash equivalents at the beginning of the period	1,427	3,326
Cash and cash equivalents at the end of the period	1,382	1,691

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

22. Consolidated Own Capital Change Statement

	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at December 31st 2014	10,388	12,011	11,668	(1,120)	12,795	52,605	98,347
Comprehensive income							
Profit (loss) of the year						992	992
Share capital increase due to euro establishment (rounding up)	14						14
Transfer to reserves					84	(84)	
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(1,274)	1,274	
Balance at June 30st 2015	10,402	12,011	11,668	(1,120)	11,605	54,787	99,353
Comprehensive income							
Profit (loss) of the year						2,903	2,903
Other comprehensive income					15,683		15,683
Transfer to reserves					(84)	84	
Acquisition of treasury shares				(2,306)			(2,306)
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(1,428)	1,428	
Balance at December 31st 2015	10,402	12,011	11,668	(3,426)	25,776	59,202	115,633
Comprehensive income							
Profit (loss) of the year						(1,902)	(1,902)
Dividends relating to 2015						(2,342)	(2,342)
Transfer to reserves					84	(84)	
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(2,168)	2,168	
Balance at June 30st 2016	10,402	12,011	11,668	(3,426)	23,692	57,042	111,389

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FINANCIAL STATEMENTS as at 30th June 2015**

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

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

23. Commentary on the Report

1. General information

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

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

The Consolidated Group (hereinafter – the Group) consists of the Company, its two branches and five subsidiaries. (2015: two branches, and five subsidiaries). The branches and subsidiaries that comprise consolidated Group are indicated below:

	Operating as at 30 June			Group's share (%) as at 30 June	
	2016	2015		2016	2015
Branches			Subsidiaries		
Utenos Pienas	Yes	Yes	UAB Rokiskio pienas	100.00	100.00
Ukmerges Pienine	Yes	Yes	UAB Rokiskio pieno gamyba	100.00	100.00
			KB Zalmarge	100.00	100.00
			SIA Jekabpils Piena Kombinats	100.00	100.00
			SIA Kaunata*	60.00	60.00

* These subsidiaries were not consolidated due to their insignificance.

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

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

As of 30st June 2016, the average number of the Group's employees was equal to 1,509 (compared to 1,635 employees as at 30st June 2015).

2. Accounting Principles

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

The consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies applied in the preparation of these consolidated and parent company's financial statements are set out below. These policies have been consistently applied to all the years present, unless otherwise stated.

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.

Subsidiaries are the entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Transactions among the Group's enterprises, residual values and retained transaction earnings between the Group's enterprises are eliminated. Unrealised loss is eliminated too; however, it is considered to be the sign of transfer asset value decrease. The accounting principles of daughter enterprises were changed where necessary in order to ensure their consistency with the accounting principles applied by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the statement of comprehensive income.

Items included in the financial statements of the Company and each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter "the functional currency"). The financial statements are presented in Euros (EUR), which is the Company's (and each of the Group entity's) functional and presentation currency.

The value of long-term tangible assets is valued at historical cost less accumulated depreciation.

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

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

Buildings	15 – 55 years
Plant & machinery	5 - 29 years
Motor vehicles	4 - 10 years
Equipment and other property, plant and equipment	3 - 20 years

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities

greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

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

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

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

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

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

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation.

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

Profit is taxable at a rate of 15 per cent (2015: 15 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. Social security contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

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

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

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

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that make strategic decisions.

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

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

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

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

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

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

The Company's management believes the values of property, plant and equipment adjusted under these methods as of 31 December 2015 approximated the fair value.

3. Information on segments

Business segments and the segments presented by the financial statements

The Group's top management indicated the following business segments of the Group: 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:

- 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.

Geographic segments

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

	2016 06 30	2015 06 30
Lithuania	39,014	36,086
Countries of EU	40,809	48,122
Other	17,283	16,870
Total	97,106	101,078

Income analysis according to groups:

	2016 06 30	2015 06 30
Product Sales	96,348	100,727
Provided services	758	351
Total	97,106	101,078

4. Long-term tangible assets

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

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

5. Inventories

As at 30st June 2016, the Group's inventories were made of:

	2016 06 30	2015 06 30
Raw material	1,889	2,117
Production in progress	2,695	5,173
Ready production	42,001	34,474
Other inventories	838	885
Total	47,423	42,649

6. Financial ratios

The Group's financial ratios:

	2016 06 30	2015 06 30	2014 06 30
Revenue (EUR thousand)	97,106	101,078	129,236
EBITDA (EUR thousand)	2,397	5,372	5,952
EBITDA margin (%)	2,47	5,31	4,61
Operations profit (EUR thousand)	(2,111)	1,314	1,824
Margin of operations profit (%)	(2,17)	1,30	1,41
Profit per share (EUR)	(0,05)	0,03	0,04
Number of shares (units)	35,867,970	35,867,970	35,867,970

7. Information on the audit

The audit according to the International Accounting Standards will be made for the full year 2016 by audit company UAB PricewaterhouseCoopers.

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

On 2 February 2016, 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 2017, 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 31 January 2017. The interest rate set in the credit agreement was not changed.