



**CONSOLIDATED INTERIM REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
OF AB ROKIŠKIO SŪRIS**

FOR SIX MONTHS ENDED JUNE 30, 2018

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GENERAL INFORMATION

1. Reporting period of the submitted half year consolidated report and consolidated financial statements

The half year consolidated report and consolidated financial statements are prepared for six months 2018.

2. Key information of the issuer:

Name of the issuer:	Rokiškio sūris, AB (hereinafter, the “Company”)
Legal form:	Public limited liability company
Registration date and place:	28 February 1992, State Enterprise Centre of Registers
Registration number:	173057512
Address:	Pramonės g. 3, LT-42150 Rokiškis, Republic of Lithuania
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Telephone:	+370 458 55 200
Fax:	+370 458 55300
E-mail address:	rokiskio.suris@rokiskio.com
Website:	www.rokiskio.com
ISIN code:	LT0000100372
LEI code:	48510000PW42N5W74S87
Share ticker symbol at AB Nasdaq Vilnius	RSU1L

3. Information on the Company’s group

As at June 30, 2018, the group of Rokiškio sūris, AB (hereinafter, the “Group”) consists of the parent company Rokiškio sūris, AB, its two branches and four subsidiaries (in 2017: two branches and four subsidiaries).

Rokiškio sūris, AB (registration number 173057512, Pramonės g. 3, LT-42150 Rokiškis).

Branches of Rokiškio sūris, AB:

Rokiškio sūris, AB branch Utenos pienas (registration number 110856741, Pramonės g. 8, LT-28216 Utena);

Rokiškio sūris, AB branch Ukmergės pieninė (Registration number 182848454, Kauno g. 51, LT-20119, Ukmergė).

Subsidiaries of Rokiškio sūris, AB:

Rokiškio pienas, UAB, address of the registered office Pramonės g. 8, LT-28216 Utena. Registration number: 300561844. Rokiškio sūris, AB is the founder and the sole shareholder of Rokiškio pienas, UAB, holding 100% of shares and votes.

Rokiškio pieno gamyba, UAB, address of the registered office Pramonės g. 8, LT-28216 Utena. Registration number: 303055649. Rokiškio sūris, AB is the founder and the sole shareholder of Rokiškio, UAB, pieno gamyba, holding 100% of shares and votes.

Latvian company SIA Jekabpils piena kombinats (registration number 45402008851, address of the registered office Akmenu iela 1, Jekabpils, Latvia LV-5201). Rokiškio sūris, AB holds 100% of shares and votes in the company.

Latvian company SIA Kaunata (registration number 240300369, address of the registered office Rogs, Kaunata pag., Rezeknes nov., Latvia). Rokiškio sūris, AB holds 40 percent of member shares in the company, whereas Rokiškio pienas, UAB, holds 20 percent of member shares in the company.

4. Types of main activities of the Company and the Company group

Main activities of Rokiškio sūris, AB group:

- ***Operation of dairies and cheese making (EVRK 10.51)***

Rokiškio sūris, AB:

The main activity of Rokiškio sūris, AB is production and sale of fermented cheeses, whey products, skimmed milk powder.

Branches of Rokiškio sūris, AB:

The main activity of Rokiškio sūris, AB branch Utenos pienas and Rokiškio sūris, AB branch Ukmergės pieninė is purchase of raw milk.

Subsidiaries:

The main activity of UAB Rokiškio pienas is sale of fresh milk products and fermented cheeses.

The main activity of UAB Rokiškio pieno gamyba is production of fresh milk products (milk, kefir, sour milk, butter, curd, curd cheese, sour cream, glazed curd cheese bars, desserts).

The activity of SIA Jekabpils piena kombinats is purchase of raw milk.

The activity of SIA Kaunata is purchase of raw milk.

5. Strategy and objectives of the Group

Rokiškio sūris, AB group in its activities is guided by a three-year strategic plan approved by the Board, the main provisions of which are set forth below:

MISSION:

Rokiškio sūris, AB = Reliable Professionals in the Dairy Industry

VISION:

Processing more than 1 million tonnes of raw milk per year, as Lithuania turns into Baltlandia.

OBJECTIVES:

- Regional leadership in milk processing sector.
- Flexible production and sales of top-quality products exceeding consumer expectations.
- Being the most attractive and reliable partner for farmers producing milk.
- Continuously increasing value for shareholders.

We seek objectives

- By increasing the volume of purchased and processed milk by 5 percent annually.
- We target at 3 percent net annual profit rate.

6. The most important events in the reporting period

On **14 February 2018**, amendments were signed to the credit agreement with SEB Bankas AB, under which the final repayment date for the overdraft facility granted to the borrower (Rokiškio Sūris AB) was extended until 28 February 2019, and the credit line of EUR 4,100,100 (four million one hundred thousand) was granted. The interest rate set in the credit agreement was not subject to repricing, nor were any assets of the Company pledged as a collateral.

On **4 April 2018** the Board of AB Rokiškio sūris decided to present for the approval of the annual general meeting of shareholders, which will take place on 27/04/18, the draft resolution of the profit distribution of AB Rokiškio sūris for the year 2017, according to which, the dividends for the year 2017 will amount to 3,586,797 EUR, an equivalent of 0.10 EUR per share.

On **27 April 2018** the General Meeting of Shareholders took place.

The following resolutions were adopted by the General Meeting of Shareholders of AB Rokiškio sūris:

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

Debriefed.

2. The Audit Committee report.

Resolved:

To endorse the report of the Audit Committee (attached).

3. The Company's consolidated annual report for the year 2017.

Debriefed with the Company's consolidated annual report for the year 2017 which is prepared by the Company, assessed by the Auditor and approved by the Board of Directors (attached).

4. Approval of the consolidated and company's financial accounting for the year 2017.

Resolved:

To approve the audited consolidated and company's financial statements for the year 2017 (attached).

5. Allocation of the profit (loss) of the Company of 2017.

Resolved:

To approve allocation of profit (loss) of the year 2017.

	Title	kEUR
1.	Non-distributable profit (loss) at beginning of year	64 584
2.	Approved by shareholders dividends related to the year 2016	(3 228)
3.	Transfers from other reserves	2 447
4.	Non-distributable profit (loss) at beginning of year after dividend pay-out and transfer to reserves	63 803
5.	Net profit (loss) of the Company of fiscal year	11 021
6.	Distributable profit (loss) of the Company	74 824
7.	Profit share for mandatory reserve	-
8.	Profit share for other reserves	-
9.	Profit share for dividend pay-out *	(3 587)
10.	<i>Profit share for annual payments (tantiemes) to the Board of Directors, employee bonuses and other as accounted by Profit (loss) statement</i>	1 195
11.	Non-distributable profit (loss) at end of year transferred to the next fiscal year	71 237

- it will be allocated 0.10 eur per ordinary registered share. In total to the dividends pay-out EUR 3,586,797.

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 14, 2018.

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. Endorsement of the Dividend Policy.

Resolved:

To endorse the Dividend Policy of Rokiškio sūris AB (attached).

7. Regarding compounding the reserve to acquire own shares.

At the date of General Meeting of Shareholders, the Company holds an unused reserve of kEUR 7,606 for the acquisition of own shares.

Resolved:

To increase the reserve for the acquisition of own shares up to kEUR 10,850 (ten million eight thousand fifty euros).

8. Regarding purchase of own shares.

Resolved:

The Company's shares shall be acquired under the following conditions:

- 1) Purpose of acquisition of own shares – maintain and increase the price of the company's shares.
- 2) Maximal number of the shares to be purchased – total value of the Company's treasury shares may not exceed 1/10 of the Company's Authorized Capital.
- 3) Period during which the company may purchase own shares – 18 months from the approval of resolution.
- 4) Maximal and minimal purchase price per share – maximal purchase price per share is higher by 10 per cent compared to the Company's share market price at Nasdaq Vilnius Stock Exchange at the time of the resolution's approval by the Board of Directors in regard with the treasury share acquisition, and the minimal purchase price per share is lower by 10 per cent compared to the Company's share market price at Nasdaq Vilnius Stock Exchange at the time of the resolution's approval by the Board of Directors in regard with the treasury share acquisition.
- 5) Procedure of selling the treasury shares and minimal sales price – The Company's treasury shares might be cancelled upon a resolution of the general meeting of shareholders or sold under a resolution of the Board of Directors provided the minimal sales price is equal to the acquisition price, and the procedure will ensure equal opportunities for all shareholders to acquire the company's shares.
- 6) Following the conditions set herewith and the requirements of the Law on Companies of the Republic of Lithuania, to authorize the Board of Directors to accept resolutions regarding purchase of the Company's own shares, organize purchase and sales of the own shares, establish an order for purchase and sales of the own shares, as well as their price and number, and also complete all other related actions.

9. Election of the Company's auditor and establishment of payment conditions.

Resolved:

To elect an audit company UAB PricewaterhouseCoopers to perform an audit of annual consolidated financial statements for the year 2018 and evaluation of the consolidated annual report 2018 of the Group of AB Rokiškio sūris 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.

On **20 June 2018** the Court of Appeal of the Republic of Lithuania adopted the following decision:

The Court of Appeal of the Republic of Lithuania has dismissed judgement of the Panevėžys Regional Court in regards with the claims raised by the Swedish investment company East Capital against AB Rokiškio sūris CEO Antanas Trumpa and discontinued further proceedings in the case having stated that East Capital was no longer entitled to the claim as the company sold its shares. The

Court obliged East Capital to cover a part of litigation costs incurred by Antanas Trumpa, AB Rokiškio sūris and other parties involved in the legal proceedings.

In October 2017, East Capital sold all their shares of AB Rokiškio sūris to INVL Asset Management, UAB, the funds of pension and investment. The new owners of the shares of AB Rokiškio sūris refused to support the claims raised by East Capital.

The ruling of the Court of Appeal of Lithuania as of 20 June 2018 came into force from the day it was adopted.

7. Significant developments after the end of the fiscal year

On **3 July 2018** East Capital (LUX) Baltic Fund covered the legal costs amounting to EUR 62,453.24 adjudged on June 20, 2018, by the Court of Appeal of the Republic of Lithuania for the benefit of Antanas Trumpa, Pieno pramonės investicijų valdymas UAB and Rokiškio sūris AB.

East Capital had raised claims against the manager of Rokiškio sūris AB Antanas Trumpa and required to cover a damage of mEUR 10.524 for the benefit of Rokiškio sūris AB.

On June 2, 2017, Panevėžys Regional Court dismissed the claim of East Capital (LUX) Baltic Fund.

On June 20, 2018, the Court of Appeal of the Republic of Lithuania dismissed judgement of the original jurisdiction institution Panevėžys Regional Court and ceased the legal process in general. Hereby the Court stated that East Capital was no longer entitled to the claim as the company sold its shares to INVL Asset Management, UAB, the funds of pension and investment. The Court of Appeal of the Republic of Lithuania obliged East Capital (LUX) Baltic Fund to cover litigation costs.

There were no other significant developments in the Company after the end of the reporting period.

Publicly announced information

Pursuing the Law of the Republic of Lithuania all material events related with the Company's performance and the information on time and location of general meetings of shareholders are publicly announced on the Company's website www.rokiskio.com and also submitted to the website of securities stock exchange Nasdaq Vilnius AB (www.nasdaqomxbaltic.com).

INFORMATION ON THE OPERATIONS OF THE COMPANY AND THE GROUP OF COMPANIES

8. Business environment of the Group of Companies

Basic Provisions

Who we are:

- We process more than 500 thousand tonnes of milk at three milk processing plants
- We manufacture and sell more than 35 thousand tonnes of different cheeses.
- We export approximately two-thirds of our production.
- We are a responsible employer to approx 1,500 employees.

The Company's operations cover raw milk procurement, the manufacture of various dairy products and their sales on the local and export markets.

Raw milk procurement

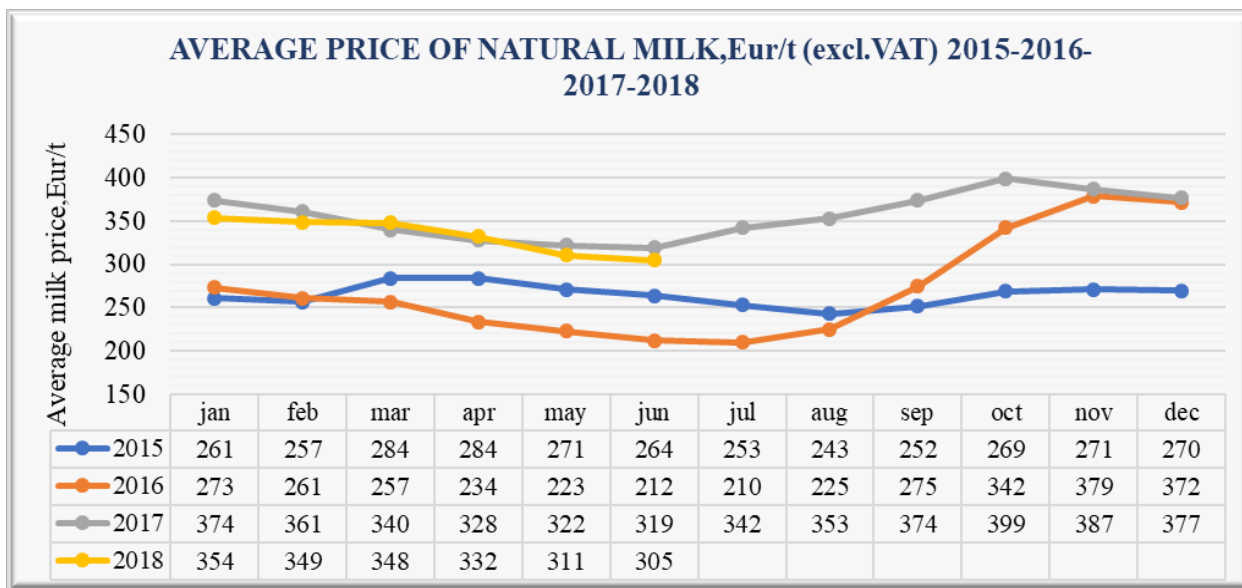


In accordance with the data of ŽŪIKVC (ŽŪMPRIŠ), in half year 2018, 649.9 thousand tonnes of natural fat content raw milk was procured from the country's milk producers - 0.3% less than in 2017 (compared to 651.9 thousand tonnes in 2017). Lithuanian dairy processors purchase around 95 % of the local milk procurement.

In the first four months of 2018 average prices of raw milk were lower compared to the average raw milk prices in the same period of 2017. The decrease of raw milk price was influenced by uncertainties in the export markets, change in the structure of producers, draught, seasonality of raw milk quantities and fluctuation of raw milk consistency (fat, protein).

There were 270.9 thousand cows registered in Lithuania as of 1 July 2018 – 4.8% less than in the same period last year (284.5 thousand cows).

The chart below shows the prices of raw milk Rokiškio sūris, AB paid by the Group to large farmers with European-size farms delivering more than 40 tonnes of raw milk per month in 2015-2016-2017-2018.



The prices of export dairy products were dropping down since the beginning of 2018. The situation on the export markets caused decrease of milk procurement prices compared to 2017.

Manufacture of dairy products

Rokiškio sūris, AB Group is one of Lithuania's major dairy companies that manufactures and offers more than 300 products to its customers. This includes not only fermented cheeses but also a variety of products obtained from whey, such as lactose, 80% WPC, 90% WPC. The Group manufactures milk powder, butter, processed cheeses, curd and curd products, other fresh dairy products.

Thanks to their excellent quality, the products manufactured by the companies of the Group have earned the trust of consumers both in the local and the export markets.



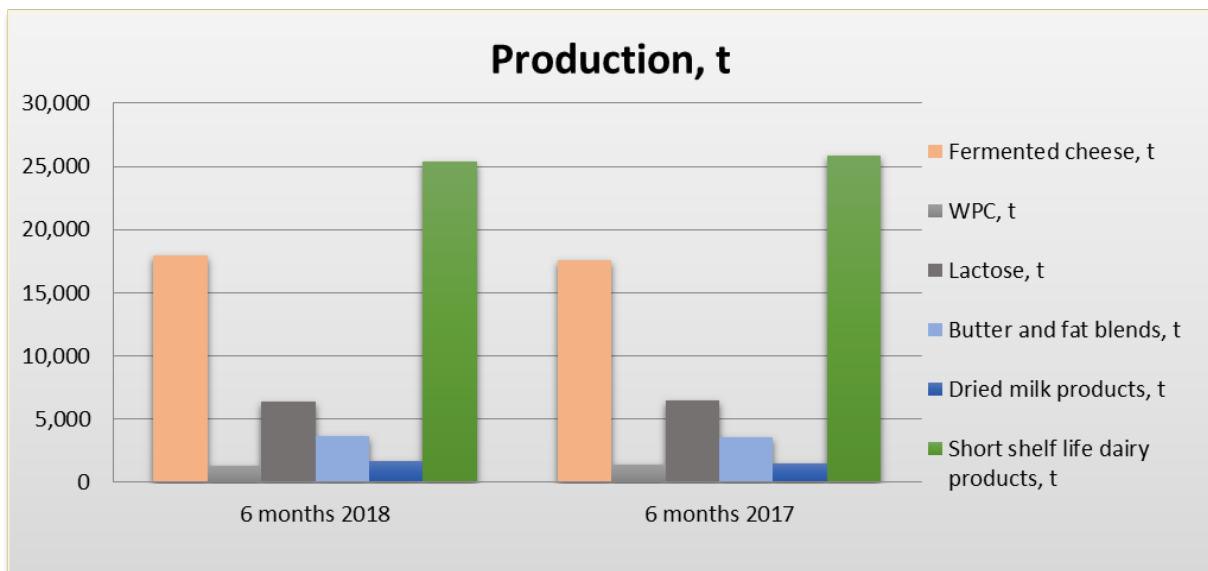
Rokiškio sūris, AB Group carries out its production activity in the towns of Rokiškis (Rokiškio sūris, AB), Utena (Rokiškio pieno gamyba, UAB) and Ukmergė (Ukmergės pieninė, branch of Rokiškio pieno gamyba, UAB).

- Rokiškio sūris, AB (in Rokiškis) specialises in the production and marketing of fermented cheeses and products obtained from whey.
- Rokiškio pieno gamyba, UAB (Utena company) specialises in fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
- Rokiškio pieno gamyba, UAB (Ukmergė company) specialises in curd and curd products.
- Rokiškio pienas, UAB specialises in the marketing of the complete range of products of the Group in Lithuania, Latvia and Estonia. The company also markets dairy products manufactured by other foreign producers.

The following table and chart show changes in the production volumes of Rokiškio sūris, AB Group (in tons):

Production / Year	6 months 2018	6 months 2017	Change, %
Fermented cheese, t	17,913	17,545	2.10
WPC powder, t	1,276	1,369	-6.79
Lactose, t	6,355	6,426	-1.10
Butter and fat blends, t	3,645	3,598	1.31
Dry milk products*, t	1,684	1,461	15.26
Fresh dairy products, t	25,413	25,879	-1.80

* WPC, skim milk powder, butter milk powder.



In half year 2018, the production of fermented cheeses at Rokiškio sūris, AB increased by more than 2% compared to 2017; whilst production of WPC decreased by around 7%.

The large-scale reconstruction of the fresh dairy products facility at Utena plant is in progress. The yogurt preparation system was renewed. New milk packaging line for ELOPAK 2ltr was installed, a line of powder packaging was bought. The purpose of the reconstruction is to modernise the existing production technology which will enable to cut production costs and improve the product quality.

9. Sales of the Group of companies

The largest share of the company's production is exported. Rokiškio sūris Group exports its products to 37 countries worldwide. The main and largest buyer of the company's produce is Italy. Also, a big share of the production goes to South Korea, New Zealand, the Netherlands. In the first half year 2018, the group's export made 62% of the total sales, whilst sales on the local market made 38%.

As before, the company sells traditional products on its exports markets, including cheese, cream, milk powder and complementary products obtained during cheese production process – WPC and lactose. As before, fresh cheeses (Cagliata and Mozzarella) mostly go to Italy, the Netherlands and South Korea.

Decrease of prices in the first half year 2018 made a huge influence on the total sales of the group. In the beginning of 2018, milk product prices started to decrease especially price of fresh non-matured cheese. Fat price dropped as well compared to the record high prices of 2017. However, the demand for butter was stable and during the first half year the company's sales of cream were very low and the company produced butter.

The export of Mozzarella cheese to South Korea dropped significantly because of the increased supply of Mozzarella cheese from the US. The South Korea customers chose a cheaper product from the North America over the EU product, and the difference was due to dollar and euro exchange rate.

Also, the sales of hard cheese to the US declined due to cheaper supply of hard cheese produced locally, and again this was caused by the changed dollar and euro exchange rate.

The consolidated non-audited sales of Rokiškio sūris AB in the first half year 2018 made kEUR 102,202, i.e. less by 16.71% compared to the same period last year. The consolidated sales of first half year 2017 made kEUR 122,699.

Rokiškis Group continues to be the second player on the local market with a market share of approx. 24%. Rokiškis group holds the leading or the second market position in numerous product categories; its performance is somewhat weaker in desserts categories. Rokiškis Group is the market leader in the categories of sour dairy products (kefir, buttermilk), cheeses, processed cheeses, sour cream and butter.

In the first half year 2018 the local sales of Rokiškio Group made mEUR 38.6, i.e. less by 7.17% compared to 2017.

Prices on the local market increased for short shelf life products and butter, yet the price of fermented cheese decreased by 18%.

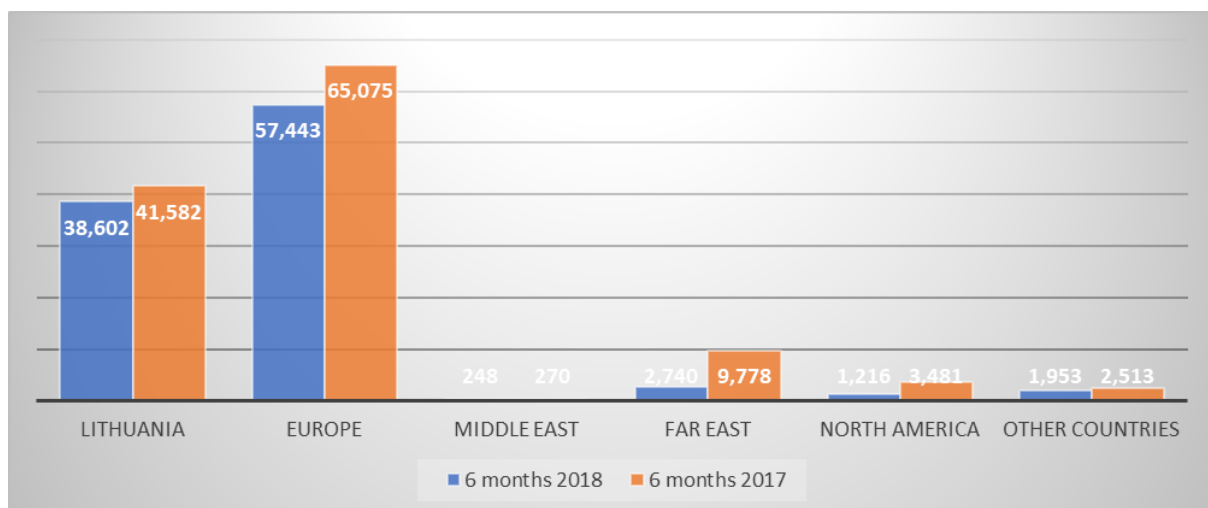
The main reason which caused lower performance results of Rokiškio sūris AB in the first half year 2018, compared to 2017, was decreased prices of export products and lower demand of the dairy products.

Sales of the Group of companies by different markets

Country	Sales				
	Jan-June 2018		Jan-June 2017		Change
	Thousand EUR	%	Thousand EUR	%	
Lithuania	38,602	37.77	41,582	33.89	-7.17
European countries	57,443	56.21	65,075	53.03	-11.73
Middle East	248	0.24	270	0.22	-8.15
Far East	2,740	2.68	9,778	7.97	-71.98
North America	1,216	1.19	3,481	2.84	-65.07
Other countries	1,953	1.91	2,513	2.05	-22.28
Total:	102,202	100.00	122,699	100.00	-16.71

In the beginning of 2018, same as in the beginning of 2017, the company made a loss due to decreased prices in the worldwide dairy markets and relatively high prices for raw milk. Yet this year there was no sharp recovery of the prices in spring mostly for fresh cheeses. The prices rised slowly, but they still did not reach the levels of last year.

The increase of sales to Asia where the strongest growth in the consumption of dairy products is expected in the immediate future, remains a major focus of Rokiškio sūris Group.



10. Risk factors and risk management

Risk is understood as a hindrance to achieve the set targets due to potential events or their possible impact on business. The Company's objectives also include long-term strategic goals and specific actions related to the operations. The Management of the Company is responsible for managing the Company's risks and the assessment of negative impact on the set targets and outcomes. The identification of specific risk and the 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. Risk management forms an integral part of the Company's operational processes, therefore potential risks are under permanent monitoring and evaluation.

Risk Factor	Source of Risk	Risk Management.
Environmental Factors	We consume a lot of energy and natural resources in our operations. This poses direct and/or indirect risk of environmental pollution, as does air pollution from technological equipment.	Replacement of vehicles with new ones, maintenance, operation conditions control. Selection of energy suppliers. Resource conservation, accounting and control measures. Control, automatisisation and modernisation of technological processes. The monitoring of the consumption and impact of natural resources.
	The use of chemical substances. This poses a risk to employees, products, and the environment.	Staff training, personal protection measures. Accounting and control. Process automatisisation.
	Physical environmental pollution: noise, odour, light	Control measurements and assessment. The deployment of technical measures. Focus on design works.
	Industrial and surface	Maintenance, operation conditions, process

	<p>wastewater management. Release of industrial and surface wastewater containing pollutants.</p>	<p>control. Analysis of the concentrations of contaminants, accounting of contaminant releases. The use of city wastewater purification reserves. Cleaning and maintenance of sand oil precipitators.</p>
	<p>Poor treatment of waste generated during operation poses environmental risk.</p>	<p>Waste separation, process management. Ensuring adequate storage conditions. Staff training. Transfer to legitimate managers.</p>
	<p>Regulation and compliance. The risk manifests itself in the large scope and developments of legal regulations.</p>	<p>Certified management system in compliance with ISO 14001:2015 Environmental management system. Requirements and usage guidelines. Continuous assessment of legal acts and developments.</p>
	<p>The interests of the population and self-government institutions related to the environmental impact of the Company. The Company is located in the industrial area of the city and borders on other business undertakings as well as a residential area.</p>	<p>Disseminating information about important developments at the company in the local media and online. Active co-operation with self-government authorities, people's and business communities. Assessment of the impact of planned business operations in accordance with the established procedure.</p>
Energy-related risk	<p>The Company's operations involve high consumption of electricity, heat energy and water. The operation of all industrial and non-industrial equipment is based on electricity consumption. This poses a risk of uninterrupted electricity supply. Electricity, heat energy (steam) and water supply affects the industrial-technological process.</p>	<p>There are three 10KV high-voltage distribution facilities in the territory that feed energy to three power transformers. If voltage is lost in one substation, feeding continues from another one. Four water supply inlets are available: two from Rokiškio vandenys, UAB and two from own wells. Strict contractual terms and conditions for heat energy (steam) supply from Rokiškis ŠTR define maximum demand for pressure and temperature. Three hot water boilers are installed at the production facility.</p>
Food safety and quality	<p>In order to implement one of the key objectives of Rokiškio sūris, AB, i.e. to ensure food safety and quality and prevent product recalls, the existing potential risk factors (biological, chemical, physical) as well as the conditions conducive to the</p>	<p>Identification of key active risk control measures; Assessment of the efficiency of operational controls to mitigate the risks to a tolerable level; The development of appropriate action plans aimed at the improvement of the control system;</p>

	<p>occurrence and increase thereof have been identified. Risk assessment has been performed to identify the probability of risk and the gravity thereof;</p> <p>Risk assessment covers the entire production chain – from raw materials procurement to delivery to the customer.</p>	<p>Constant risk management and the monitoring of set targets.</p>
Information security	<p>IT risks arise from the use of illegal software, lost and unrecoverable data and data vulnerability.</p>	<p>Only legal and licensed IT software is used to prevent possible risks.</p> <p>Configured firewall is used to prevent unauthorised access from the outside.</p> <p>Unauthorised data access is controlled by granting employees only those rights and roles that are necessary for their work.</p> <p>Test environment is used to test software modifications. Protection against accidental data loss is ensured through creation of back-up copies.</p> <p>Antivirus software is installed in all computers of the Company.</p>
Occupational risk factors: Physical factors	<p>Inadequate workplace equipment;</p> <p>Non-compliance with the minimum requirements to workplace equipment;</p> <p>Mobile self-propelled/non-self-propelled work equipment;</p> <p>Potentially dangerous machinery;</p> <p>Stability and firmness of construction works;</p> <p>Evacuation routes and exits;</p> <p>Fire detection and fire extinguishing;</p> <p>Electrical installations;</p> <p>The activities of other undertakings in the process of providing services and performing other works at the Company.</p>	<p>Workplaces and work equipment are under regular maintenance. Identified irregularities that might affect employee safety and health are addressed.</p> <p>Work equipment control devices are clearly visible, identifiable and appropriately labelled. Work equipment is equipped with a control system allowing to stop them fully and safely. Emergency stop devices are installed for this purpose. Where there is a risk that contact with the moving parts of a piece of work equipment may cause employee trauma, such parts must be covered and protective devices must be installed to prevent access to danger zones.</p> <p>Work equipment is appropriately labelled with safety and health warnings to ensure employee safety. Employees receive appropriate briefing on the use of work equipment, they receive on-site training at the workplace and are made aware of potential hazards related to work equipment.</p> <p>The installation and structure of mobile work equipment is designed to ensure minimum risk exposure for employees. Such equipment is under continuous maintenance, employees using the</p>

		<p>equipment receive training and undergo periodic health checks.</p> <p>The maintenance of potentially dangerous machinery is carried out in accordance with the Law on the Maintenance of Potentially Dangerous Machinery. Maintenance of potentially dangerous machinery is performed, supervisors of potentially dangerous machinery are appointed. Employees operating potentially dangerous machinery receive training, their qualification is reviewed on a regular basis, they undergo periodic health checks.</p> <p>Maintenance of construction works is performed in order to ensure stability and firmness of construction works in accordance with the construction technical regulation. The condition of construction works is under regular monitoring, periodic inspections of construction works are carried out.</p> <p>Evacuation routes are appropriately maintained and identified.</p> <p>Considering the size and the function of construction works, the equipment located inside as well as the characteristics of materials stored in the construction works, workplaces are provided with adequate fire extinguishing means and fire safety engineering systems, with due regard to the number of employees at the workplace. Fire extinguishers and fire safety systems are maintained and tested on a regular basis. Fire extinguishing means are adequately labelled. Workplaces are equipped with a ventilation system. Ventilation equipment is maintained and renovated on a regular basis. Danger zones of the workplaces are appropriately marked.</p> <p>Workplace floors are firm and stable. Employees are provided with special anti-slip footwear.</p> <p>Electrical installations are fitted in the manner that prevents the risk of fire and employees are protected against direct or indirect contact with electrical installations. Resistance of electrical installations is periodically measured in accordance with the procedure laid down in the laws.</p> <p>A description of the procedure for co-operation and co-ordinated action is</p>
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Physical: Noise	Work equipment	<p>prepared and coordinators are appointed to ensure employee safety and health in order to prevent the risks which arise from the activities of other undertakings as well as the risks to employees of such undertakings which arise from the activities of the Company.</p> <p>The use of personal protection means, mandatory health checks for noise, staff trainings.</p>
Chemical factors	Use of chemical substances during laboratory tests, cleaning process of work equipment and premises.	Occupational risk assessment in workplaces where chemical substances are used. Mandatory health checks. Awareness raising and training of employees. The use of personal protective means where there is exposure to hazardous chemical factors. Artificial ventilation system is installed.
Ergonomic factors	Manual work is present in many workplaces.	Occupational risk assessment. Mandatory health checks. Manual and power-driven carts are used to address ergonomic risk factors. Lifts are also used. Robot technology is deployed at the Company to prevent the lifting of heavy weight. Robotic milk sugar bagging line is installed. Cheese maturing facility is equipped with a cheese packaging device; a vacuum lift for shifting heavy cheeses is also installed.
Economic factors: The supply of raw materials	Small farms; Seasonality; The absence of a long-term state regulation system.	In order to mitigate potential risks and the effects thereof, milk producers receive milk price supplements for long-term co-operation, better milk quality indicators, loyalty and the balancing of milk production seasonality.
Produce sales	Internal competition among local manufacturers. Availability of cheaper Polish produce on the Lithuanian market. Growing quantity and range of cheaper products from other EU states.	Search for alternatives to imported products. Range expansion. Search for new markets.
Social factors	Employee qualification.	Staff training, workshops.

General economic risk factors:Adverse factors related to raw milk production:

1. Decrease in the number of cows in Lithuania. In accordance with the data of the Register of Farm Livestock managed by the Agricultural Information and Rural Business Centre (ŽŪIKVC), as of 1 February 2018, the number of cows registered in Lithuania amounted to 271,581, or 4.6% less than in the same period of 2017. The number of dairy farms dropped by 12.1%. This change creates a risk of increased competition in the raw milk procurement market and a rise of raw milk prices.
2. Productivity of dairy cows. Poor cow productivity is determined by cow herds with insufficient genetic potential and prevailing inadequate feed base.
3. Unstable state regulatory instruments in the dairy industry. The process of creation of the dairy farms based on household business was, and continues to be rather slow. Absence of consistent national policy for the development of the sector, frequent changes of the conditions and volume of assistance, focus on milk prices rather than on investment support are among the factors which have adversely affected the development of farms and the improvement of veterinary and sanitary conditions.
4. Partial regulation of milk procurement prices, requiring that all farmers are paid the same price, regardless of the quality of raw milk they supply.
5. Decrease in the number of persons engaged in dairy production; population ageing and situations when elderly people have no one to pass their farms to.

Adverse factors related to the sale of products:

1. Decreasing population of Lithuania;
2. Strong competition both on the local and export markets;
3. Use of cheaper ingredients instead of dry dairy products;
4. Instability of product prices on export markets;
5. Lack of the Government's attention to the business and regional development, and the creation of jobs;
6. Ongoing embargo of Lithuanian products imposed by Russia;
7. Difficulties associated with access to new markets;
8. Production surplus on the EU markets;
9. Rigid policy with respect to the application of VAT and excise duty;
10. Unstable competitiveness due to euro/dollar exchange rate fluctuations;

Social risk factors:

1. Migration of young people from Lithuania;
2. Ageing population;
3. The lack of qualified labour in Lithuania.

These social factors do not depend from the actions of the Company alone. The Company might be forced to increase investment into the automatization of production processes, i.e. replace manual work with robots.

11. Information about the aims of financial risk management and the use of hedging measures

The Company and the Group face various financial risks in their operations. The general risk monitoring program of the Group focuses on uncertainties of the financial markets and aims to mitigate possible impact on the financial results of the Group's operations.

The Group has general liability insurance against claims arising from its operations and damages to the Group's products or services. The insurance policy is valid throughout the world.

Risk management is the responsibility of the Management of the Company. The Company does not have a written document which sets out the general principles of risk management.

12. Key aspects of the internal control and risk management systems associated with the formation of consolidated financial accounts

The supervision of the drawing up of the Company's consolidated financial accounts, the internal control and financial risk management systems and compliance with the laws on the drawing up of consolidated financial accounts is carried out by the Audit Committee.

The consolidated accounts of Rokiškio sūris, AB and the financial accounts of the Company are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for application in the European Union.

The Audit Committee supervises the preparation process of the financial accounts of the Company and Subsidiaries, reviews IFRS so as to ensure timely implementation of all changes to IFRS in the financial reports, analyses the transactions relevant to the operations of the Company and Subsidiaries, ensures information collection from the companies of the Group as well as timely processing and preparation of the information for financial accounting purposes, informs the Board of the Company about significant internal control irregularities related to financial accounts that have been identified by external and internal audit and makes recommendations regarding ways of addressing them.

The preparation of IFRS-compliant financial statements involves the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 of the management about current situation and actions. The financial accounts include consolidated financial accounting of the Group and individual financial accounting of the Company.

Subsidiaries are the entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is normally exercised through the ownership of more than a half of the voting rights. When assessing whether the Group controls another company, the existence and effect of the shares or convertible potential shares with voting rights currently held is taken into account. Subsidiaries are fully consolidated from the date when the Group acquires control over these companies, and cease to be consolidated from the date when this control is lost.

The Audit Committee makes recommendations to the Board regarding the choice of external audit undertaking and monitors the way in which the external auditor and the audit undertaking complies with the principles of independence and impartiality.

13. Environment

When implementing its food safety, quality and environmental policy, Rokiškio sūris, AB seeks to reduce environmental impact, implement pollution prevention measures, waste generation so that the operations do not cause undesired impact on air, water and soil. Seeking continuous improvement and mitigation of environmental risks, environmental targets have been set. The assessment and analysis of the operation is performed regularly using five environment observation programs. No negative impact on the environment was determined. The reports are submitted to the Environment Ministry.

In the first half year 2018, the company processed more raw milk compared to 2017, by 3.6%, subsequently consumption of resources increased also.

Consumption of energy resources in the first half year 2018, per 1 ton of raw material:

Thermal power	Electricity	Water	Waste effluent
Increased by 3.3%	Increased by 9.9%	Decreased by 2.2%	Decreased by 3.2%

During the first half year 2018, 74% of used water was extracted from the company's fresh water bores. The savings of the underground water made 8.8% 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. 27.7% of the cleaned water is used second time.

The waste is treated by the internal waste water treatment plant with nitrification and di-nitrification, 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 2.7% of total waste. The amount of discharged contaminants with the waste in accordance with BDS₇ is equal to 0.07 kg/ ton of raw material.

AB Rokiškio sūris employs 295 vehicles: 164 trucks, 122 cars, and 8 others. 79% of which complies with the requirements set by Euro 1-6. Repair works are carried out in certified auto services.

The comprised waste is handled in accordance with the rules of applicable requirements. In the first half year 2018, it was 175.6 t of household waste, 5.88 t of hazardous waste, and 3,386 t of sludge from waste water treatment plant was used for soil fertilization. It was collected the secondary waste as follows: paper and carton 15.25 t, plastics 36.1 t.

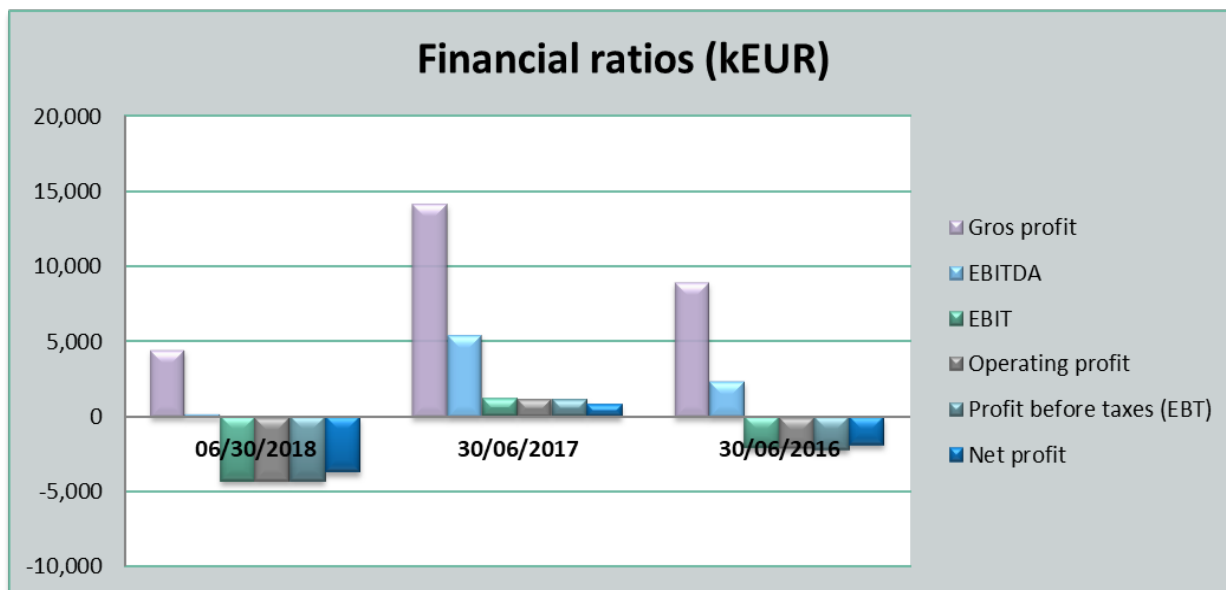
AB Rokiškio sūris has a Licence for integrated prevention and control of pollution (TIPK), which was renewed on 12th September 2014.

ISO 14001:2004 /LST EN ISO 14001:2005 „Environmet Protection Management Systems. Requirements and guidance“. The certificate issued 17/06/2016, valid until 15/09/2018.

14. FINANCIAL PERFORMANCE

Financial performance (thou. EUR)	Values	30/06/2018	30/06/2017	30/06/2016
Sales revenues	Figure from the Statement of Comprehensive Income	102 202	122 699	97 106
Gross profit	Figure from the Statement of Comprehensive Income	4 432	14 148	8 996
EBITDA	EBIT + Depreciation + Amortization	206	5 457	2 397
EBIT	Net profit - Income Tax - Financial operation costs	(4 285)	1 187	(2 111)
Operational profits	Figure from the Statement of Comprehensive Income	(4 285)	1 187	(2 111)
Earnings before tax EBT	Net profit + Income tax	(4 285)	1 156	(2 196)
Net profit/loss	Figure from the Statement of Comprehensive Income	(3 685)	844	(1 902)
Fixed assets	Figure from the balance sheet	71 965	73 278	55 612
Current assets	Figure from the balance sheet	84 103	74 689	89 236
Total assets	Figure from the balance sheet	156 068	147 967	144 848
Shareholders ' equity	Figure from the balance sheet	126 824	119 682	111 389
Profitability (%)				
Return on assets [ROA]	$\frac{\text{Net profit}}{\text{Average assets}}$	(2.42)	0.58	(1.27)
Return on equity [ROE]	$\frac{\text{Net profit}}{\text{Average equity}}$	(2.82)	0.70	(1.68)
Gross profit margin	$\frac{\text{Gross profit}}{\text{Sales revenues}}$	4.34	11.53	9.26
EBITDA margin	$\frac{\text{Earnings before interest, tax and depreciation}}{\text{Sales revenues}}$	0.20	4.42	2.47
EBIT margin	$\frac{\text{Earnings before interest and tax}}{\text{Sales revenues}}$	(4.19)	0.97	(2.17)
Profitability rate [EBT margin]	$\frac{\text{Earnings before tax}}{\text{Sales revenues}}$	(4.19)	0.94	(2.26)
Net profit margin	$\frac{\text{Net profit}}{\text{Sales revenues}}$	(3.61)	0.69	(1.96)
Financial structure				
Debt-to-equity ratio	$\frac{\text{Liabilities}}{\text{Shareholders ' equity}}$	0.23	0.24	0.30
Equity capital to assets ratio	$\frac{\text{Shareholders ' equity}}{\text{Assets}}$	0.81	0.81	0.77
General liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	3.35	3.03	3.05
Market value indicators				
Price/earnings ratio	$\frac{\text{Company's stock price}}{\text{Earnings per share}}$	(27)	5.83	(46.3)

(P/E ratio)	Earnings per share			
Net earnings per share	<u>Net profit</u> Weighted average number of ordinary shares in turnover	(0.10)	0.41	(0.03)



Profit/loss report

As of 30 June 2018, the Group's sales revenue amounted to kEUR 102,202. Compared to 2017, the sales revenue of the Group decreased by 16.71%.

The main part of the revenue (87.6%) was sales of fermented cheese, butter and short shelf life dairy products.

This was mostly the result of the decreased price of fermented cheeses, WPC, lactose, and skim milk powder. Due to the situation in worldwide markets and in light of the decreased demand on fermented cheese and other dairy products, the amount of sold products decreased as well.

The most significant drop of prices was in the sector of sales of fermented cheese, lactose and WPC. Rise of butter price in the second quarter of 2018 and slightly increased prices of short shelf life products did not compensate the reduced sales.

In terms of quantities, sales of fermented cheese decreased by 17.7% compared to the same period of last year. So decreased the sales of lactose by 20%.

The half year 2018 consolidated non-audited net loss of Rokiškio sūris, AB amounted to kEUR 3,685. The half year 2017 consolidated audited profit of the Group amounted to kEUR 844.

The loss occurred due to the above mentioned reasons – decline of export product prices and demand for dairy products in the worldwide markets.

Average price of fermented cheese dropped by more than 6%, and the price of fresh fermented cheese decreased by approx. 10%. On the other hand, price for raw milk decreased only from 2 to 6.7%. these are the main reasons why the Group had a loss in the 1Q 2018.

Margin of operational profit of 6 months 2018 made -4.19%, whilst this ration in the same period of last year reached 0.97%.

EBITDA equals to kEUR 206, which is lower by 11.1% compared to 6 months 2017.

Margin of EBITDA of 6 months 2018 made 0.20% (6 months 2017 made 4.42%).

Costs:

In 2018 the sales costs of the Group amounted to kEUR 97,770 (kEUR 108,551 in the same period of 2017). The sales costs decreased by 9.9%, or kEUR 10,781. This change was due to the decrease of sales quantities.

15. Plans and forecasts for the operations of the Group and investments for the year 2018

The operational plans and objectives of Rokiškio sūris, AB are associated with the implementation of the updated 2018 – 2020 strategic plan of the Group of companies; the plan provides for an objective to increase milk procurement and processing volumes, improve production efficiency through process optimisation, manufacture high added-value products, enhance the trust in its products, promote healthy lifestyle and thus increase the per-capita consumption of dairy products.

In 2018 the Company plans to invest EUR 15.1 millions into the implementation of the objectives and investments towards the implementation and development of its objectives.

The main investment areas for 2018 include:

- Introduction of innovative production technology in the manufacturing process of fresh dairy products and continue investments related to the manufacture of WPC80 and a new WPI product.
- Increasing the competitiveness of the Company by focusing on the sales of cheeses, butter and products obtained from whey to the Far East and other global markets.
- Conservation of energy resources, curbing adverse environmental impact, improving working conditions for employees.
- Improving sanitary and hygiene levels in production units.
- Improving product quality.
- Addressing customer needs for the company's products.
- Improving the production of fresh dairy products.

Value of the investment made in half year 2018 equals to mEUR 4.43. Partly these are the investments commenced in 2017, it also includes investment started in the first half year 2018 and already completed.

In the main facility of the Company, Rokiskis factory, it will be further invested into the completion of long-maturity warehouse (it is planned to finish the construction of long-maturity cheese chambers and install new refrigeration equipment by the end of the year). During the first half year it was purchased the following: seven forklifts, cheese vacuuming line, cheese packaging and grating machines, various measuring equipment, milk truck cleaning systems (CIP), silos for RO-P water, special vehicles.

The subsidiary in Utena will continue investing into the production of new products such as WPI and WPC80. Also, there was built a line for milk powder packaging, and an automotive cleaning system for milk trucks. In Ukmerge, there was implemented a new line for curds production in blocks, piping system was changed, and a new sealing equipment was bought.

INFORMATION ON THE COMPANY'S SHAREHOLDERS AND SHARES

16. Information on the Company's Authorized capital

As of June 30, 2018, the Authorized capital of Rokiškio sūris, AB consisted of:

Type of shares	Number of shares (units)	Par value EUR)	Total par value, (EUR)	Share of authorized capital (%)
Ordinary registered shares	35,867,970	0.29	10,401,711.30	100.00

17. Contracts of the Company with the financial brokerage undertakings

Rokiškio sūris, AB has a contract with FMĮ Orion Securities, UAB (address: 4, A.Tumėno g., LT-01109. Vilnius, phone No. [+370 5 231 3833](tel:+37052313833), info@orion.lt) regarding the administration of securities issued by the Company and provision of investment services.

18. Data about trade in issuer's securities on regulated markets

35,867,970 units of ordinary registered shares of Rokiškio sūris, AB are entered in **NASDAQ Vilnius official trading list for the Baltics** . (Vilnius Stock Exchange symbol RSU1L). Par value of one share: EUR 0.29.

The company has been listed since 25 July, 1995.

The Company's shares are listed in OMX Baltic Benchmark index.

The Company has not issued debt securities for public stock trading.

The Company has not issued or registered debt securities for non-public stock trading.

There are no securities which do not certify participation in the Authorized Capital but the turnover whereof is regulated under the Law on Securities of the Republic of Lithuania.

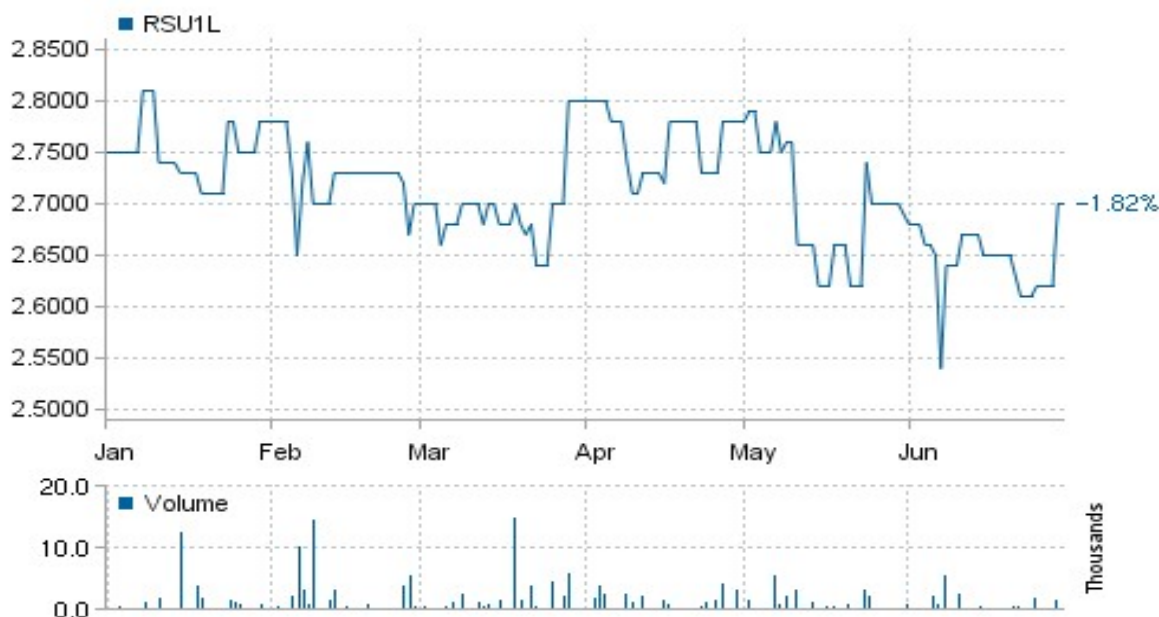
There was no trading on other stock exchanges and other organised markets.

Trading statistics:

	6 months 2018	6 months 2017	6 months 2016	6 months 2015
Price at the most recent trading session, EUR	2.70	2.39	1.39	1.44
Highest price, EUR	2.81	2.39	1.43	1.50
Lowest price, EUR	2.54	1.69	1.32	1.35
Turnover, units	169 172	534 356	171 016	859 754
Turnover, kEUR	458	1.041	237	1.197
Capitalisation, kEUR	49.50	50.93	63.49	98.64

Share price and turnover dynamics during the reporting period

Price, EUR



Source: NASDAQ Vilnius, AB website

<http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical¤cy=0&date=&start=2018.01.01&end=2018.06.30&lang=en>

Share price and turnover dynamics during 4 years' period



Source: NASDAQ Vilnius, AB website

<http://www.nasdaqbaltic.com/market/?instrument=LT0000100372&list=2&pg=details&tab=historical¤cy=0&date=&lang=en&start=30.06.2015&end=30.06.2018>

Dynamics of the Company's shares (RSU1L), OMX Baltic Benchmark and OMX Vilnius indexes:



Source: NASDAQ Vilnius, AB website

http://www.nasdaqbaltic.com/market/?pg=charts&idx_main%5B0%5D=OMXBBGI&idx_main%5B1%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000100372&idx_equity%5B0%5D=LT0000100372&period=other&start=2018.01.01&end=2018.06.30&lang=en

Chart data:

Index/Equity	01.01.2018	30.06.2018	+/-%
OMX Baltic Benchmark GI	944.09	974.87	3.26
OMX Vilnius	653.29	709.95	8.67
RSU1L	2.75 EUR	2.7 EUR	-1.82

19. Limitation on transference of securities:

There are no limitations to share packages or any claims against the Company or other holders of the securities.

20. Procedure for amending the Articles of Association

The procedure for amending the Articles of Association of the Company is provided in the laws of the Republic of Lithuania and the Articles of Association of the Company. Decisions to amend the Articles of Association of the Company are adopted by a qualified 2/3 majority of the votes held by the shareholders attending the meeting, except for the cases laid down in the Law on Stock Corporations of the Republic of Lithuania.

When the general meeting of shareholders adopts a decision to amend the Articles of Association of the Company, a new working of the Articles of Association shall be drawn up; it shall be signed by a person authorised by the general meeting of shareholders.

Any amendments of or additions to the Articles of Association of the Company shall enter into force only after they are registered in accordance with the procedure established in the laws of the Republic of Lithuania.

21. Information about the shareholders of the Company

As of 30 June, 2018, the total number of shareholders of Rokiškio sūris, AB was 5,363.

Package held by a group of shareholders (as of 30 June, 2018):

Name, surname Company name Registration number	Address	Held under ownership right		With associated persons*
		Number of ordinary registered shares	Share of capital and votes, %	Share of capital and votes, %
Pieno pramonės investicijų valdymas, UAB Code 173748857	Pramonės str. 3, Rokiškis Lithuania	9 758 312	27.21	81.86*
SIA RSU Holding, reg. No. 40103739795	Elizabetes iela 45/47, LV-1010 Riga	8 953 883	24.96	
Antanas Trumpa Board Chairman of the Company	Sodų 41a, Rokiškis Lithuania	6 980 233	19.46	
Fonterra (Europe) Coöperatie U.A., CCI 50122541	Barbara Strozzi laan 356-360, EurBld2, 3e verdieping, 1083HN Amsterdamas, Nyderlandai	3 586 797	10.00	
Dalius Trumpa CEO of the Company	Sodų g.31, Rokiškis Lietuva	83 500	0.23	
INVL Drąsus pensijų fondas	Gynėjų str.14, Vilnius Lithuania	28 000	0.08	5.40**
INVL MEDIO III 47+ pensijų fondas	Gynėjų str.14, Vilnius Lithuania	15 000	0.04	
INVL EXTREMO III 16+ pensijų fondas	Gynėjų str.14, Vilnius Lithuania	33 000	0.09	

INVL EXTREMO II 16+ pensijų fondas	Gynėjų str.14, Vilnius Lithuania	1 131 963	3.16	
INVL MEDO II 47+ pensijų fondas	Gynėjų str.14, Vilnius Lithuania	524 311	1.46	
INVL Baltijos fondas	Gynėjų str.14, Vilnius Lithuania	133 025	0.37	
INVL MEZZO II 53+ pensijų fondas	Gynėjų str.14, Vilnius Lithuania	70 000	0.20	

*The group of jointly-acting persons consists of: Pieno pramonės investicijų valdymas, UAB (27.21% the authorized capital and votes of the Company), SIA RSU Holding (24.96% of the authorized capital and votes of the Company), strategic investor Fonterra (Europe) Coöperatie U.A. (10.00% of the authorised capital and votes of the Company), Antanas Trumpa (19.46% of authorized capital and votes of the Company) and Company CEO Dalius Trumpa (0.23% of the authorized capital and votes of the Company).

**The group of jointly-acting persons consists of: INVL Drąsus pensijų fondas, INVL MEDO III 47+ pensijų fondas, INVL EXTREMO III 16+ pensijų fondas, INVL EXTREMO II 16+ pensijų fondas, INVL MEDO II 47+ pensijų fondas, INVL Baltijos fondas ir INVL MEZZO II 53+ pensijų fondas, all of them owned by INVL Asset Management, UAB.

22. Rights of Shareholders

Non-property rights of shareholders:

- 1) the right to attend general meetings of shareholders;
- 2) the right to make advance inquiries addressed to the company in regards with the items on the agenda of general meeting of shareholders;
- 3) the right to vote at the general meeting of shareholders in accordance with the rights granted by shares;
- 4) the right to receive company information specified in Article 18(1) of the Law on Stock Corporations of the Republic of Lithuania;
- 5) the right to approach a court with a claim for compensation of damages to the Company caused by failure to perform or poor performance on the part of the Company CEO and Board members of their duties established in the Law on Stock Companies and other laws of the Republic of Lithuania as well as in the present Articles of Association, also in other cases established under the law.
- 6) other non-property rights established in the laws of the Republic of Lithuania.

Property rights of shareholders:

- 1) the right to receive a part of the profit of the Company (dividend);
- 2) the right to receive funds of the Company when the authorised capital of the Company is reduced in order to pay the funds of the Company to the shareholders;
- 3) receive shares free of charge when the authorised capital is increased with the funds of the Company, except for the derogation established in Article 42(3) of the Law on Stock Corporations

of the Republic of Lithuania and in the case established in Article 47¹ of the Law on Stock Corporations of the Republic of Lithuania.

4) priority right in acquiring the shares or convertible bonds issued by the Company, unless the general meeting of shareholders decides to revoke the priority right for all shareholders in accordance with procedure laid down in the Law on Stock Corporations of the Republic of Lithuania;

5) lend funds to the Company in the manner established in the laws; when borrowing from its shareholders, the Company shall be prohibited from pledging its assets to the shareholders. When the Company borrows from a shareholder, the interest must not exceed the average interest rate of the local commercial banks on the day of contracting. In this case the Company and shareholders may not agree to apply a higher interest rate;

6) receive a part of the assets of the Company if it enters into liquidation;

7) other property rights established in the laws of the Republic of Lithuania.

The rights stipulated in paragraphs 1, 2, 3 and 4 shall apply to the persons who were shareholders of the Company in the end of the tenth business day after the general meeting of shareholders which adopted the respective decision.

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

There are no shareholders with special control rights.

24. Information about all restrictions on the voting rights.

There are no shareholders whose voting rights are restricted.

25. Information about the purchase of own shares by issuer

The general meeting of shareholders of Rokiškio sūris, AB which took place on 28 October, 2016 decided to cancel all (3,586,797) previously purchased own shares and reduce the authorised capital of the Company by the respective amount. Upon the cancellation of the own shares which had been purchased, an entry about the reduction of the authorised capital of Rokiškio sūris, AB was made in the Register of Legal Persons of the Republic of Lithuania.

The Company did not purchase or transfer its own shares in 2017.

26. Dividends

The decision on the assessment and payment of dividends is made by the general meeting of shareholders at the time of distributing the distributable profit of the Company. The dividends assessed by the Company shall be paid within 1 months from the date of the profit distribution decision.

Dividends may be assessed for the fiscal year or a period shorter than the fiscal year.

The general meeting of shareholders must not decide to assess and pay dividends if at least one of the following conditions exists:

- 1) the Company has outstanding liabilities the maturity whereof has expired prior to the date of the decision;
- 2) the amount of the distributable profit (loss) of the fiscal year is negative (the Company has generated a loss);

- 3) the own capital of the Company is below the aggregate amount of the authorised capital of the Company, the mandatory reserve, the revaluation reserve and the reserve for the acquisition of own shares, or would fall below the amount after the dividends are paid.

The Company must not pay dividends, annual payments to Board members and employee bonuses, unless it has paid statutory taxes within the established time limits.

The persons who were shareholders of the Company or were otherwise legally entitled to dividends at the end of the rights accounting day of the general meeting of shareholders which declared the dividends (at the end of the tenth day after the general meeting of shareholders that issued the decision) shall be entitled to collect dividends.

Dividends assessed and paid and the indicators thereof during 10 recent years:

Year	Dividend amount, EUR	Dividend amount per share, EUR	Net profit per share, EUR	Dividend payment coefficient
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
2016	3,228,117.30	0.1000	0.3162	0.32
2017	3,586,797.00	0.1000	0.2421	0.41

MANAGEMENT OF THE COMPANY

27. Management bodies of the Company

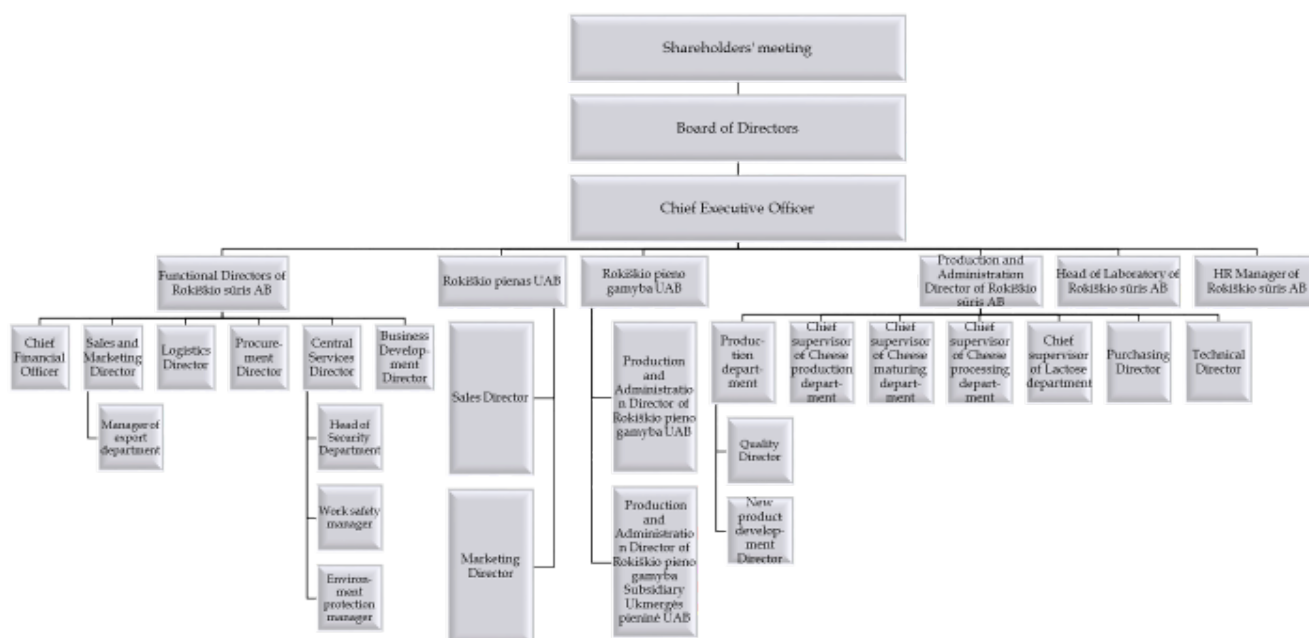
The following management bodies of the Company are provided for in the Articles of Association of the Rokiškio sūris, AB entered in the Register of Legal Persons:

- General meeting of shareholders,
- Board
- Company CEO (Director)

The Supervisory Board shall not be formed at the Company.

28. Organizational structure of the management of the Company and the Company group

The management structure of Rokiškio sūris, AB is organised on the basis of the principal functions, i.e. sales, production, finance management, milk procurement, central services and development. The strategy, tactics and objectives of the Group are set forth by functional director in accordance with the functions assigned to them.



29. Information on the powers of and the procedure for convening the General Meeting of Shareholders

The powers of and the procedure for convening the General Meeting of Shareholders shall not differ from those provided for in the Law on Companies.

The right of initiative to convene the General Meeting of Shareholders of Rokiškio sūris, AB shall be exercised by the Board and shareholders whose shares grant at least 1/10 of all votes at the General Meeting of Shareholders.

A notice of the convening of the General Meeting of Shareholders of the Company must be published in the Republic of Lithuania and all other EU member states as well as countries of the European Economic Area not later than 21 days before the General Meeting of Shareholders according to the procedure laid down in the Law on Securities. A notice of the convening of the General Meeting of Shareholders shall also be published in the electronic publication *Juridinių Asmenų Vieši Pranešimai* (Public Notices of Legal Entities) issued by the State Enterprise Centre of Registers (VĮ Registrų Centras) as provided for in the Articles of Association.

The persons who were shareholders of the Company at the close of the accounting day of the General Meeting of Shareholders shall have the right to attend and vote at the General Meeting of Shareholders or repeat General Meeting of Shareholders in person, unless otherwise provided for by laws, or may authorise other persons to vote for them as proxies or may conclude an agreement on the disposal of the voting right with third parties. The shareholder's right to attend the General Meeting of Shareholders shall also cover the right to speak and to enquire. The record date of the meeting of a public limited liability company shall be the fifth working day before the General Meeting of Shareholders or the fifth working day before the repeat General Meeting of Shareholders.

A shareholder may vote in writing by filling in a general ballot paper. The form of a general ballot paper is available on the website of the Company www.rokiskio.com, in the section “For investors”, and is also provided with draft resolutions submitted by the Company via the Central Storage Facility. The filled-in general ballot paper shall be signed by the shareholder or his authorised person. The filled-in general ballot paper signed by the shareholder or another person entitled to vote as well as the document confirming the right to vote shall be submitted to the Company in writing not later than the last working day before the Meeting, by sending them by registered mail to the following address: Pramonės g. 3, LT- 42150, Rokiškis, or delivering to the registered office of the Company against its signed acknowledgement on working days.

The Company shall not provide a possibility to attend the Meeting and to vote by means of electronic communications.

A General Meeting of Shareholders may take decisions and shall be held valid if attended by the shareholders who hold the shares carrying not less than ½ of all votes. After the presence of a quorum has been established, the quorum shall be deemed to be present throughout the Meeting. If the quorum is not present, the General Meeting of Shareholders shall be considered invalid and a repeat General Meeting of Shareholders must be convened, which shall be authorised to take decisions only on the issues on the agenda of the meeting that was not held and to which the quorum requirement shall not apply. The repeat General Meeting of Shareholders shall be convened after the lapse of at least 14 days and not later than after the lapse of 21 days following the day of the General Meeting of Shareholders which was not held. The shareholders must be notified of the repeat General Meeting of Shareholders in the manner specified in Article 26¹(3) of the Law on Companies not later than 14 days before the repeat General Meeting of Shareholders.

An annual general meeting of shareholders must be held every year not later than within four months from the end of the financial year.

The shareholders who hold shares carrying at least 1/20 of all the votes shall have the right to propose issues to supplement the agenda. Draft decisions on the proposed issues or, when it is not mandatory to adopt decisions, explanatory notes on each proposed issue of the agenda of the General Meeting of Shareholders shall be submitted alongside with the proposal. A proposal to supplement the agenda shall be submitted in writing, by sending it by registered mail to the address of Rokiškio sūris, AB: Pramonės g.3, LT-42150 Rokiškis, or by e-mail: rokiskio.suris@rokiskio.com. The agenda shall be supplemented where the proposal is received not later than 14 days before the General Meeting of Shareholders.

The shareholders who hold shares carrying at least 1/20 of all the votes shall have the right to propose new draft decisions on issues on the agenda of the Meeting. Proposed draft decisions shall be submitted in writing, by sending them by registered mail to the address of Rokiškio sūris, AB: Pramonės g.3, LT-42150 Rokiškis, or by e-mail: rokiskio.suris@rokiskio.com. The shareholders shall also have the right to propose draft decisions on the issues of the agenda of the Meeting in writing during the Meeting.

The shareholders attending the general meeting of shareholders shall be registered in the shareholder registration list. This list must indicate the number of votes granted to each shareholder by the shares held by him.

A person attending the General Meeting of Shareholders and entitled to vote shall produce a document which is a proof of his identity. A person who is not a shareholder must additionally produce a document confirming his right to vote at the General Meeting of Shareholders. The requirement to present the document confirming a person’s identity shall not apply if votes are cast in writing by filling in a general voting ballot. The form of a general ballot paper is available on the website of the Company www.rokiskio.com, in the section “For investors”.

If a shareholder requests so, the Company shall, at least 10 days before the General Meeting of Shareholders, send the general ballot paper by registered mail or deliver it to the shareholder in person against his signed acknowledgement of receipt. The filled-in general ballot paper shall be signed by the shareholder or his authorised person. The filled-in general ballot paper signed by the shareholder or another person entitled to vote as well as the document confirming the right to vote shall be submitted to the Company in writing not later than the last working day before the Meeting, by sending them by registered mail to the following address: Pramonės g. 3, LT- 42150, Rokiškis, or delivering to the registered office of the Company, by the address indicated above, against its signed acknowledgement on working days.

The right to vote at other General Meetings of Shareholders shall be granted only by fully paid-up shares. Each share shall give one vote at the General Meeting of Shareholders.

The General Meeting of Shareholders shall have the exclusive right to:

- 1) amend the Articles of Association of the Company;
- 2) change the registered office of the Company;
- 3) elect the members of the Supervisory Board; if the Supervisory Board is not formed, elect members of the Board, if neither the Supervisory Board nor the Board is formed, elect the Manager of the Company;
- 4) remove the Supervisory Board or its members, also the Board or its members elected by the General Meeting of Shareholders and the Manager of the Company;
- 5) select and remove an auditor or an audit firm for carrying out the audit of a set of annual financial statements, establish payment conditions for audit services;
- 6) determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- 7) take a decision on conversion of the Company's shares of one class into shares of another class, approve the share conversion procedure;
- 8) take a decision on changing the number of shares of the same class issued by the Company or the nominal value of the shares without changing the amount of the authorised capital;
- 9) approve the set of annual financial statements;
- 10) take a decision on profit/loss distribution;
- 11) take a decision on the building-up, use, reduction and liquidation of reserves;
- 12) approve the set of interim financial statements drawn up for the purpose of adoption of a decision on the allocation of dividends for a period shorter than the financial year;
- 13) take a decision on the allocation of dividends for a period shorter than the financial year;
- 14) take a decision on the issue of convertible debentures;
- 15) take a decision on withdrawal for all the shareholders the right of pre-emption in acquiring the Company's shares or convertible debentures of a specific issue;
- 16) take a decision on increase of the authorised capital;
- 17) take a decision on reduction of the authorised capital, except where otherwise provided for by the Law on Companies;
- 18) take a decision on the Company's acquisition of its own shares;
- 19) take a decision on allocation of the Shares to employees and/or members of the management bodies;
- 20) to approve the Rules of the Allocation of Shares;
- 21) take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off;
- 22) take a decision on conversion of the Company;

- 23) take a decision on the restructuring of the Company in the cases specified by the Law on Restructuring of Enterprises;
- 24) take a decision on liquidation of the Company or on cancellation of the liquidation of the Company, except where otherwise provided for by the Law on Companies;
- 25) elect and remove the liquidator of the Company, except where otherwise provided for by the Law on Companies.

The General Meeting of Shareholders may also decide on other matters assigned to its powers by the Articles of Association of the Company, unless these have been assigned under the Law on Companies to the powers of other bodies of the Company and provided that, in their essence, these are not the functions of the management bodies.

A decision of the General Meeting of Shareholders shall be considered taken if more votes of the shareholders have been cast for it than against it, except for the issues mentioned in Points 1, 6, 7, 8, 10, 11, 13, 14, 15, 16, 17, 20, 21, 22, and 24 above, a decision on which shall be taken by 2/3 (two thirds) of all the votes carried by the shares held by the shareholders attending the Meeting, and the issue mentioned in Point 15, a decision on which shall require 3/4 (three thirds) of all the votes carried by the shares held by the shareholders attending the Meeting and entitled to vote on this issue.

30. Board of the Company

The Board shall be a collegial management body of the company which has 5 (five) members. The members of the Board shall be elected and removed from office by the General Meeting of Shareholders in accordance with the procedure laid down by the Law on Companies. The members of the Board shall elect the Chairperson of the Board. The number of the terms of office of a member of the Board shall not be limited. Only a natural person may be elected a member of the Board. The following persons may not be a member of the Board: a member of the Supervisory Board of the Company (should the Supervisory Board be formed in the Company) and a person who may not hold this office under legal acts. The powers of the members of the Board are defined in the Law on Companies and in the Articles of Association of the Company.

If the Board is removed from office, resigns, or discontinues to perform its duties for any other reasons before the end of the term of office, a new Board shall be elected for a new term of office of the Board. If individual members of the Board are elected, they shall serve only until the expiry of the term of office of the current Board.

The Board may adopt decisions and its meeting shall be deemed to have been held when the meeting is attended by 2/3 or more of the Members of the Board. The Members of the Board who have voted in advance shall also be deemed to be present at the meeting. A decision of the Board shall be adopted if more votes for it are received than the votes against it.

Members of the Board are paid bonuses for their work on the Board in accordance with the procedure laid down in Article 59 of the Law on Companies of the Republic of Lithuania. The amount of bonuses depends on the performance of the Company. The decision on the payment of bonuses shall be taken by the General Meeting of Shareholders.

No other additional payments related to the motivation system are provided for the Chairperson of the Board. The members of the Board have not authorised any other persons to perform the functions assigned to the scope of the powers of the Board.

Members of the Board of Rokiškio sūris, AB

(Elected at the General Meeting of Shareholders held on 13 December 2017)

Antanas Trumpa – the Chairperson of the Board (from 13 December 2017)

Work experience	Antanas Trumpa worked in the Company since 1966 1971–2017 – the Manager (Director) of the Company
Education	In 1966, he graduated from Kaunas Polytechnic Institute, Faculty of Equipment for Food Industry, and acquired the qualification of Mechanical Engineer In 1979, he defended the Ph. D. thesis titled “Organisation of Operation of Vacuum Apparatus” in Kaunas Polytechnic Institute On 12 October 1994, the Lithuanian Science Council nostrificated the thesis for a doctoral degree
Shares of Rokiškio sūris, AB held	Antanas Trumpa directly holds 6,980,233 shares (19.46% of the authorised capital and votes) His holding jointly with other persons amounts to 29,362,725 shares (81.86% of the authorised capital and votes)
Participation in the activities of other companies	Board Chairperson at Rokiškio Pienas, UAB and Rokiškio Pieno Gamyba UAB Shareholder of Pieno Pramonės Investicijų Valdymas, UAB, owning 7,152, i.e. 70.95%, of the shares of and voting rights in the company

Antanas Kavaliauskas – Deputy Chairperson of the Board

He is a member of the Board since 2005 (and was elected for a new 4-years term of office by the General Meeting of Shareholders held on 13 December 2017)

Work experience	From 2002, Chief Financial Officer of Rokiškio Sūris, AB
Education	Faculty of Management of Kaunas University of Technology; Master of Financial Management Member of ACCA (Association of Chartered Certified Accountants)
Shares of Rokiškio sūris, AB held	No shares held
Participation in the activities of other companies	Shareholder of Pieno Pramonės Investicijų Valdymas, UAB, owning 3.91% of the shares of and voting rights in the company Board Chairperson of the Latvian-based SIA Jekabpils Piena Kombinats; no shares held

Paul M Campbell – Member of the Board of the Company

(Elected for a 4-year term of office at the General Meeting of Shareholders held on 13 December 2017)

Work experience	Director for Special Projects at Fonterra Co-operative Group Ltd. He works in the Co-operative since 1984 and held various posts in Fonterra in the following fields: general management, management of joint ventures, marketing, engineering and finance in New Zealand, Japan, and North Africa. Currently, Paul M Campbell resides in London
Education	The University of Canterbury in New Zealand; Chemical and Industrial Engineering Massey University in New Zealand; Diploma in Dairy Industry Science and Technology
Shares of Rokiškio sūris, AB held	No shares held
Participation in other activities	Mr Campbell is director of many international joint ventures of Fonterra

Ramūnas Vanagas – Member of the Board of the Company

A member of the Board since 2006 (elected for a new 4-years term of office by the General Meeting of Shareholders on 13 December 2017)

Work experience	From 2005, Business Development Director of Rokiškio Sūris, AB
Education	Lithuanian Academy of Agriculture; major in Economics and Management
Shares of Rokiškio sūris, AB held	No shares held
Participation in the activities of other companies	Shareholder of Pieno Pramonės Investicijų Valdymas, UAB owning 3.91% of the shares of and voting rights in the company Board Chairperson of the Latvian-based SIA Jekabpils Piena Kombīnats; no shares held

Darius Norkus – Member of the Board of the Company

A member of the Board since 2008 (elected for a new 4-years term of office by the General Meeting of Shareholders on 13 December 2017)

Work experience	From 2005, Sales and Marketing Director
Education	Kaunas University of Technology; Diploma of Engineer (1993) Baltic Management Institute, Master's Degree in Business Administration (EMBA programme, 2000).
Shares of Rokiškio sūris, AB held	No shares held
Participation in the activities of other companies	Shareholder of Pieno Pramonės Investicijų Valdymas, UAB owning 3.91% of the shares of and voting rights in the company

Manager (Director) of the Company

The Manager (Director) of the Company shall be a single-person management body, who shall organise daily activities of the Company, considers and decides on issues of the Long-term Strategic Plan and Business Plan of the Company. In the Company's relations with other persons, the Director shall act at his own discretion on behalf of the Company.

The Manager of the Company shall take part in all General Meetings of Shareholders held (including those in the reporting period).

The duties and powers of the Director are defined in the Law on Companies and in the Articles of Association of the Company.

Information on the Manager (Director) of the Company

Dalius Trumpa – Manager (Director) of the Company

(appointed by the Board of the Company as of 1 January 2018)

Work experience	Dalius Trumpa works in Rokiškio sūris, AB since 1991 2002–2006, Production Director of Rokiškio sūris, AB 2007–2017, Deputy Director of Rokiškio sūris, AB From 1 January 2018, Director of Rokiškio Sūris, AB From 2 January 2007, Director of the subsidiary Rokiškio Pienas, UAB From 29 April 2013, Director of the subsidiary Rokiškio Pieno Gamyba, UAB
Education	Kaunas University of Technology; major in Food Industry Machinery and Apparatus; Mechanical Engineer
Shares of Rokiškio sūris, AB held	He directly holds 83,500 shares (0.23% of the authorised capital and votes) His holding jointly with other persons amounts to 29,362,725 shares (81.86% of the authorised capital and votes)
Participation in the activities of other companies	From 2004, Director of Rokvalda, UAB, holding 100% of shares and votes From 2010, Chairperson of the Board of the Latvian-based SIA Kaunata, holding no shares of the company From 11 December 2013, Director of SIA RSU Holding, owning 100% of the company's shares Shareholder of Pieno Pramonės Investicijų Valdymas, UAB owning 3.91% of the shares of and voting rights in the company

31. Committees set up in the Company

Audit Committee of Rokiškio sūris, AB

The Audit Committee of the Company consists of 3 members, including 2 independent ones. The term of office of the Audit Committee is four years. The members of the Audit Committee shall be elected by the General Meeting of Shareholders upon the recommendation of the Board of the Company. The members of the Audit Committee were elected by the General Meeting of Shareholders held on 28 April 2013. The term of office of the Audit Committee shall end on 28 April 2021.

The Audit Committee is a collegial body, which adopts decisions at its meetings. The Audit Committee may adopt decisions and its meeting shall be deemed to have been held when it is attended by at least 2 (two) members of the Committee. A decision shall be deemed to have been adopted when it is voted for by at least two members of the Audit Committee attending the meeting.

The functions, rights, and obligations of the Audit Committee shall be governed by the Provisions for the Establishment and Activities of the Audit Committee of Rokiškio sūris, AB approved by the General Meeting of Shareholders of the Company as well as in other documents governing the activities of the Audit Committee.

Main functions of the Audit Committee

1. To monitor the process of preparation of the financial statements of the Company and its subsidiaries;
2. To monitor the efficiency of the internal control, risk management, and internal audit systems of the Company;
3. To provide recommendations to the Board of the Company on the selection of an external audit firm and to monitor the process of the audit;
4. To monitor the compliance of the external auditor and audit firm with the principles of independence and impartiality;
5. To inform the Board of the Company about any significant internal control deficiencies relating to financial statements found by external and internal audit and to provide recommendations on their correction;
6. To act fairly and responsibly in the interest for the benefit of the Company and its shareholders.

Members of the Audit Committee:

Kęstutis Kirejevas – an independent member, Director of EuropaPrint, UAB, holding no shares of Rokiškio sūris, AB

Kęstutis Gataveckas – an independent member, Director of Perlo Paslaugos, UAB, holding no shares of Rokiškio sūris, AB

Rasa Žukauskaitė – an employee of Rokiskio Suris AB, Finance Department, holding 2 shares of Rokiškio sūris, AB

No other committees are established in the Company.

32. Management of the Company

Members of the management team of the Company

Position	Forename and surname	In office since
Director	Dalius Trumpa	01/01/2018
Chief Financial Officer	Antanas Kavaliauskas	01/05/2002
Business Development Director	Ramūnas Vanagas	27/09/2005
Central Services Director	Jonas Kvedaravičius	01/05/2002
Logistics Director	Jonas Kubilius	16/05/2002
Procurement Director	Evaldas Dikmonas	14/05/2002
Sales and Marketing Director	Darius Norkus	18/07/2001

Management team bonus system

The members of the management team of the Company are paid wages and also receive variable components of pay which depend on the performance of the Company, market situation and other factors. There is no management team bonus systems established in the Company.

33. Employees

As of 30 June 2018, the average number of employees of Rokiškio sūris, AB was 1,495. Compared to 2017 (1,548), it decreased by 3.42% or 53 employees. The decrease in the number of employees occurred due to the ongoing technical reorganisation of the Company and also due to seasonal workforce fluctuations.

In the reporting period, workers accounted for 82.4% of all employees of the Company (as compares to 83.0% in 2017), specialists accounted for 17.0% (16.3% in 2017), while the number of the managerial staff remained declined to 8 employees, or 20% of the whole staff.

Employees of the Group of the Company by categories

Employee group	Average number of employees		Change (%)
	30/06/2018	30/06/2017	
Management*	8	10	-20.00
Specialists	255	253	0.79
Workers	1232	1285	-4.12
Total:	1495	1548	-3.42

*The managerial staff of the Company shall be understood as its Directors

The Company employs people with high qualifications. Out of them, 10.7% were graduates of higher education institutions (10.2% in 2017), 51.8% had professional post-secondary education (50.5% in 2017), 34.4% were people with secondary education (38.5% in 2017), and 0.01% had partially completed secondary education (0.01% in 2017).

Labour remuneration system

The Company has an efficient and fair remuneration system in place. Its aim is to attract, maintain, and motivate employees. All employment contracts with employees of the Company, including those with the managerial staff, have been drawn up in accordance with the requirements of the Labour Code of the Republic of Lithuania. Employees are hired and dismissed in accordance with the requirements of the Labour Code.

Average monthly salary at the Rokiškio sūris, AB Group, by employee groups

Employee group	Average monthly wages (gross), EUR		Change (%)
	30/06/2018	30/06/2017	
Managerial staff	1915	1806	+6.04
Specialists	956	881	+8.51
Workers	945	889	+6.30
Group average	952	897	+6.13

The average monthly wages are calculated in accordance with Resolution No 496 of the Government of the Republic of Lithuania dated 21 June 2017.

Wages payable to the employees of Rokiškio sūris, AB include the following components:

- 1) fixed remuneration for work performed, i.e. the monthly salary provided for in the employment contract;
- 2) piece-work pay, i.e. remuneration for workers of production shops, sales divisions, and warehouses is paid according to the volume of their actual work and at approved rates;
- 3) variable component of remuneration in accordance with the Regulations of the Incentive Fund approved in the Collective Agreement.

From 2004, the Company has been applying a remuneration procedure, which establishes variable components of pay depending on the performance of the Company, market situation, and other factors. Variable components of pay are allocated to every division in accordance with the approved functional management system. The remuneration procedure is subject to approval by the Manager of the Company.

Every production shop or division of the Company has an approved procedure for the distribution of the incentive fund which provides for employee appraisal criteria and incentives for employees. Employee appraisal is one of the key tasks of the Company in ensuring efficient work organisation in the pursuance of its objectives, building positive relationship between managers and their subordinates, and fostering staff motivation.

Employees of the companies of the Group are guaranteed the right to participate in activities of trade unions. The companies have a trade union committee, which defends its members' labour, economic, and social rights and interests, right to employment, social guarantees, takes care of the professional qualification improvement, builds up professional ethics, and works towards increasing the wages and other income of food industry workers.

34. Information on agreements between the Company and members of its bodies, members of its committees, or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of change of control of the issuer

There are no agreements between the Company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of change of control of the Company. All employment contracts with employees of the Company, including those with the members of its management, have been drawn up in accordance with the requirements of the Labour Code of the Republic of Lithuania. The Company does not provide for any additional payments in the form of shares.

INFORMATION ON RELATED-PARTY TRANSACTIONS AND SIGNIFICANT AGREEMENTS

35. Related-party transactions

Interested-person/related-party transactions are disclosed in Note 7 (Page 53) to the Consolidated Financial Statements of the Company for 6 months 2018.

In the period of 6 months 2018, there are no related-party transactions concluded at unusual market conditions and (or) non-attributable to the Company's business nature, and (or) having made significant influence on the Company, its finance, assets or obligations.

36. Information on injurious transaction concluded on behalf of the issuer

During the reporting period, there were no injurious transactions failing to comply with the Company's objectives or normal market conditions, infringing the interests of the shareholders or other groups of persons, or adversely affecting or threatening to adversely affect in future the Company's operations or performance. There were no transactions concluded due to conflicts of interests between the obligations of the Company's managers, controlling shareholders, or other related parties toward the Company and their private interests and/or obligations.

CONSOLIDATED FINANCIAL STATEMENTS

AB „ROKIŠKIO SŪRIS“

CONSOLIDATED AND PARENT COMPANY'S

FINANCIAL STATEMENTS as at 30th June 2018

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

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

37. Consolidated Balance sheet

	June 30, 2018	December 31, 2017	June 30, 2017
PROPERTY			
Long-term tangible assets	58,489	58,640	58,421
Intangible assets	12	2	2
Held-to-maturity investments	6,956	7,760	
Other non-current receivables and loans granted	6,508	7,667	14,855
	<u>71,965</u>	<u>74,069</u>	<u>73,278</u>
Current assets			
Inventories	35,464	34,665	24,955
Receivables and advance payments	38,343	32,452	43,168
Loans granted	4,888	4,296	4,166
Prepaid income tax	1,495	1,462	313
Cash and cash equivalents	3,913	15,715	2,087
	<u>84,103</u>	<u>88,590</u>	<u>74,689</u>
Total assets	<u>156,068</u>	<u>162,659</u>	<u>147,967</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	10,402	10,402	9,361
Share premium	18,073	18,073	12,011
Reserve for acquisition of treasury shares	10,850	7,606	7,607
Treasury shares	-	-	-
Other reserves	18,765	19,933	21,477
Retained earnings	68,734	78,082	69,256
	<u>126,824</u>	<u>134,096</u>	<u>119,682</u>
Non-current liabilities			
Deferred income tax liability	1,810	2,060	3,314
Non-current provisions	683	683	-
Deferred income	1,660	892	336
	<u>4,153</u>	<u>3,635</u>	<u>3,650</u>
Current liabilities			
Trade and other payables	20,067	22,446	21,926
Tax liabilities	-	-	-
Deferred income	419	216	207
Current provisions	404	404	-
Borrowings	4,201	1,862	2,502
	<u>25,091</u>	<u>24,928</u>	<u>24,635</u>
Total equity and liabilities	<u>156,068</u>	<u>162,659</u>	<u>147,967</u>

AB „ROKIŠKIO SŪRIS“
CONSOLIDATED AND PARENT COMPANY’S
FINANCIAL STATEMENTS as at 30th June 2018

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

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

38. Consolidated Statement of comprehensive income

	January - June	
	2018	2017
Sales	102,202	122,699
Cost of sales	(97,770)	(108,551)
Gross profit	4,432	14,148
Selling and marketing expenses	(8,717)	(12,961)
Operating profit (loss)	(4,285)	1,187
Finance costs	-	(31)
Profit before tax	(4,285)	1,156
Income tax	600	(312)
Operating activity income (loss)	(3,685)	844
Net profit (loss)	(3,685)	844
Other comprehensive income	-	-
Total comprehensive income for the year	(3,685)	844

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

39. Consolidated cash flow statement

	January-June	
	2018	2017
Operating activities		
Profit before tax and minority interest	(4,285)	1,156
<i>Corrections:</i>		
– depreciation	4,490	4,239
– amortisation (negative prestige not included)	1	1
– write-off of property, plant and equipment and intangible assets	29	26
– loss on disposal of property, plant and equipment	10	71
– interest expense	-	31
– interest income	(257)	(176)
– net unrealized currency exchange profit	(253)	(80)
– amortization of government grants received	(235)	(101)
<i>Circulating capital changes:</i>		
- inventories	(2,285)	9,235
- amounts payable	(2,098)	9,363
- amounts receivable and prepayments	(3,887)	(11,272)
Cash flows from operating activities	(8,770)	12,493
Interest paid	-	(31)
Income tax paid	(229)	-
Net cash generated from operating activities	(8,999)	12,462
Investing activities		
Purchase of property, plant and equipment	(4,417)	(8,764)
Purchase of intangible assets	(11)	(1)
Loans granted to farmers and employees	(527)	(155)
Proceeds from sale of property, plant and equipment	39	182
Other loans granted	-	(2,500)
Repayments of loans granted to farmers and employees	437	199
Interest received	257	176
Other loan repayments received	1,461	626
Government grants received	1,206	84
Net cash generated from investing activities	(1,555)	(10,153)
Financing activities		
Loans received	2,339	2,000
Repayments of borrowings	-	(1,360)
Dividends paid	(3,587)	(3,228)
Net cash generated from financing activities	(1,248)	(2,588)
Net increase in cash and cash equivalents	(11,802)	(279)
Cash and cash equivalents at the beginning of the period	15,715	2,366
Cash and cash equivalents at the end of the period	3,913	2,087

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40. 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 2016	10,402	12,011	11,668	(5,102)	22,957	70,130	122,066
Comprehensive income							
Profit (loss) of the year						844	844
Decrease in share capital / cancellation of treasury shares	(1,041)		(4,061)	5,102			
Dividends relating to 2016						(3,228)	(3,228)
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(1,510)	1,510	
Balance at June 30st 2017	9,361	12,011	7,607	-	21,447	69,256	119,682
Comprehensive income							
Profit (loss) of the year						7,312	7,312
Issuance of shares	1,040	6,062					7,102
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(1,514)	1,514	
Balance at December 31st 2017	10,402	18,073	7,606	-	19,933	78,082	134,096
Comprehensive income							
Profit (loss) of the year						(3,685)	(3,685)
Transfer to reserves			3,244			(3,244)	
Dividends relating to 2017						(3,587)	(3,587)
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(1,168)	1,168	
Balance at June 30st 2018	10,402	18,073	10,850	-	18,765	68,734	126,824

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41. 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 OMX Vilnius (symbol – RSU1L).

The Consolidated Group (hereinafter – the Group) consists of the Company, its two branches and four subsidiaries. (2017: two branches, and four subsidiaries). The branches and subsidiaries that comprise consolidated Group are indicated below:

	Operating as at 30 June			Group's share (%) as at 30 June	
Branches	2018	2017	Subsidiaries	2018	2017
Utenos Pienas	Yes	Yes	UAB Rokiskio pienas	100.00	100.00
Ukmerges Pienine	Yes	Yes	UAB Rokiskio pieno gamyba	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 2018, the average number of the Group's employees was equal to 1,495 (compared to 1,548 employees as at 30st June 2017).

2. Accounting Principles

These consolidated financial statements have been prepared according to 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.

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.

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 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.

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.

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

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, at the Group:

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

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

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.

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.

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are initially recorded at fair value. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method less any recognised impairment losses which reflect irrecoverable amounts.

Proceeds from held-to-maturity financial assets are recognised through profit or loss using the effective interest method.

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. This reserve may be used only for the purposes approved by annual general meeting of shareholders.

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 (2017: 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 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.

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 30 June 2018 and 2017 approximated the fair value.

3. Financial risk management

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.

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.

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 2018 and 2017, loans granted by the Group with fixed interest rate were denominated in the euros. In 2018 and 2017, the Group's borrowings were with variable interest rate and they were denominated in the euros.

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

As at 30 June 2018, 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** (30 June 2017: from 'A+' to 'BBB').

The table below summarises 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 30 June:

	2018 06 30	2017 06 30
Cash and cash equivalents at banks	3,913	2,087
Trade receivables	35,442	38,196
Loans granted	9,738	9,188
	49,093	49,471

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.

	2018 06 30		2017 06 30	
	Credit limit	Amount receivable	Credit limit	Amount receivable
Customer A	4,345	2,665	4,345	3,850
Customer B	2,028	1,441	2,028	1,455
Customer C	600	565	600	433
Customer D	435	453	435	322
Customer E	500	285	500	311

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

As at 30 June, the Group's capital structure was as follows:

	2018 06 30	2017 06 30
Borrowings	4,201	2,502
Less: cash and cash equivalents	(3,913)	(2,087)
Net debt	288	415
Shareholders' equity	126,824	119,682
Total capital	127,112	120,097

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 30 June 2018 and 30 June 2017, the Company and its subsidiaries registered in Lithuania complied with these requirements.

4. Information on segments

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 comprise of raw milk collection. Transactions between the business segments are on normal commercial terms and conditions.

Geographical information

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

	2018 06 30	2017 06 30
Lithuania	38,602	41,582
European Union member states	57,443	65,075
Near East	248	270
North America	1,216	9,778
Far East	2,740	3,481
Other countries	1,953	2,512
Total	102,202	122,698

The breakdown of the Group's revenue by category:

	2018 06 30	2017 06 30
Product Sales	101,449	122,093
Provided services	753	605
Total	102,202	122,698

5. 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.

6. Inventories

As at 30st June 2018, the Group's inventories were made of:

	2018 06 30	2017 06 30
Raw materials	1,983	2,516
Work in progress	3,866	4,181
Finished products	28,691	17,576
Other inventories	924	682
Total	35,464	24,955

7. Related-party transactions

Main shareholders of Company:

	2018 06 30	2017 06 30
Mr Antanas Trumpa (Chairman of the Board of the Company)	19.46%	21.62%
„Pieno pramonės investicijų valdymas” UAB (established in Lithuania) *	27.21%	30.09%
SIA „RSU Holding“ (established in Latvia) *	24.96%	27.60%
Fonterra (Europe) Coöperatie U.A	10.00%	
Dalius Trumpa (Managing manager)	0.23%	0.26%
Other shareholders (legal entities and natural persons)	18.37%	20.69%
Rokiškio sūris AB (treasury shares)	-	-

** Pieno Pramonės Investicijų Valdymas UAB is controlled by Mr Antanas Trumpa (as a principal shareholder holding 70.95% of the share capital and votes of Pieno Pramonės Investicijų Valdymas UAB). RSU Holding SIA is controlled by Mr Dalius Trumpa (as a single shareholder holding 100% of the share capital and votes of RSU Holding SIA). The group of persons acting in concert holds in total 81.86% (2017 06 30: 79.57%) of the Company’s share capital and votes*.*

Members of the Board of Directors of Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA, Fonterra (Europe) Coöperatie U.A., 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.

The following transactions were carried out with related parties:

	2018 06 30	2017 06 30
Purchase of raw milk from other related parties	1,009	1,601
Purchase of non-current assets	10	-
Purchases of services	29	26
Sales of production and other inventories	6,428	18
Interest charges on credit facility	5	5

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.

Year-end balances arising from transactions with related parties:

	2018 06 30	2017 06 30
Non-interest bearing loans granted to directors (and their family members)	25	31
Loan receivable from Dzūkijos Pienas KB	298	298
Loan payable to Fonterra (Europe) Coöperatie U.A.	3,448	1,862
Trade payables to other related parties	28	535
Trade receivables from other related parties	1,477	62

Based on Resolution No 6 of the shareholder of Rokiškio Pieno Gamyba UAB made on 30 April 2018 (Item No 4 of the Agenda), it was decided to approve the proposed appropriation of profit (loss) for 2017 for Rokiškio Pieno Gamyba UAB and allocate EUR 1,868,112 for the payment of dividends. Dividends were paid out to Rokiškio Sūris AB in May 2018.

8. Financial ratios

The Group's financial ratios:

	2018 06 30	2017 06 30	2016 06 30
Revenue (EUR thousand)	102,202	122,699	97,106
EBITDA (EUR thousand)	206	5,427	2,397
EBITDA margin (%)	0.20	4.42	2.47
Operations profit (EUR thousand)	(4,285)	1,187	(2,111)
Margin of operations profit (%)	(4.19)	0.97	(2.17)
Profit per share (EUR)	(0.10)	0.41	(0.05)
Number of shares (units)	35,867,970	32,281,173	35,867,970

9. Information on the audit

The audit according to the International Accounting Standards will be made for the full year 2018 by audit company UAB PricewaterhouseCoopers.

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

On 14 February 2018, amendments were signed to the credit agreement with SEB Bankas AB, under which the final repayment date for the overdraft facility granted to the borrower (Rokiškio Sūris AB) was extended until 28 February 2019, and the credit line of EUR 4,100,100 (four million one hundred thousand) was granted. The interest rate set in the credit agreement was not subject to repricing, nor were any assets of the Company pledged as a collateral.