

**ROKIŠKIO SŪRIS AB**  
**CONSOLIDATED AND THE PARENT COMPANY'S**  
**FINANCIAL STATEMENTS,**  
**CONSOLIDATED ANNUAL REPORT AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**31 December 2019**

Translation note:

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

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## Independent auditor's report

To the shareholders of Rokiškio sūris AB

### Report on the audit of the consolidated and parent company's financial statements

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#### Our opinion

In our opinion, the consolidated and parent company's financial statements give a true and fair view of the separate and consolidated financial position of Rokiškio sūris AB ("the Company") and its subsidiaries (together "the Group") as at 31 December 2019, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 2 April 2020.

#### What we have audited

The parent Company's and the consolidated Group's financial statements comprise:

- the parent company's and consolidated balance sheet as at 31 December 2019;
- the parent company's and consolidated income statements for the year then ended;
- the parent company's and consolidated statements of comprehensive income for the year then ended;
- the parent company's and consolidated statement of changes in equity for the year then ended;
- the parent company's and consolidated statement of cash flows for the year then ended; and
- the notes to the parent company's and consolidated financial statements, which include significant accounting policies and other explanatory information.

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#### Basis for opinion

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

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

#### Independence

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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of

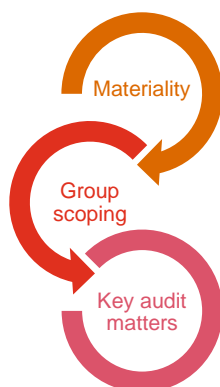


Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2019 to 31 December 2019, are disclosed in note 33 to the financial statements.

## Our audit approach

### Overview



- Overall Group materiality is EUR 1.6 million which represents 0.8% of consolidated revenue.
- Overall Company materiality is EUR 1.5 million which represents 0.8% of the Company's revenue.
- We tailored our audit scope based on the risk and size of entities within the Group and performed a full scope audit of the Company and two subsidiaries. At the Group level we tested the consolidation process and performed selected audit procedures over the subsidiary not covered by the above procedures to be able to report on the consolidated financial statements as a whole.
- Revenue recognition
- Valuation of accounts receivable
- Inventory write-down to net realisable value

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

### Materiality

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

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

<b>Overall Company materiality</b>	EUR 1.5 million (2018: EUR 1.5 million)
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<b>Overall Group materiality</b>	EUR 1.6 million (2018: EUR 1.6 million)
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<b>How we determined it</b>	0.8% of the Group's and Company's revenue, respectively
<b>Rationale for the materiality benchmark applied</b>	Significant fluctuations in the Company's and the Group's profit depend on the prevailing trends in global dairy markets and therefore the profits for the last years have been volatile. We have, therefore, chosen revenue as a benchmark for determining the materiality because, in our view, it provides more consistent information year-on-year basis, reflecting the Group's and the Company's size and growth, and is one of the key measures of performance that the stakeholders observe.
<p>We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 160 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.</p>	
<b>Key audit matters</b>	
<p>Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.</p>	
Key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition</b> <i>Refer to note 2.1, 2.18 and note 5 'Segment reporting' in the financial statements</i> <p>The Group's and the Company's revenue in 2019 amounted to EUR 208.4 million and EUR 188.5 million, respectively, and mostly consists of sales of goods.</p> <p>The Company recognises revenues from sales of goods based on the quantity of goods dispatched and the agreed prices. Revenue is recognised only at point of time, when control of goods has been transferred to the customer based on the agreed delivery terms. Revenue is recognised net of discounts or other sales incentives provided. Although revenue recognition involves only limited judgement, due to the size and volume of transactions it continues to be an audit area which requires significant time and resources and is therefore considered to be a key audit matter.</p>	<p>We audited revenue recognition through a combination of controls testing and tests of details.</p> <p>We evaluated the design and tested, based on a selected sample of relevant information tested, operating effectiveness of key controls in relation to the recognition of revenue, with particular focus on controls over the matching of invoices to related shipping documents and to the agreed prices as indicated in the sale orders or agreements.</p> <p>We read the accounting policy for revenue recognition in respect of all material revenue streams, and assessed its compliance with the International Financial Reporting Standards as adopted by the European Union.</p> <p>We also performed the following substantive testing procedures:</p> <ul style="list-style-type: none"><li>• We obtained a sample of transactions conducted with customers during the year and either obtained third party confirmations of the transactions or reconciled the transactions to the signed agreement or sale order, the shipping</li></ul>

documents, the invoices and subsequent receipts of payments from the customers.

- We selected a sample of transactions conducted before and after the year-end and evaluated whether revenue was recognised in an appropriate period based on the transfer of control according to the delivery terms and shipping documents.
- We assessed the accounting treatment for various sales incentives paid to retail chains, such as publication of advertisements in a supermarket's newspaper, listing fees etc.
- We selected a sample of credit invoices, discounts and returns after the year-end and checked whether they were recorded in the appropriate period.
- Our work also included testing a sample of revenue journal entries to identify whether they have been recorded to General Ledger with any unusual corresponding entries.

#### Valuation of accounts receivable

*Refer to note 2.8, note 4 'Critical accounting estimates and judgments' and note 21 'Trade and other receivables' in the financial statements.*

The Group's and the Company's trade receivables amounted to EUR 36.6 million and EUR 43.2 million, respectively, as at 31 December 2019, before after taking into account the the credit loss allowance, which amounted to EUR 0,991 million.

In accordance with IFRS 9 'Financial Instruments', the Group management assesses expected credit losses in relation to trade receivables on a forward-looking basis and recognises an allowance for credit losses at each reporting date. The estimate of expected credit losses represents an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, and reflects all reasonable and supportable information that is available at each reporting date about past events, current conditions and forecasts of future economic conditions.

To measure the expected credit losses, the management has grouped trade receivables based on shared credit risk characteristics and

We performed the following procedures for testing the management's assessment of expected credit losses in relation to trade receivables:

- We evaluated the methodology used by the Group's management to assess its compliance with the requirements of IFRS 9.
- We obtained the ageing analysis of trade receivables as at 31 December 2019 and tested its reliability on the basis of a selected sample of invoices.
- We examined the accuracy of management's classification of trade receivables for their further assessment on a collective or individual basis depending on the credit risk characteristics and the ageing of receivables.
- We examined, on a sample basis, the models and calculations used for the assessment of credit losses on a collective or individual basis.
- We analysed, on a sample basis, whether the ratio of unpaid balances of a customer at the year end to the annual receipts from the customer indicates any potential impairment issues.
- For debtors with significant amounts overdue more than 90 days, we examined their credit ratings at a credit insurance agency and

the days past due to assess them on a collective or individual basis. The collective assessment was based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. Expected credit losses for significant trade receivables overdue for more than 90 days were evaluated individually based on external information from credit insurance agency, collaterals received as security of repayment and past history of default.

The degree of accuracy of the management's estimate will be confirmed or rebutted depending on the future developments that are inherently uncertain. We focused on assessing the allowance for credit losses in relation to trade receivables as the estimation process is complicated and requires significant management's judgements, and the amount of allowance is significant.

assessed whether the probability of default assigned by the Company aligned with these ratings.

- For the sample of the amounts overdue more than 90 days, we obtained the data about payments received after the year-end to determine whether the payment patterns were consistent with the management's estimates as at year end. We also enquired whether there were any collateral received or insurance paid in respect of the related receivables, and whether those were appropriately reflected in the calculation of the expected credit losses.
- We read the minutes of the Credit Committee containing the results of regular analysis of possible indicators of default or increase in credit risk.

#### Inventory write-down to net realisable value

*Refer to note 2.9, note 4 'Critical accounting estimates and judgments' and note 20 'Inventory' in the financial statements*

The Group's and the Company's inventory balance amounted to EUR 59.5 million and EUR 56.9 million, respectively, as at 31 December 2019.

We focused on this area due to the size of the inventory balance and because the management's assessment of the net realisable value of finished goods involves estimates about their potential selling price at the balance sheet date.

The Group's and the Company's inventory write-down to net realisable value amounted to EUR 1.55 million as at 31 December 2019.

We obtained the Company's and the Group's policies and methodology in respect of inventory write-downs to net realisable value, evaluated their compliance with the requirements of IFRSs.

We compared, on a sample basis, the cost of finished goods with their net realisable value, which was based on selling price in transactions that occurred after the balance sheet date and deducted estimated transportation costs. We assessed whether the inventory allowance recognized by the management was within our internally developed estimated range.

We obtained the aging analysis of finished goods to identify potentially non-realizable items. We also checked the reliability of the inventory ageing report by checking, on a sample basis, the production batch dates.

#### How we tailored our Group audit scope

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

Accordingly, based on the size and risk characteristics, we performed a full scope audit of the financial information for the following entities within the Group: Rokiškio pienas UAB, Rokiškio pieno gamyba UAB, Rokiškio sūris AB (parent company). At the Group level we tested the consolidation process and



performed separate analytical procedures over the subsidiary not covered by the above procedures to be able to report on the consolidated financial statements as a whole.

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### Reporting on other information including the consolidated annual report

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

Our opinion on the financial statements does not cover the other information, including the consolidated annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

The Company and the Group presented the social responsibility report as a part of the consolidated annual report.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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

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

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

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





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## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we



determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## **Report on other legal and regulatory requirements**

### **Appointment**

We were first appointed as auditors of the Company and the Group in 1996. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 24 years.

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The key audit partner on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to read 'Rimvydas Jogėla', is written over the printed name and title.

Rimvydas Jogėla  
Partner  
Auditor's Certificate No.00045

Vilnius, Republic of Lithuania  
7 April 2020

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

## Income statement

Group				Company	
2019	2018		Notes	2019	2018
208,373	203,675	Sales	5	188,463	181,641
(186,819)	(184,175)	Cost of sales	11	(171,529)	(170,709)
21,554	19,500	<b>Gross profit</b>		16,934	10,932
(13,554)	(11,256)	Selling and marketing expenses	6,11	(11,902)	(9,435)
(4,557)	(7,491)	General and administrative expenses	7,11	(3,373)	(4,420)
2,409	2,904	Other income	8	5,219	4,768
(1,702)	(1,989)	Other expenses	9	(1,693)	(1,978)
(49)	(20)	Other (losses)/gains	10	(54)	(60)
4,101	1,648	<b>Operating profit/(loss)</b>		5,131	(193)
(187)	(29)	Finance costs	12	(187)	(29)
3,914	1,619	<b>Profit/(loss) before income tax</b>		4,944	(222)
187	299	Income tax expense	13	182	147
4,101	1,918	<b>Profit/(loss) for the year</b>		5,126	(75)
<b>Profit/(loss) for the year attributable to:</b>					
4,101	1,918	Owners of the Company			
-	-	Non-controlling interest			
4,101	1,918				
<b>Basic and diluted earnings/(deficit) per share (in EUR per share)</b>					
0.12	0.05		14	0.15	-

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

These financial statements were authorised for issue on 7 April 2020 by the Board of Directors and signed on behalf of the Board of Directors by the Managing Director and the Finance Director.

Dalius Trumpa  
Managing Director

Antanas Kavaliauskas  
Finance Director




## Statement of comprehensive income

Group			Company	
2019	2018	Notes	2019	2018
4,101	1,918	<b>Profit/(loss) for the year</b>	5,126	(75)
		<b>Other comprehensive income</b>		
-	-	Gain on revaluation of property, plant and equipment	-	-
-	-	Deferred income tax on revaluation	-	-
-	-	<b>Other comprehensive income for the year</b>		
4,101	1,918	<b>Total comprehensive income/(loss) for the year</b>	5,126	(75)
		<b>Total comprehensive income/(loss) for the year attributable to:</b>		
4,101	1,918	Owners of the Company	-	-
-	-	Non-controlling interest	-	-
4,101	1,918		-	

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

## Balance sheet

Group				Company	
At 31 December				At 31 December	
2019	2018		Notes	2019	2018
ASSETS					
Non-current assets					
58,750	59,022	Property, plant and equipment	15	37,824	38,468
44	11	Intangible assets	16	44	11
159	159	Investments in subsidiaries	17	5,054	5,054
354	1,011	Prepayments for milk supply	21	354	1,011
285	590	Prepayments for non-current assets	21	275	287
2,702	3,347	Loans granted	19	2,629	3,250
62,294	64,140			46,180	48,081
Current assets					
59,519	53,866	Inventories	20	56,939	51,349
2,847	3,029	Loans granted	19	3,548	3,730
37,941	33,289	Trade and other receivables	21	43,884	37,287
1,930	11,991	Prepayments for milk supply	21	1,402	11,438
1,549	1,277	Prepaid income tax		530	292
2,988	2,619	Cash and cash equivalents	22	1,567	922
106,774	106,071			107,870	105,018
169,068	170,211	Total assets		154,050	153,099
EQUITY					
Attributable to owners of the Company					
10,402	10,402	Share capital	23	10,402	10,402
18,073	18,073	Share premium		18,073	18,073
10,850	10,850	Reserve for acquisition of treasury shares	25	10,850	10,850
(2,251)	(2,108)	Treasury shares	24	(2,251)	(2,108)
15,138	17,391	Other reserves	25	10,240	11,988
78,559	75,711	Retained earnings		73,169	69,801
130,771	130,319	Total equity		120,483	119,006
LIABILITIES					
Non-current liabilities					
1,525	1,445	Deferred income tax liability	18	841	783
2,562	1,483	Deferred income	27	1,458	731
683	683	Non-current provisions	29	307	307
4,770	3,611			2,606	1,821
Current liabilities					
15,424	14,092	Borrowings	26	15,424	14,092
519	405	Deferred income	27	308	291
16,900	21,380	Trade and other payables	28	14,625	17,565
684	404	Current provisions	29	604	324
33,527	36,281			30,961	32,272
38,297	39,892	Total liabilities		33,567	34,093
169,068	170,211	Total equity and liabilities		154,050	153,099

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

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

## The Company's statement of changes in equity

	Notes	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2018</b>		<b>10,402</b>	<b>18,073</b>	<b>7,606</b>	-	<b>13,871</b>	<b>74,824</b>	<b>124,776</b>
<b>Comprehensive income</b>								
Profit/(loss) for the year		-	-	-	-	-	(75)	(75)
Transfer to retained earnings (transfer of depreciation of revalued assets and disposals of revalued assets, net of deferred income tax)	25	-	-	-	-	(1,883)	1,883	-
<b>Total comprehensive income for 2018</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,883)</b>	<b>1,808</b>	<b>(75)</b>
<b>Transactions with owners</b>								
Acquisition of treasury shares		-	-	-	(2,108)	-	-	(2,108)
Transfer to reserves		-	-	3,244	-	-	(3,244)	-
Dividends for 2017	25	-	-	-	-	-	(3,587)	(3,587)
<b>Total transactions with owners for 2018</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,108)</b>	<b>-</b>	<b>(6,831)</b>	<b>(5,695)</b>
<b>Balance at 31 December 2018</b>		<b>10,402</b>	<b>18,073</b>	<b>10,850</b>	<b>(2,108)</b>	<b>11,988</b>	<b>69,801</b>	<b>119,006</b>
<b>Comprehensive income</b>								
Profit/(loss) for the year		-	-	-	-	-	5,126	5,126
Transfer to retained earnings (transfer of depreciation of revalued assets and disposals of revalued assets, net of deferred income tax)	25	-	-	-	-	(1,748)	1,748	-
<b>Total comprehensive income for 2019</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,748)</b>	<b>6,874</b>	<b>5,126</b>
<b>Transactions with owners</b>								
Acquisition of treasury shares		-	-	-	(143)	-	-	(143)
Transfer to reserves		-	-	-	-	-	-	-
Dividends for 2018	25	-	-	-	-	-	(3,506)	(3,506)
<b>Total transactions with owners for 2019</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(143)</b>	<b>-</b>	<b>(3,506)</b>	<b>(3,649)</b>
<b>Balance at 31 December 2019</b>		<b>10,402</b>	<b>18,073</b>	<b>10,850</b>	<b>(2,251)</b>	<b>10,240</b>	<b>73,169</b>	<b>120,483</b>

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

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

## The Group's statement of changes in equity

Attributable to owners of the Company

	Notes	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2018</b>		<b>10,402</b>	<b>18,073</b>	<b>7,606</b>	<b>-</b>	<b>19,933</b>	<b>78,082</b>	<b>134,096</b>
<b>Comprehensive income</b>								
Profit/(loss) for the year		-	-	-	-	-	1,918	1,918
Transfer to retained earnings (transfer of depreciation of revalued assets and disposals of revalued assets, net of deferred income tax)	25	-	-	-	-	(2,542)	2,542	-
<b>Total comprehensive income for 2018</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,542)</b>	<b>4,460</b>	<b>1,918</b>
<b>Transactions with owners</b>								
Acquisition of treasury shares		-	-	-	(2,108)	-	-	(2,108)
Transfer to reserves		-	-	3,244	-	-	(3,244)	-
Dividends relating to 2017	25	-	-	-	-	-	(3,587)	(3,587)
<b>Total transactions with owners for 2018</b>		<b>-</b>	<b>-</b>	<b>3,244</b>	<b>(2,108)</b>	<b>-</b>	<b>(6,831)</b>	<b>(5,695)</b>
<b>Balance at 31 December 2018</b>		<b>10,402</b>	<b>18,073</b>	<b>10,850</b>	<b>(2,108)</b>	<b>17,391</b>	<b>75,711</b>	<b>130,319</b>
<b>Comprehensive income</b>								
Profit/(loss) for the year		-	-	-	-	-	4,101	4,101
Transfer to retained earnings (transfer of depreciation of revalued assets and disposals of revalued assets, net of deferred income tax)	25	-	-	-	-	(2,253)	2,253	-
<b>Total comprehensive income for 2019</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,253)</b>	<b>6,354</b>	<b>4,101</b>
<b>Transactions with owners</b>								
Acquisition of treasury shares		-	-	-	(143)	-	-	(143)
Transfer to reserves		-	-	-	-	-	-	-
Dividends relating to 2018	25	-	-	-	-	-	(3,506)	(3,506)
<b>Total transactions with owners for 2019</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(143)</b>	<b>-</b>	<b>(3,506)</b>	<b>(3,649)</b>
<b>Balance at 31 December 2019</b>		<b>10,402</b>	<b>18,073</b>	<b>10,850</b>	<b>(2,251)</b>	<b>15,138</b>	<b>78,559</b>	<b>130,771</b>

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

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## Statement of cash flows

Group				Company	
Year ended 31 December				Year ended 31 December	
2019	2018		Notes	2019	2018
		<b>Cash flows from operating activities</b>			
(2,112)	(21,363)	Cash generated from/(used in) operations	31	(7,662)	(17,053)
(187)	(29)	Interest paid		(187)	(29)
78	(278)	Income tax paid		(17)	(29)
		Net cash generated from/(used in) operating activities		(7,866)	(17,111)
(2,221)	(21,670)				
		<b>Cash flows from investing activities</b>			
(9,681)	(9,839)	Purchases of property, plant and equipment	15	(5,544)	(7,631)
269	(54)	Prepayments for purchases of property, plant and equipment		(24)	(222)
-	7,760	Sale of investments		-	7,760
(35)	-	Loans granted to employees		(35)	-
(765)	(170)	Other loans granted		(765)	(170)
168	136	Proceeds from sale of property, plant and equipment	31	104	14
1,696	1,205	Government grants received	27	1,022	1,205
12,662	2,574	Other loan repayments received		12,659	2,393
363	427	Interest received		363	427
-	-	Dividends received	32	2,818	1,868
		Net cash (used in)/generated from investing activities		10,598	5,644
4,677	2,039				
		<b>Cash flows from financing activities</b>			
(3,506)	(3,587)	Dividends paid	25	(3,506)	(3,587)
(143)	(2,108)	Purchase of treasury shares	24	(143)	(2,108)
1,562	12,230	Loans received		1,562	12,230
-	-	Repayments of borrowings		-	-
		Net cash (used in)/generated from financing activities		(2,087)	6,535
(2,087)	6,535				
<b>369</b>	<b>(13,096)</b>	<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>645</b>	<b>(4,932)</b>
2,619	15,715	Cash and cash equivalents at the beginning of the year	22	922	5,854
<b>2,988</b>	<b>2,619</b>	<b>Cash and cash equivalents at the end of the year</b>	<b>22</b>	<b>1,567</b>	<b>922</b>

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



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**Notes to the financial statements**

**1. General information**

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

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

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

The consolidated group ("the Group") consists of the four subsidiaries (2018: four subsidiaries). Information on the Group companies and branches is presented below:

	Subsidiaries	Group's ownership interest (%) as at 31 December	
		2019	2018
	Rokiškio Pienas UAB	100.00	100.00
	Rokiškio Pieno Gamyba UAB	100.00	100.00
	Jekabpils Piena Kombinats SIA	100.00	100.00
	<i>Kaunata SIA*</i>	60.00	60.00

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

Kaunata SIA, company code 240300369, VAT payer's code: LV42403003695, address: S. Rogs, Kaunatas pag. Rezekne novads.

Results of operations for the year ended 31 December 2019 (unaudited) are as follows:

Total assets: EUR 290,137;

Property, plant and equipment: EUR 39,086;

Results of operations: EUR (19,741).

Core line of business of the subsidiary: collection and realisation of milk. The company is the main supplier of raw milk to company Jekabpils Piena Kombinats SIA (subsidiary of Rokiškio Sūris AB).

Kaunata SIA was accounted for at cost.

On 7 September 2018, Utenos Pienas, a branch of Rokiškio Sūris AB, and Ukmergės Pieninė, a branch of Rokiškio Sūris AB, were removed from the Register of Legal Entities. The decision to cease the activities of the branches and remove them from the Register of Legal Entities was made by the Board of Rokiškio Sūris AB on 31 August 2018, Minutes No 123. The decision was made on grounds that the mentioned branches were no longer actually operational following the establishment of the Company's subsidiaries Rokiškio Pienas UAB and Rokiškio Pieno Gamyba UAB.

All the above-listed subsidiaries have been registered in Lithuania, except for Jekabpils Piena Kombinats SIA and Kaunata SIA which have been registered in Latvia.

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

The average number of the Company's employees during the year ended 31 December 2019 was 934 (2018: 935). The average number of the Group's employees during the year ended 31 December 2019 was 1,453 (2018: 1,484).

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## **2. Accounting policies**

### **2.1 Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements. The financial year of the Company and other Group companies coincides with the calendar year.

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

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

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

Accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except as follows:

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

The following IFRSs and amendments thereto were adopted by the Company and the Group for the first time for the financial year ended 31 December 2019:

- Annual Improvements to the IFRSs 2015-2017 cycle;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation - Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IFRS 28.

The standards, amendments and interpretations listed above did not have any impact and are not relevant to the Company and the Group.

IFRS 16, *Leases* (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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The Company and the Group assessed the impact of IFRS 16 on its financial statements, however the effect assessed by the Group's management to be not material.

- b) Standards, amendments and interpretations that have been endorsed by the European Union but are not yet effective and have not been early adopted by the Company and the Group:

*Amendments to the Conceptual Framework for Financial Reporting* (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Company and the Group have not assessed the impact of these amendments on their financial statements.

*Definition of materiality* – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company and the Group have not assessed the impact of these amendments on their financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. The Company and the Group have not assessed the impact of these amendments on their financial statements.

- c) Standards, interpretations and amendments that have not yet been adopted by the European Union and that have not been early adopted by the Company:

*IFRS 17, Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021; not yet adopted by the EU). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. These amendments to the standard will have no impact on the Company's and the Group's financial statements because the Company and the Group are not engaged in any insurance activities.

*Definition of a business* – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly

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contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The Company and the Group have not assessed the impact of these amendments on their financial statements.

*Classification of liabilities as current or non-current* – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company and the Group have not assessed the impact of these amendments on their financial statements.

## **2.2 Consolidation**

### *(a) Subsidiaries*

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

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If this is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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

*(b) Transactions and minority interest*

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

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

## **2.3 Stand-alone financial statements**

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

## **2.4 Foreign currency translation**

*(a) Functional and presentation currency*

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

*(b) Transactions and balances*

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

## **2.5 Property, plant, and equipment**

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity (other reserves). Decreases in the carrying amount on subsequent revaluations that offset previous increases of the carrying amount of the same asset are charged in other comprehensive income

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

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

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

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

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

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

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

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

## **2.6 Intangible assets**

### *(a) Computer software*

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

### *(b) Contractual customer relationships*

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

## **2.7 Impairment of non-financial assets**

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

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**2.8 Financial assets**

(a) Following the adoption of IFRS 9, Financial Instruments, the Group and the Company classifies its financial assets into the following 3 new categories:

- financial assets subsequently measured at amortised cost;
- financial assets subsequently measured at fair value through other comprehensive income; and
- financial assets subsequently measured at fair value through profit or loss.

Subsequent to initial recognition, financial assets are classified into the aforementioned categories based on the business model the Group and the Company apply when managing their financial assets. The business model applied to the financial assets of the Group and the Company is determined at a level that reflects how all financial assets of the Group and the Company are managed together to achieve a particular business objective of the Group and the Company. The intentions of the Group and the Company's management regarding individual items of instruments have no effect on the adopted business model. The Group and the Company and the Company may adopt more than one business model to manage its financial assets.

The business model for managing of financial assets is based not merely on an assertion, but also on facts that are observable in the activities that the Group and the Company and the Company undertakes in order to achieve the objectives of the business model. In determining the business model applicable for managing financial assets, the Group and the Company makes its decision in view of not individual factors or activity, but in view of all evidence that is available in the course of the assessment.

The Group and the Company and the Company recognises a financial asset in its statement of financial position only when the Group and the Company becomes a party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

At initial recognition, the Group and the Company measures financial assets at fair value, except for trade receivables that do not have a significant financing component. Transaction costs comprise all charges and commission that the Group and the Company would not have paid if it had not entered into an agreement on the financial instrument.

If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

In view of the business model applied for managing the Group and the Company of financial assets, the accounting for financial assets is as follows:

*Financial assets measured at amortised cost*

Loans granted by the Company and the Group and the Company and amounts receivable are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

Loans and amounts receivable 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 end of the date of the statement of financial position. These are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration receivable) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when these assets are derecognised, impaired or amortised.

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*Financial assets at fair value through profit or loss*

The Group and the Company measures financial assets, which are stated at fair value in subsequent periods, through profit or loss, using the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group and the Company does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration.

*(b) Effective interest method*

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Group and the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

There is an assumption that the cash flows and the expected life of a Group and the Company of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or Group and the Company of financial instruments), the Group and the Company uses the contractual cash flows over the full contractual term of the financial instrument (or Group and the Company of financial instruments).

*(c) Expected credit losses*

Credit losses incurred by the Group and the Company are calculated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Group and the Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring as the weights.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Group and the Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including future oriented information.



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The lifetime expected credit losses of trade receivables are assessed based on both the collective and individual assessment basis. The Group and the Company's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgment on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Group and the Company assesses the debt on a collective basis.

The lifetime expected credit losses of trade receivables are recognised at the recognition of amounts receivable.

When granting the loan the Group and the Company assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Group and the Company adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the lender has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Group and the Company records all lifetime expected credit losses of the loan. The latest point at which the Group and the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Group and the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due assumption.

Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

*(d) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- a) significant financial difficulty of the borrower;
- b) a breach of contract, such as a default or event that is past due for more than 90 days;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties;
- f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

The lifetime expected credit losses of loans receivable and trade receivables is recognised in profit or loss through the contra account of doubtful receivables.

The Group and the Company writes off the loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

*(e) Derecognition of financial assets*

The Group and the Company derecognises financial assets in case of the following:

- the rights to receive cash flows from the asset have expired;

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- the Group and the Company has retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group and the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset:
- if the Group and the Company has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Group and the Company has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Whether the Group and the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Group and the Company has not retained control. In all other cases, the Group and the Company has retained control.

## **2.9 Inventories**

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

## **2.10 Prepayments**

Prepayments made are cash paid for the right to receive future good or service, not cash or a financial asset. The Company has prepayments for the Milk supply and for property, plant and equipment. All such items are not financial instruments under IFRS 7.

## **2.11 Cash and cash equivalents**

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

## **2.12 Share capital**

### *(a) Ordinary shares*

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.

### *(b) Treasury shares*

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

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**2.13 Reserves**

*(a) Other reserves*

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

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

Revaluation reserve is included into other reserves.

*(b) Reserve for acquisition of treasury shares*

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

**2.14 Financial liabilities**

*(a) Financial liabilities*

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. The Group does not have any financial liabilities at fair value through profit or loss.

*(b) Other financial liabilities*

Other financial liabilities, including borrowings, are recognised at fair value, less transaction costs.

In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest rate method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

*(c) Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income.

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**2.15 Current and deferred income tax**

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

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

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

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

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

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

**2.16 Leases – where the Group is the lessee**

*(a) Finance lease*

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

*(b) Operating lease*

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

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**2.17 Employee benefits**

*(a) Social security contributions*

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

*(b) Termination benefits*

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

*(c) Bonus plans*

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

**2.18 Revenue recognition**

The Company and the Group manufactures and sells a range of cheese and milk products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

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

**2.19 Dividend distribution**

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

**2.20 Earnings per share**

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

**2.21 Segment reporting**

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

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

**2.22 Government grants and subsidies**

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

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

**2.23 Provisions**

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

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

**2.24 Trade payables**

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

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**3. Financial risk management**

**3.1 Financial risk factors**

The Group's and the Company's activities expose them to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Company's management. There are no written principles for overall risk management in place.

*(a) Market risk*

*(i) Foreign exchange risk*

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

*(ii) Cash flow and fair value interest rate risk*

The Company's and the Group's interest rate risk arises from interest-bearing loans and borrowings. Borrowings with variable interest rates expose the Group to cash flow interest rate risk. Borrowings with fixed interest rates expose the Group to fair value interest rate risk. In 2018 and 2019, loans granted by the Group at a fixed interest rate were denominated in the euros. In 2018 and 2019, the Company and the Group did not have borrowings with variable interest rates. Borrowings were denominated in the euros.

As at 31 December 2019, the Company's and the Group's net assets sensitive to changes in interest rate amounted to EUR 1,406 thousand (31 December 2018: the Company's and the Group's net assets sensitive to changes in interest rate amounted to EUR 5,515 thousand). If interest rate increased/decreased by 0.5 percentage point (2018: 0.5 percentage point), the Company's and the Group's profit would increase/ decrease by EUR 60 thousand (2018: profit would increase/decrease by EUR 234 thousand).

*(b) Credit risk*

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

As at 31 December 2019, the Company's and the Group's all cash balances were held at banks that had external credit ratings from 'A+' to 'BBB', as set by the rating agency Fitch Ratings (31 December 2018: from 'A+' to 'BBB').

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

*i) Maximum exposure to credit risk*

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

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
2,988	2,619	Cash and cash equivalents at banks	1,567	922
35,612	30,270	Trade receivables	42,229	35,012
5,549	6,376	Loans granted	6,177	6,980
44,149	39,625		49,973	42,914

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ii) Credit quality of financial assets

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

The table below presents credit limits, if management has established for the major customers and amounts receivable from them before allowance as at 31 December 2019.

Group			Company	
Credit limit	Amount receivable		Credit limit	Amount receivable
4,000	3,642	Customer A	4,000	3,642
4,000	3,587	Customer B	4,000	3,587
4,000	2,744	Customer C	4,000	2,744
4,000	2,713	Customer D	4,000	2,713
4,345	2,019	Customer E	2,300	2,305
2,300	2,305	Customer F	1,500	1,334
1,500	1,334	Customer G	1,300	1,239
1,300	1,239	Customer H		

The table below presents credit limits established for the major customers and amounts receivable from them as at 31 December 2018.

Group			Company	
Credit limit	Amount receivable		Credit limit	Amount receivable
4,000	3,910	Customer A	4,000	3,910
4,000	2,651	Customer B	4,000	2,651
4,345	1,981	Customer C	4,345	1,981
2,300	2,279	Customer D	2,300	2,279
4,000	1,799	Customer E	-	-
2,500	1,528	Customer F	-	-
2,028	1,323	Customer G	-	-

The table below summaries concentration of the loans granted:

Group			Company	
2019	2018		2019	2018
3,983	4,783	Loans granted in excess of EUR 580 thousand	4,707	5,507
867	877	Loans granted in excess of EUR 290 thousand, but not in excess of EUR 580 thousand	867	877
699	716	Loans granted not in excess of EUR 290 thousand	603	596
5,549	6,376		6,177	6,980

Loans in excess of EUR 580 thousand were granted to three business entities.

iii) Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.



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The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The forward looking analysis lead to the conclusion that an adjustment of historical loss rates is not necessary.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables grouped (collective model) based on shared characteristics:

Group 31 December 2019	Not yet due	Less than 30 days past due	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
Expected loss rate	0.06%	0.08%	0.36%	2.43%	3.95%	4.11%	
Gross carrying amount – trade receivables	21,753	6,640	3,436	101	5	8	31,943
Loss allowance	68	8	17	2	-	-	96

Group 31 December 2018	Not yet due	Less than 30 days past due	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
Expected loss rate	0.06%	0.08%	0.42%	3.69%	22.92%	77.34%	
Gross carrying amount – trade receivables	17,061	7,086	1,427	32	330	2	25,938
Loss allowance	7	5	6	1	75	2	96

Company 31 December 2019	Not yet due	Less than 30 days past due	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
Expected loss rate	0.06%	0.08%	0.36%	2.43%	3.95%	4.11%	
Gross carrying amount – trade receivables	23,102	10,810	4,534	101	5	8	38,560
Loss allowance	68	8	17	2	-	-	96

Company 31 December 2018	Not yet due	Less than 30 days past due	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
Expected loss rate	0.06%	0.08%	0.42%	3.69%	22.92%	77.34%	
Gross carrying amount – trade receivables	22,386	6,503	1,427	32	330	2	30,680
Loss allowance	7	5	6	1	75	2	96

ECL for significant trade receivables overdue for more than 90 days is evaluated individually based on external information from credit insurance agency, collaterals received as security of repayment

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and past history of default. For such trade receivables the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows:

Group 31 December 2019	Not yet due	Less than 30 days past due	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
Gross carrying amount – trade receivables	1,046	339	1,257	662	1,216	140	4,660
						Expected loss rate 19%	
						Loss allowance 895	

Group 31 December 2018	Not yet due	Less than 30 days past due	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
Gross carrying amount – trade receivables	935	413	548	1,374	1,057	5	4,332
						Expected loss rate 33.33%	
						Loss allowance 1,440	

Company	Less than	More than	More than	More than	More than	More than	Total
31 December	yet 30 days	30 days	90 days	180 days	365 days		
2019	Not due	past due	past due	past due	past due	past due	
Gross carrying							
amount – trade							
receivables							
	1,046	339	1,257	662	1,216	140	4,660
						Expected loss rate 19%	
						Loss allowance 895	

Company 31 December 2018	Not due	Less than yet 30 days past due	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
Gross carrying amount – trade receivables	935	413	548	1,374	1,057	5	4,332
						Expected loss rate 33.33%	
						Loss allowance 1,440	

The Group has followed the three-stage model for impairment of financial assets other than trade receivables and considered all its loans granted at amortised cost to have Stage 1 credit risk. The ECL model is based on the financial information of the Company's and the Group's debtors and the assessment of collaterals as security of loan repayment. The Company and the Group carried out an assessment of collaterals as security of loan repayment and determined that the credit losses determined based on probability of default within 12 months resulted in immaterial impairment loss.

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*(c) Liquidity risk*

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

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

**Company**

**At 31 December 2019**

Borrowings from banks and other financial liabilities	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Trade payables	15,424	-	-	-
	12,496	-	-	-
	<b>27,920</b>	<b>-</b>	<b>-</b>	<b>-</b>

**At 31 December 2018**

Borrowings from banks and other financial liabilities	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Trade payables	14,092	-	-	-
	15,069	-	-	-
	<b>29,161</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Group**

**At 31 December 2019**

Borrowings from banks and other financial liabilities	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Trade payables	15,424	-	-	-
	13,924	-	-	-
	<b>29,348</b>	<b>-</b>	<b>-</b>	<b>-</b>

**At 31 December 2018**

Borrowings from banks and other financial liabilities	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Trade payables	14,092	-	-	-
	17,219	-	-	-
	<b>31,311</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3.2 Capital risk management

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

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

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

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
15,424	14,092	Borrowings	15,424	14,092
(2,988)	(2,619)	Less: cash and cash equivalents	(1,567)	(922)
12,436	11,473	Net debt	13,857	13,170
130,771	130,319	Shareholders' equity	120,483	119,006
143,207	141,792	Total capital	134,340	132,176

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than EUR 40 thousand (the authorised share capital of a private company must not be less than EUR 2.5 thousand) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2019 and 31 December 2018, the Company and its subsidiaries registered in Lithuania complied with these requirements.

### 3.3 Fair value estimation

Trade payables and trade receivables accounted for in the balance sheet should be settled within a period shorter than three months therefore it is deemed that their fair value equals to their carrying amount less impairment. Interest rate on the borrowings received by the Company is subject to repricing at least every six months therefore it is deemed that their fair value equals their carrying amount. Companies and Group issued loans fair value disclosed in Note 19. Property, plant and equipment fair value disclosed in Note 15.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**The three levels of the fair value hierarchy have been defined as follows:**

Level 1 includes the fair value of assets which is established based on quoted prices (unadjusted) in active markets for identical assets.

Level 2 includes the fair value of assets which is established based on other directly or indirectly observable inputs.

Level 3 includes the fair value of assets which is established based on unobservable inputs.

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#### **4. Critical accounting estimates and judgements**

##### *Impairment of financial assets*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1.

##### *Estimates of useful lives of property, plant and equipment*

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

##### *Revaluation of property, plant and equipment*

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

The Company's management believes the values of property, plant and equipment adjusted under these methods as of 31 December 2019 and 31 December 2018 approximated the fair value (Note 15).

##### *Inventory write-down to net realizable value*

The Group and the Company recognise inventory at the lower of cost and net realizable value. The Group and the Company assess whether the value of inventory recognised at cost is not lower than its net realisable value based on the historical data and actual results of inventory items sold below cost after the financial year end. If the recognised inventory write-down to net realisable value was 5 % higher/lower, the Group's and the Company's profit before income tax for the year 2019 would be EUR 88 thousand lower/ higher (2018: EUR 151 thousand, respectively).

#### **5. Segment reporting**

##### *Operating segments and reportable segments*

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

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

- Fresh milk products
- Cheese and other dairy products

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

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The table below summarises segment information for the years ended 31 December 2019 and 2018:

	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
<b>2019</b>				
Sales	73,975	188,463	21,303	283,741
Inter-segment sales	(323)	(54,108)	(20,937)	(75,368)
<b>Sales to external customers</b>	<b>73,652</b>	<b>134,355</b>	<b>366</b>	<b>208,373</b>
<b>Segment's gross profit</b>	<b>11,983</b>	<b>8,613</b>	<b>959</b>	<b>21,555</b>
<b>Depreciation and amortisation</b>	<b>3,748</b>	<b>5,965</b>	<b>17</b>	<b>9,730</b>
<b>Income tax expense (benefit)</b>	<b>5</b>	<b>182</b>		<b>187</b>
Total assets	38,250	146,271	3,241	187,762
Elimination of intercompany transactions				(18,694)
Total assets, less intercompany transactions				<b>169,068</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	4,086	5,546	49	9,681
Total liabilities	23,880	33,567	2,248	59,695
Elimination of intercompany transactions				(21,397)
Total liabilities less intercompany transactions				<b>38,298</b>
	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
<b>2018</b>				
Sales	76,372	181,641	20,586	278,599
Inter-segment sales	(363)	(54,882)	(19,679)	(74,924)
<b>Sales to external customers</b>	<b>76,009</b>	<b>126,759</b>	<b>907</b>	<b>203,675</b>
<b>Segment's gross profit</b>	<b>17,251</b>	<b>2,632</b>	<b>(383)</b>	<b>19,500</b>
<b>Depreciation and amortisation</b>	<b>3,336</b>	<b>5,861</b>	<b>19</b>	<b>9,216</b>
<b>Income tax expense (benefit)</b>	<b>152</b>	<b>147</b>		<b>299</b>
Total assets	39,963	145,320	2,641	187,924
Elimination of intercompany transactions				(17,713)
Total assets, less intercompany transactions				<b>170,211</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,186	7,631	22	9,839
Total liabilities	24,120	34,093	2,096	60,309
Elimination of intercompany transactions				(20,417)
Total liabilities less intercompany transactions				<b>39,892</b>

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*Geographical information*

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

	<b>Sales revenue</b>		<b>Total assets</b>		<b>Capital expenditure</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Lithuania	67,074	66,141	154,050	153,099	5,544	7,631
Europe Union countries	92,192	99,464				
Near East	4,769	1,075				
North America	13,022	3,654				
Far East	4,778	4,370				
Other countries	6,628	6,937				
	<b>188,463</b>	<b>181,641</b>	<b>154,050</b>	<b>153,099</b>	<b>5,544</b>	<b>7,631</b>

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

	<b>Sales revenue</b>		<b>Total assets</b>		<b>Capital expenditure</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Lithuania	79,166	78,093	165,110	166,853	9,632	9,817
Europe Union countries	100,010	109,546	3,958	3,358	49	22
Near East	4,769	1,075				
North America	13,022	3,654				
Far East	4,778	4,370				
Other countries	6,628	6,937				
	<b>208,373</b>	<b>203,675</b>	<b>169,068</b>	<b>170,211</b>	<b>9,681</b>	<b>9,839</b>

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

**The breakdown of the Company's revenue by category:**

	<b>2019</b>	<b>2018</b>
Revenue from sales of goods	180,460	173,609
Other revenue (milk transportation)	8,003	8,032
	<b>188,463</b>	<b>181,641</b>

The breakdown of the Group's revenue by category:

	<b>2019</b>	<b>2018</b>
Revenue from sales of goods	206,939	202,259
Revenue from other services	1,434	1,416
	<b>208,373</b>	<b>203,675</b>

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**6. Selling and marketing expenses**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
3,623	3,899	Transportation services	3,266	3,573
3,075	3,029	Wages and salaries	1,701	1,727
455	404	Intermediation services	455	404
366	974	Product image creation and advertising expenses	175	139
1,090	1,002	Repair and maintenance	1,023	937
663	562	Depreciation of property, plant and equipment	620	525
1,251	287	Warehousing services	1,251	287
1,360	275	Customs fees	1,360	275
1,671	824	Other expenses	2,051	1,568
13,554	11,256		11,902	9,435

**7. General and administrative expenses**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
2,837	3,147	Wages and salaries	1,898	2,121
19	33	Taxes (other than income tax)	29	23
(549)	-	Provisions for impairment of loans granted and doubtful receivables and write-offs of loans and receivables (reversals)	(549)	-
198	285	Consultations	153	245
632	601	Depreciation of property, plant and equipment and amortisation of intangible assets	440	419
287	228	Repairs and maintenance	254	182
(1,164)	1,114	Bonuses (reversals)	(424)	-
125	103	Telecommunications and IT maintenance expenses	109	88
207	188	Insurance expenses	192	173
159	62	Bank charges	150	50
108	110	Business trips	102	76
87	44	Fines	1	14
69	56	Staff training	41	41
41	44	Membership fees	40	42
408	389	Charity and support	135	146
1,093	1,087	Other expenses	802	800
4,557	7,491		3,373	4,420

The General Meeting of Shareholders of Rokiškio sūris AB held on 30 April 2019 while approving the distribution of profit for 2018, did not allocate bonuses to the members of the Board, therefore they were reversed in 2019.

**8. Other income**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
1,570	1,924	Income from goods resold	1,556	1,912
336	455	Interest income	362	427
503	525	Other income	3,301	2,429
2,409	2,904		5,219	4,768



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The Company's other income comprises dividends received from subsidiary Rokiškio Pieno Gamyba UAB, insurance income and other service income (Note 32).

**9. Other expenses**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
1,533	1,819	Cost of goods resold	1,521	1,811
169	170	Other expenses	172	167
1,702	1,989		1,693	1,978

**10. Other operating (loss)/profit**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
(49)	(20)	Result of disposal of property, plant and equipment (Note 32)	(54)	(60)
(49)	(20)		(54)	(60)

**11. Expenses by nature**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
139,297	148,893	Raw materials and consumables used	133,394	140,685
(5,653)	(19,202)	Changes in inventories of finished goods and work in progress	(5,590)	(19,275)
21,547	21,994	Wages and salaries including social security contributions	13,798	14,186
10,792	12,863	Transportation services	10,422	12,525
(1,164)	1,114	Bonuses	(424)	-
9,730	9,216	Depreciation and amortisation (Notes 15 and 16)	5,965	5,857
(503)	(425)	Amortisation of the Government grant for property, plant and equipment (Note 27)	(278)	(293)
455	404	Intermediation services	455	404
6,053	4,858	Repairs and maintenance	4,825	4,638
253	275	Cost of finished goods resold	8,454	11,481
(549)	96	Provisions for impairment of loans granted and doubtful receivables and write-offs of loans and receivables (reversals)	(549)	96
170	157	Taxes (other than income tax)	168	143
198	285	Consultations	153	245
137	116	Telecommunication and IT maintenance expenses	122	101
13,896	14,432	Utilities (energy)	7,321	7,775
10,271	7,846	Other	8,568	5,996
204,930	202,922	Total cost of sales, selling and marketing expenses and general and administrative expenses	186,804	184,564

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**12. Finance costs**

Group			Company	
2019	2018		2019	2018
187	29	Interest expenses:	187	29
187	29	– bank borrowings	187	29

**13. Income tax**

Group			Company	
2019	2018		2019	2018
-	(432)	Current income tax	-	(240)
267	116	Prior year income tax corrections	240	-
(80)	615	Deferred income tax (Note 18)	(58)	387
187	299	Income tax benefit/(expenses)	182	147

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

Group			Company	
2019	2018		2019	2018
3,914	1,619	(Loss)/profit before income tax	4,944	(222)
587	243	Tax calculated at a rate of 15% (Note 2.15)	742	(33)
151	96	Expenses not deductible for tax purposes	92	81
(29)	(46)	Income not subject to tax	(441)	(319)
(112)	(116)	Charity expenses deductible twice for tax purposes	(40)	(43)
(812)	(647)	Other expenses deductible for tax purposes	(358)	(164)
(267)	117	Prior year income tax corrections	(240)	-
295	54	Other	64	331
(187)	(299)	Income tax expense/(benefit)	(182)	(147)

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

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

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**14. Earnings per share**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
4,101	1,918	Net profit/(loss) attributable to shareholders	5,126	(75)
		Weighted average number of ordinary shares in issue		
35,057	35,701	(thousand)	35,057	35,701
		Weighted average number of treasury shares held		
(811)	(167)	(thousand)	(811)	(167)
0.12	0.05	Basic earnings/(deficit) per share (EUR per share)	0.15	-

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

**15. Property, plant, and equipment**

<b>Company</b>	<b>Building s</b>	<b>Plant and machinery</b>	<b>Motor vehicles and other assets</b>	<b>Construction in progress</b>	<b>Total</b>
<b>At 1 January 2018</b>					
Acquisition cost and revalued amount	15,098	70,150	34,704	1,548	121,500
Accumulated depreciation	(6,176)	(52,432)	(26,045)		(84,653)
Net book amount	8,922	17,718	8,659	1,548	36,847
<b>Year ended 31 December 2018</b>					
Opening net book amount	8,922	17,718	8,659	1,548	36,847
Additions		1,361	1,974	4,296	7,631
Disposals	(17)	(1)	(56)		(74)
Write-offs		(10)	(69)		(79)
Transfer from construction in progress	2,814	971	546	(4,331)	
Depreciation charge	(502)	(2,953)	(2,402)		(5,857)
Closing net book amount	11,217	17,086	8,652	1,513	38,468
<b>At 31 December 2018</b>					
Acquisition cost and revalued amount	17,948	75,696	37,072	1,513	132,229
Accumulated depreciation	(6,731)	(58,610)	(28,420)	-	(93,761)
Net book amount	11,217	17,086	8,652	1,513	38,468
<b>Year ended 31 December 2019</b>					
Opening net book amount	11,217	17,086	8,652	1,513	38,468
Additions	38	1,047	2,033	2,426	5,544
Disposals	(23)	(10)	(125)	-	(158)
Write-offs	-	(60)	(5)	-	(65)
Transfers from CIP	800	617	641	(2,058)	-
Depreciation charge	(560)	(2,695)	(2,709)	-	(5,965)
Closing net book amount	11,472	15,985	8,486	1,881	37,824
<b>At 31 December 2019</b>					
Acquisition cost and revalued amount	18,714	76,478	38,878	1,881	135,951
Accumulated depreciation	(6,976)	(60,493)	(30,392)	-	(98,127)
Net book amount	11,472	15,985	8,486	1,881	37,824

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<b>Group</b>	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles and other assets</b>	<b>Construction in progress</b>	<b>Total</b>
<b>At 1 January 2018</b>					
Cost or revaluated amount	25,722	95,792	35,916	3,198	160,628
Accumulated depreciation	(10,367)	(64,624)	(26,997)		(101,988)
Net book amount	15,355	31,168	8,919	3,198	58,640
<b>Year ended 31 December 2018</b>					
Opening net book amount	15,355	31,168	8,919	3,198	58,640
Additions	39	2,065	2,075	5,660	9,839
Disposals	(17)	(83)	(56)		(156)
Write-offs		(10)	(75)		(85)
Transfers from CIP	3,480	3,268	551	(7,299)	
Depreciation charge	(906)	(5,765)	(2,545)		(9,216)
Closing net book amount	17,951	30,643	8,869	1,559	59,022
<b>At 31 December 2018</b>					
Cost or revaluated amount	29,334	102,381	37,397	1,559	170,671
Accumulated depreciation	(11,383)	(71,738)	(28,528)	-	(111,649)
Net book amount	17,951	30,643	8,869	1,559	59,022
<b>Year ended 31 December 2019</b>					
Opening net book amount	17,951	30,643	8,869	1,559	59,022
Additions	77	3,574	2,145	3,885	9,681
Disposals	(23)	(61)	(133)	-	(217)
Write-offs	-	(1)	(5)	-	(6)
Transfers from CIP	1,011	1,516	780	(3,307)	-
Depreciation charge	(982)	(5,898)	(2,850)	-	(9,730)
Closing net book amount	18,034	29,773	8,806	2,137	58,750
<b>At 31 December 2019</b>					
Cost or revaluated amount	30,355	106,632	39,442	2,137	178,566
Accumulated depreciation	(12,321)	(76,859)	(30,636)	-	(119,816)
Net book amount	18,034	29,773	8,806	2,137	58,750

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

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In 2019 and 2018, no revaluations were carried out for property, plant and equipment, because in the management's opinion, no significant changes occurred in real estate market, nor in the Company's business, nor in the market prices of equipment and machinery. Consequently, there were no significant changes in the fair value of property, plant and equipment of the Group in 2019 and 2018. In 2019 and 2018, the Company also had consultations with the property valuer OBER HAUS Nekilnojamasis Turtas UAB, based on which it was identified that the value of non-current assets of the Company and the Group did not differ significantly from the potential price of the property in the market.

The members of the Board of Directors used the assumption that the carrying amount of property, plant and equipment of Rokiškio Sūris AB, Rokiškio Pienas UAB and Rokiškio Pieno Gamyba UAB approximated its fair value, and made the decision not to perform the revaluation for the property, plant and equipment of Rokiškio Sūris AB Group, but to review the depreciation rates used for these assets.

Building and Motor vehicles and other assets were attributed to Level 2 of fair value hierarchy in 2017 and 2016. Property, plant and equipment within **Level 2** was measured using the comparable sales price method. This method was used for the measurement of real estate, the majority of motor vehicles and constructions in respect of which sale transactions or offer examples were observable in the market. The comparable real estate objects were selected due to the similarity with the object being measured with respect to size, purpose, location, intended use, condition, engineering support and other parameters. The valuation of real estate required adjustments to reflect differences between the objects being measured and comparable objects. Comparable objects selected are of the closest possible similarity with the objects being measured and differences are related only to the location and surroundings, the year of construction and the total area of the object. The valuation of motor vehicles was based on the supply data. The value calculated based on at least 2 or 3 comparable inputs was treated as the value of the assets. Comparable inputs selected were similar to the assets subject to valuation.

Meanwhile Plant and Machinery was attributed to Level 3 of fair value hierarchy. Property, plant and equipment within **Level 3** was measured using the replacement cost method. This method was used for the measurement of a part of special purpose movable property in respect of which no sale or offer market data was available. When estimating the value of movable property (plant and machinery) under the cost method the cost of replacing the item were equated to the acquisition cost of an item (replacement cost model of the valued item). For the purpose of valuation the impairment (depreciation) is established under the fragmentation calculation model. When establishing physical obsolescence it is assumed that the value of property being measured is written off in proportion to the number of years. The assets subject to valuation were classified into categories in respect of which the useful life up to 30 years depending on the group of asset was established based on the expert opinion of the valuer. When establishing functional obsolescence it is assumed that movable property (plant and machinery) produced and sold during the valuation is of higher efficiency than property already produced or still in the process of production. When establishing economic obsolescence the valuers assume that the economic situation is rather stable, therefore it is acceptable that economic obsolescence is equal to zero percent.

The valuation of movable property was based on the rationale that the asset cannot have no value if it is used, irrespective of that the asset is fully depreciated for accounting purposes. Therefore, a possible net book value of the asset was obtained from market data.

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

As at 31 December 2019, the Company's and the Group's property, plant and equipment with a carrying value of EUR 22,744 thousand and EUR 28,927 thousand, respectively (31 December 2018: EUR 4,941 thousand and EUR 12,030 thousand, respectively) was pledged as a security for credit limit agreements.

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

Had no revaluation been performed for property, plant and equipment, the net book amounts of the Group's and the Company's property, plant and equipment would have been as follows as of 31 December 2018 and 2019:

<b>Company</b>	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles and other assets</b>	<b>Construction in progress</b>	<b>Total</b>
At 31 December 2018	7,981	10,189	7,214	1,513	<b>26,897</b>
At 31 December 2019	8,297	10,473	7,659	1,881	<b>28,310</b>

<b>Group</b>	<b>Buildings</b>	<b>Structures and machinery</b>	<b>Motor vehicles and other assets</b>	<b>Construction in progress</b>	<b>Total</b>
At 31 December 2018	11,454	21,582	7,415	1,558	<b>42,009</b>
At 31 December 2019	11,525	22,728	7,979	2,137	<b>44,369</b>

**16. Intangible assets**

<b>Company</b>	<b>Computer software</b>
<b>At 1 January 2018</b>	
Cost	713
Accumulated amortisation	(711)
Net book amount	<u>2</u>
<b>Year ended 31 December 2018</b>	
Opening net book amount	2
Additions	12
Amortisation charge	(3)
Closing net book amount	<u>11</u>
<b>At 31 December 2018</b>	
Cost	725
Accumulated amortisation	(714)
Net book amount	<u>11</u>
<b>Year ended 31 December 2019</b>	
Opening net book amount	11
Additions	36
Amortisation charge	(3)
Closing net book amount	<u>44</u>
<b>At 31 December 2019</b>	
Cost	761
Accumulated amortisation	(717)
Net book amount	<u>44</u>

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<b>Group</b>	<b>Contractual client relationship</b>	<b>Computer software</b>	<b>Total</b>
<b>At 1 January 2018</b>			
Cost		713	713
Accumulated amortisation		(711)	(711)
Net book amount	-	2	2
<b>Year ended 31 December 2018</b>			
Opening net book amount	-	2	2
Additions		12	12
Amortisation charge	-	(3)	(3)
Closing net book amount	-	11	11
<b>At 31 December 2018</b>			
Cost	-	725	725
Accumulated amortisation	-	(714)	(714)
Net book amount	-	11	11
<b>Year ended 31 December 2019</b>			
Opening net book amount	-	11	11
Additions	-	36	36
Amortisation charge	-	(3)	(3)
Closing net book amount	-	44	44
<b>At 31 December 2019</b>			
Cost	-	761	761
Accumulated amortisation	-	(717)	(717)
Net book amount	-	44	44

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

## 17. Investments in subsidiaries

The Company's investments in subsidiaries as at 31 December 2019 and 2018 are listed below:

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

The Group's investments in subsidiaries consist of joint investments in Kaunata SIA.

## 18. Deferred income tax

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

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Group			Company	
2019	2018		2019	2018
-	-	Deferred income tax assets:	-	-
676	1,153	– to be realised after more than 12 months	586	952
676	1,153	– to be realised within 12 months	586	952
(1,801)	(2,182)	Deferred income tax liabilities:	(1,127)	(1,435)
(400)	(416)	– to be realised after more than 12 months	(300)	(300)
(2,201)	(2,598)	– to be realised within 12 months	(1,427)	(1,735)
(1,525)	(1,445)	Net deferred tax liability	(841)	(783)

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

Group			Company	
2019	2018		2019	2018
(1,445)	(2,060)	At the beginning of the year	(783)	(1,170)
(80)	615	Recognised in the income statement (Note 13)	(58)	387
-	-	Recognised in other comprehensive income	-	-
(1,525)	(1,445)	At the end of the year	(841)	(783)

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

Company					
Deferred income tax assets	Inventory write-down to net realisable value	Amortised cost of loans granted	Impairment of amounts receivable	Bonuses and vacation reserve	Total
<b>At 1 January 2018</b>	<b>287</b>	<b>56</b>	<b>217</b>	<b>338</b>	<b>898</b>
Recognised in the income statement	164		14	(124)	54
<b>At 31 December 2018</b>	<b>451</b>	<b>56</b>	<b>231</b>	<b>214</b>	<b>952</b>
Recognised in the income statement	(218)		(82)	(66)	(366)
<b>At 31 December 2019</b>	<b>233</b>	<b>56</b>	<b>149</b>	<b>148</b>	<b>586</b>

Deferred income tax liabilities	Revaluation of property, plant and equipment	Total
<b>At 1 January 2018</b>	<b>(2,068)</b>	<b>(2,068)</b>
Recognised in the income statement	333	333
<b>At 31 December 2018</b>	<b>(1,735)</b>	<b>(1,735)</b>
Recognised in the income statement	308	308
<b>At 31 December 2019</b>	<b>(1,427)</b>	<b>(1,427)</b>



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<b>Group</b>					
<b>Deferred income tax assets</b>	<b>Inventory write-down to net realisable value</b>	<b>Amortised cost of loans granted</b>	<b>Impairment of amounts receivable</b>	<b>Bonuses and vacation reserve</b>	<b>Total</b>
<b>At 1 January 2018</b>	<b>287</b>	<b>56</b>	<b>217</b>	<b>427</b>	<b>987</b>
Recognised in the income statement	165		14	(13)	166
<b>At 31 December 2018</b>	<b>452</b>	<b>56</b>	<b>231</b>	<b>414</b>	<b>1,153</b>
Recognised in the income statement	(218)		(82)	(177)	(478)
<b>At 31 December 2019</b>	<b>234</b>	<b>56</b>	<b>149</b>	<b>237</b>	<b>676</b>

<b>Deferred income tax liabilities</b>	<b>Accelerated tax depreciation</b>	<b>Revaluation of property, plant and equipment</b>	<b>Total</b>
<b>At 1 January 2018</b>	<b>(47)</b>	<b>(3,000)</b>	<b>(3,047)</b>
Recognised in the income statement		449	449
<b>At 31 December 2018</b>	<b>(47)</b>	<b>(2,551)</b>	<b>(2,598)</b>
Recognised in the income statement		397	397
<b>At 31 December 2019</b>	<b>(47)</b>	<b>(2,154)</b>	<b>(2,201)</b>

Deferred income tax assets and deferred income tax liabilities were calculated using a tax rate of 15% (2018: 15%) enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

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**19. Loans granted**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
258	246	Long-term loans to employees	210	195
2,479	3,136	Other long-term loans	2,454	3,090
(35)	(35)	Less: provision for impairment of loans receivable	(35)	(35)
2,702	3,347	Long-term loans, net	2,629	3,250
32	37	Current portion of loans to employees	29	34
2,815	2,992	Other short-term loans granted	3,519	3,696
-	-	Less: provision for impairment of loans receivable	-	-
2,847	3,029	Current portion of long-term loans and short-term loans, net	3,548	3,730

Repayment terms of other long-term loans granted ranged between 1 and 5 years. The loans bear average weighted interest rate of 3.1% (2018: 3.15%). Other loans repayments are secured with pledges of assets or guarantees.

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

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

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
5,549	6,376	Loans granted not past due	6,177	6,980
-	-	Loans granted past due but not impaired	-	-
35	35	Impaired loans granted	35	35
5,584	6,411	Gross value of loans granted	6,212	7,015
(35),	(35)	Less: Provision for impairment of loans receivable	(35),	(35)
5,549	6,376	Net amount	6,177	6,980

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**20. Inventories**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
2,405	2,064	Raw materials	1,042	465
7,433	7,676	Work in progress	7,139	7,378
50,297	45,974	Finished products	49,727	45,399
937	1,177	Other inventories	584	1,132
61,072	56,891	Total inventories at cost	58,492	54,374
(1,553)	(3,025)	Less: inventory write-down to net realizable value	(1,553)	(3,025)
59,519	53,866	Total inventories	56,939	51,349

As at 31 December 2018 and 2019 inventories were not pledged.

The Company's inventories as at 31 December 2019: 3,338 tons of butter held with third parties in Lithuania, 750 tons of hard cheese held in the USA, and 49 tons of hard cheese in the warehouses based in the European Union. The total value of these inventories is EUR 15,806 thousand.

The Company's inventories as at 31 December 2018: 1,373 tons of butter held with third parties in Lithuania, 174 tons of hard cheese held in the USA, and 73.5 tons of hard cheese and 11 tons of fresh cheese held in the warehouses based in the European Union. The total value of these inventories is EUR 5,992 thousand.

**21. Trade and other receivables**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
		<b>Non-current receivables</b>		
285	590	Prepayments for non-current assets	275	287
354	1,011	Prepayments for milk supply	354	1,011
639	1,601		629	1,298
		<b>Current receivables</b>		
35,612	30,270	Trade receivables	42,229	35,012
1,807	2,482	VAT receivable	1,133	1,738
1,930	11,991	Prepayments for milk supply	1,402	11,438
522	537	Other prepayments and deferred expenses	522	537
39,871	45,280		45,286	48,725

As at 31 December 2019 and 2018, no trade receivables of the Company were pledged as collateral. As at 31 December 2019 and 2018, the subsidiary's Rokiškio Pienas UAB trade receivables and claim rights to future trade receivables were pledged as collateral for amount not larger than EUR 6,000 thousand.

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At 31 December 2019 prepayments for milk supply were granted with repayment terms ranging between 1 month and 4 years. The annual interest rate ranged between 1,1 and 6%. Majority part of prepayments for milk supply were secured with pledges of assets (land, building) of the farmers. Most of prepayments for milk supply are repaid not in the form of money but are offset with amounts payable for raw milk purchases from farmers, therefore they do not meet criteria for the financial assets.

In view of the deterioration of the economic situation of certain farmers, an impairment provision was established for certain prepayments for milk supply. As at 31 December 2019 and 2018, it amounted, respectively, to EUR 340 thousand and EUR 340 thousand.

The information on credit quality of receivables as at 31 December 2019 is provided in Note 3.1. (b).

Movement in impairment during the financial year for trade receivables under contracts with clients:

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
1,540	1,444	In the beginning of the reporting period	1,540	1,444
(549)	-	Bad debts reversal during the year	(549)	-
-	96	Recognized impairment during the year	-	96
991	1,540	At the end of the reporting period	991	1,540

The Group received no collaterals as a security for impaired amounts receivable. As at 31 December 2019, the Company's trade receivables from Rokiškio Pieno Gamyba UAB amounted to EUR 13,111 thousand and trade receivables from Jekabpils Piena Kombinats SIA amounted to EUR 248 thousand (as at 31 December 2018, the Company's trade receivables from Rokiškio Pieno Gamyba UAB amounted to EUR 11,317 thousand and trade receivables from Jekabpils Piena Kombinats SIA amounted to EUR 248 thousand).

## 22. Cash and cash equivalents

<b>Group</b>			<b>Company</b>	
<b>At 31 December</b>			<b>At 31 December</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
2,988	2,619	Cash at bank and on hand	1,567	922
2,988	2,619		1,567	922

As at 31 December 2019, cash at bank balances pledged amounted to EUR 1,151 thousand (31 December 2018: EUR 738 thousand).

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

<b>Group</b>			<b>Company</b>	
<b>At 31 December</b>			<b>At 31 December</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
2,988	2,619	Cash at bank and on hand	1,567	922
2,988	2,619		1,567	922

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**23. Share capital**

As at 31 December 2019 the authorized capital of the Company amounted to 35,867,970 ordinary registered shares with a par value of EUR 0.29 per share. All shares are fully paid. The total amount of the authorized capital is EUR 10,401,711. During 2019 there were no changes in the Company's authorized capital.

**24. Treasury shares**

	2019		2018	
	Number	Amount	Number	Amount
At the beginning of the year	806,317	(2,108)	-	-
Treasury shares acquired	54,957	(143)	806,317	(2,108)
Reduction of share capital (Note 23)			-	-
	861,274	(2,251)	806,317	(2,108)

At the beginning of the reporting year (1 January 2019), Rokiskio suris AB acquired 806,317 own shares, which comprised 2.25% of the Company's authorized share capital. During 2019 Rokiskio suris AB acquired an additional 54,957 units of own shares. The purchase price of one share was EUR 2.60.

Along with previously acquired shares, as at 31 December 2019 Rokiškio sūris AB had 861 274 own shares, which is 2.40% of the Company's authorized share capital. The Company has a reserve of EUR 10,850 million for acquisition of own shares. The shares were purchased through the official bidding market of Nasdaq Vilnius stock exchange. The total price of the shares acquired by Rokiškio sūris AB amounted to EUR 2,251 thousand as at 31 December 2019 (EUR 2,108 thousand as at 31 December 2018).

**25. Other reserves and reserve for acquisition of treasury shares**

*Reserve for acquisition of treasury shares*

Total reserve for acquisition of own shares was EUR 10,850 thousand as at 31 December 2018. During 2019 the reserve for acquisition of own shares was not increased and amounted to EUR 10 850 thousand as at 31 December 201.

*Other reserves*

Non-distributable reserves of EUR 1,041 thousand can only be used to increase the share capital and non-distributable reserves (legal reserves) of Rokiškio Sūris AB, Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB amounting to EUR 1,113 thousand, EUR 556 thousand and EUR 223 thousand, respectively, can only be used to cover future operating losses, if any. The remaining amount of other reserves totalling EUR 8,087 thousand for the Company and EUR 12,207 thousand for the Group (2018: EUR 9,835 thousand and EUR 14,460 thousand, respectively) consists of the revaluation reserve of property, plant and equipment. (See below for the disclosure of the revaluation reserve).

*Dividends*

Dividends declared at the Company for the year 2018 were paid out in 2019 in the amount of EUR 0.10 per share (other than treasury shares) and in total amount of EUR 3,506 thousand (when par value of each share equals EUR 0.29).

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*Revaluation reserve*

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

Company	Revaluation reserve	Deferred income tax	Revaluation reserve net of tax
<b>At 1 January 2018</b>	<b>13,786</b>	<b>(2,068)</b>	<b>11,718</b>
Depreciation of revalued amount of PP&E and disposals and write offs of revalued assets (Note 15)	(2,215)	332	(1,883)
<b>At 31 December 2018</b>	<b>11,571</b>	<b>(1,736)</b>	<b>9,835</b>
Depreciation of revalued amount of PP&E and disposals and write offs of revalued assets (Note 15)	(2,056)	308	1,748
<b>At 31 December 2019</b>	<b>9,515</b>	<b>(1,428)</b>	<b>8,087</b>

Group	Revaluation reserve	Deferred income tax	Revaluation reserve net of tax
<b>At 1 January 2018</b>	<b>20,003</b>	<b>(3,001)</b>	<b>17,002</b>
Depreciation of revalued amount of PP&E and disposals and write offs of revalued assets (Notes 15, 18)	(2,991)	449	(2,542)
<b>At 31 December 2018</b>	<b>17,012</b>	<b>(2,552)</b>	<b>14,460</b>
Depreciation of revalued amount of PP&E and disposals and write offs of revalued assets (Notes 15, 18)	(2,650)	397	2,253
<b>At 31 December 2019</b>	<b>14,362</b>	<b>(2,155)</b>	<b>12,207</b>

**26. Borrowings**

Group			Company	
2019	2018		2019	2018
-	-	<b>Non-current</b>	-	-
		Non-current borrowings		
		<b>Current</b>		
15,424	14,092	Current and other borrowings	15,424	14,092
-	-	Finance lease liabilities	-	-
15,424	14,092		15,424	14,092
15,424	1,862	<b>Total borrowings</b>	15,424	14,092

The Company's and the Group's current borrowings consist of amounts payable to Fonterra (Europe) Coöperatie U.A. (Note 32), which are not subject to interest rates, and an overdraft granted by SEB Bankas. Under the loan agreements signed with the banks, certain property, plant and equipment (Note 15), inventories (Note 20), trade receivables (Note 21) and cash balances in bank accounts (Note 22) were pledged as collateral.

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

Group			Company	
2019	2018		2019	2018
15,424	14,092	in EUR	15,424	14,092
15,424	14,092		15,424	14,092

The fair value of borrowings does not materially differ from the carrying amount.

As at 31 December 2019, the balance not withdrawn under the committed credit line facilities with the banks amounted to EUR 22,522 thousand (2018: EUR 19,476 thousand) for the Company and the Group.

The Group was not in breach of the set borrowing limits or financial covenants as at 31 December 2019 except one, but the credit line agreement was extended after year end and the financial covenants updated.

**27. Deferred income**

Group			Company	
2019	2018		2019	2018
1,888	1,108	Government grants at the beginning of the year	1,022	110
1,696	1,205	Government grants recognised	1,022	1,205
(503)	(425)	Recognised in the income statement	(278)	(293)
3,081	1,888		1,766	1,022
(2,562)	(1,483)	Less: non-current portion	(1,458)	(731)
519	405	Current portion	308	291

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

**28. Trade and other payables**

Group			Company	
2019	2018		2019	2018
13,924	17,219	Trade payables	12,496	15,069
1,392	1,512	Salaries, social security contributions and taxes	886	980
708	557	Advance amounts received and other payables	627	477
878	2,092	Accrued expenses	616	1,039
16,902	21,380		14,625	17,565

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**29. Provisions**

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
		<b>Non-current</b>		
683	683	Non-current provisions	307	307
		<b>Current</b>		
684	404	Current provisions	604	324
1,367	1,087	<b>Total provisions</b>	911	631

As at 31 December 2019 and 2018, the Company's and the Group's current and non-current provisions consisted of provisions for pension benefits calculated in accordance with the legal acts of the Republic of Lithuania and provisions under the collective agreement of the Company and the Group.

**30. Contingent liabilities and commitments**

*Contingent liabilities*

As at 31 December 2019 and 2018, no guarantees were granted to third parties on behalf of the Group and the Company.

*Capital expenditure commitments*

As at 31 December 2019 and 2018, there were no capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements.

*Operating lease commitments – where the Group is the lessee*

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

<b>Group</b>			<b>Company</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
116	142	Within 1 year	116	142
90	127	Later than 1 year but not later than 5 years	90	127
206	269		206	269



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**31. Cash flows from operating activities**

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

<b>Group</b>			<b>Company</b>	
<b>At 31 December</b>			<b>At 31 December</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
3,914	1,619	Net profit (loss) before income tax	4,944	(222)
		Adjustments for:		
9,730	9,216	– depreciation (Note 15)	5,965	5,857
3	3	– amortisation and impairment (Note 16)	3	3
		– write-off of property, plant and equipment and intangible assets (Notes 15 and 16)	65	79
49	20	– loss on disposal of property, plant and equipment (Note 10)	54	60
187	29	– interest expense (Note 12)	187	29
(363)	(427)	– interest income	(363)	(427)
(230)	-	– amortisation of loans	(230)	-
(1,471)	1,100	– inventory write-down to net realisable value (reversal)	(1,471)	1,100
		– impairment for doubtful receivables and write-offs of bad debts (Note 21)	549	-
884	(1,107)	– accrual for vacation reserve and bonuses	144	(367)
(503)	(425)	– amortisation of government grants received (Note 27)	(278)	(293)
-	-	– dividend income (Note 32)	(2,818)	(1,868)
		Changes in working capital:		
(4,675)	(393)	– amounts receivable and prepayments	(6,659)	11,882
(4,182)	(20,302)	– inventories	(4,119)	(20,375)
(848)	(11,149)	– prepayments for milk supply	(848)	(11,149)
(5,162)	368	– amounts payable	(2,787)	(1,361)
(2,112)	(21,363)	Net cash generated from/(used in) operating activities	(7,662)	(17,053)

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

<b>Group</b>			<b>Company</b>	
<b>At 31 December</b>			<b>At 31 December</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
217	156	Net book amount (Note 15)	158	74
(49)	(20)	Loss on disposal of property, plant and equipment (Note 10)	(54)	(60)
168	136	Proceeds from sale of property, plant and equipment	104	14

**ROKIŠKIO SŪRIS AB**  
**CONSOLIDATED AND THE PARENT COMPANY'S**  
**FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

**32 Related-party transactions**

.

Main shareholders of Company:

	At 31 December	
	2019	2018
Antanas Trumpa (Chairman of the Board of the Company)	19.46%	19.46%
Pieno Pramonės Investicijų Valdymas UAB (established in Lithuania)*	27.21%	27.21%
RSU Holding SIA (established in Latvia)*	24.96%	24.96%
Fonterra (Europe) Coöperatie U.A.	10.00%	10.00%
Other shareholders (legal entities and natural persons)	18.37%	18.37%

*\* 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% (2018: 81.86%) of the Company's share capital and 81.86% (2018: 81.86%) votes\*. The Company has acquired 861,274 own shares, which comprise 2.40% of the Company's authorised share capital.*

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. All Fonterra group companies are also 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.

**ROKIŠKIO SŪRIS AB**  
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(i) *The following transactions were carried out with related parties:*

<b>Group</b>			<b>Company</b>	
<b>At 31 December</b>			<b>At 31 December</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
1,757	2,292	Purchase of milk from other related parties	22,150	21,760
-	10	Purchase of non-current assets	-	10
-	-	Purchase of inventory	8,213	10,235
73	60	Purchases of services	1,568	1,199
363	279	Sales of transportation services to other related parties	6,655	6,807
15,762	15,402	Sales of production and other inventories	62,555	62,586
20	20	Interest charges on credit facility	49	49

In order to properly indicate the internal turnover of Rokiškio Sūris AB, Rokiškio Pienas UAB, and Rokiškio Pieno Gamyba UAB, the management of the Group has decided that raw materials used in the production of exported products of Rokiškio Sūris UAB will be bought at a zero price, while the production generated by Rokiškio Pienas UAB and Rokiškio Pieno Gamyba UAB will be sold as a service, i.e. excluding the value of raw materials.

Transactions related to the purchase of milk, acquisition of non-current assets and inventories, purchase and sale of services and goods with related parties are carried out under normal market conditions, including Fonterra group companies.

The loan agreement was signed with Fonterra (Europe) Coöperatie U.A. in 2012 for the purpose of financing the acquisition of certain production facilities. The loan does not bear interest, assets are not pledged, and the Company has not issued any guarantees related to the loan. The repayment term is up to the year 2033. With the Company fulfilling the obligations under the loan agreement, the loan will be amortised over fifteen years of the repayment term of the loan.

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

<b>Group</b>			<b>Company</b>	
<b>At 31 December</b>			<b>At 31 December</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
17	22	Non-interest bearing loans granted to directors (and their family members)	17	22
-	-	Loan receivable from Jekabpils Piena Kombinats SIA	724	724
298	298	Loan receivable from Dzūkijos Pienas KB	298	298
3,046	3,276	Loan payable to Fonterra (Europe) Coöperatie U.A.	3,046	3,276
48	127	Trade payables to other related parties	1,815	1,321
3,058	5,642	Trade receivables from other related parties	16,587	17,310

By the decision of the Shareholder of Rokiškio Pieno Gamyba UAB dated 30 April 2019, it was decided to approve and allocate dividends in the amount of EUR 2,818,426. Dividends were paid out to Rokiškio Sūris AB in May 2019.

**ROKIŠKIO SŪRIS AB**  
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*(iii) Compensation of key management personnel*

Group			Company		
At 31 December			At 31 December		
2019	2018		2019	2018	
246	191	Salaries	230	177	
-	1,563	Bonuses/management bonuses paid	-	1,189	
-	1,164	Accrual (reversal) for management bonuses*	-	424	
4	391	Social security contributions	4	356	
250	3,309	Total	234	2,146	

Key management personnel includes 9 (2018: 9) members of the Board and directors.

\* Reversal of bonuses was done in the Group and in the Company in 2019 (Note 7).

**33. Services rendered by the audit firm**

Presented below are all services rendered by the audit firm to the Group / the Company in 2019 (in EUR thousands):

Group			Company		
At 31 December			At 31 December		
2019	2018		2019	2018	
47	43	Audit of the financial statements under the agreement	30	27	
20	18	Assurance and other related services	13	12	
-	-	Business consultation services	-	-	
-	-	Tax consultation services	-	-	
67	61	Total	43	39	

**34. Events after the reporting period**

On 13 February 2020, amendments were signed to the credit agreement with SEB Bankas AB, under which the final repayment date for the overdraft facility granted to the Company was extended until 28 February 2021, and the credit limit granted was increased to EUR 35,000,000. The Company's funds placed in and future inflows, as well as the assets owned by the right of ownership by Rokiškio Pieno Gamyba UAB, were additionally pledged to the bank.

### **34. Impact of COVID-19 virus on the Group's activities**

By the end of year 2019 information regarding COVID-19 (coronavirus) appeared from China and a limited number of cases of the unknown virus were reported to the World Health Organization. In the first few months of 2020 the virus spread around the world and its negative effects gained momentum. Because of global COVID-19 pandemic, as of the date of preparation of the financial statements, the governments of many countries, including Lithuania, have made a number of decisions that could affect business.

#### **Impact on activities**

The Group's export sales account for more than 62 percent of total sales. As a result of the measures against COVID-19 in various countries goods purchase orders were canceled or reduced, but at the reporting date, management was unable to make a definitive assessment of the long-term impact on sales. Sales volumes are highly dependent on the ability to transport goods both inside and outside the EU, as well as the restrictions imposed by various governments because of COVID-19.

The group makes every effort to minimize the possibility for the virus entering its territories. As of the preparation date of the financial statements, no employee was infected with the virus.

At the date of the financial statements, there were no significant disruptions in the company's main raw material (milk) and other procurement chains. Also none of the ongoing projects were suspended due to COVID-19.

#### **Liquidity**

As at the reporting date, the Group has entered into a loan with a bank without further restrictions due to COVID-19 (Notes 26 and 34). The Group complied with all the terms of the agreement and met the required performance indicators.

Group management estimates that certain buyers with receivables accounting for about 20-30 percent of all receivables may be delayed in settlements. In the short term the Group's liquidity will not be significantly affected. At the date of preparation of the financial statements, management had not yet identified any material increase in delayed receivables.

As the situation is still changing, management believes that it is not possible to reliably estimate the potential impact of this outbreak on the Group. Management believes that this outbreak is a non-adjusting post-balance sheet event and therefore does not result in a change in the 2019 financial statements. The impact will be included in the Group's financial statements in 2020.



# CONSOLIDATED ANNUAL REPORT 2019



ROKISKIS APRIL 2020

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## GENERAL INFORMATION

### 1. Reporting period of the submitted annual report

This consolidated report for the year 2019 was prepared for the period from 1 January 2019 to 31 December 2019.

### 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:	<a href="mailto:rokiskio.suris@rokiskio.com">rokiskio.suris@rokiskio.com</a>
Website:	<a href="http://www.rokiskio.com">www.rokiskio.com</a>
ISIN code:	LT0000100372
LEI code:	48510000PW42N5W74S87
Share ticker symbol at AB Nasdaq Vilnius	RSU1L

### 3. Information on the Company’s group

As on 31 December 2019, the group of Rokiškio sūris, AB (hereinafter, the “Group”) consists of the parent company Rokiškio sūris, AB, and its four subsidiaries (in 2018: parent company and four subsidiaries).

#### **Parent company:**

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



**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 (NACE 10.51)***

**Rokiškio sūris, AB:**

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

**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**

In order to ensure that all members of the Company's management bodies have a clear understanding of the Company's objectives, directions and aspirations, the Company's strategy for long-term strategic goals and objectives is being prepared.

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

### The 30 April 2019 General Shareholders' meeting of Rokiskio suris, AB:

1. Endorsed findings made by the Audit Committee;
2. Approved the Company's and consolidated annual reports for the year 2018;
3. Approved profit (loss) allocation for the year 2018:

	Title	Thousand EUR
1.	Non-distributable profit (loss) at beginning of year	74 824
2.	Approved by shareholders dividends related to the year 2017	(3 587)
3.	Transfers from other reserves	1 883
4.	Profit allocated to the reserve for the acquisition of own shares	(3 244)
5.	Non-distributable profit (loss) at beginning of year after dividend payout and transfer to reserves	69 876
6.	Net profit (loss) of the Company of fiscal year	(75)
7.	Distributable profit (loss) of the Company	69 801
8.	Profit share for mandatory reserve	-
9.	Profit share for other reserves	-
10.	Profit share for dividend payout *	(3 506)
11.	Profit share for annual payments (tantiemes) to the Board of Directors, employee bonuses and other as accounted by Profit (loss) statement	-
12.	Non-distributable profit (loss) at end of year transferred to the next fiscal year	66 295

In total it will be allocated EUR 3,506,165.30 to the dividends payout, 0.10 eur per ordinary registered share.

4. Resolved to acquire treasury shares as follows:

Purpose of acquisition of own shares – maintain and increase the price of the company's shares.

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.

Period during which the company may purchase own shares – 18 months from the approval of resolution.

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.

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.

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.

5. Elected an audit company UAB PricewaterhouseCoopers to perform an audit of annual consolidated financial statements for the year 2019 and evaluation of the consolidated annual report 2019 of the Group of AB Rokiskio suris and the Parent Company.

**On August 30th, 2019**, it was announced the performance results of Rokiskio suris, AB for six months 2019:

The 6 months 2019 consolidated non-audited sales of the group of Rokiskio suris AB made kEUR 89,168 in the period of January-June 2019, which is lower by 12.75 percent compared to the same period last year (kEUR 102,202).

Profit before interest, taxes, depreciation and amortization (EBITDA) of AB Rokiskio suris increased more than 13 times in six months, i.e. from kEUR 206 last year to mEUR 2.793 this year.

Consolidated non-audited loss of the group of Rokiskio suris AB in the reported period decreased 2.3 times compared to the analogous period last year, i.e. from mEUR 3.685 to mEUR 1.570.

The decline in revenue in January-June 2019, was due to the decision of the company and its strategic partner New Zealand dairy company Fonterra to modify the company's strategy and to focus on long-ripened hard cheese.

The already manufactured hard cheeses may be marketed only after maturation for at least one year. In the year since July last year, production worth EUR 32.4 million has yet to be sold. Meanwhile, the cost of producing these cheeses has already been incurred.

On November 19th, 2019, it was announced the decision of the Board of Directors of Rokiskio suris AB on the purchase of own shares:

Based on the resolution of the 30 April 2019 General Meeting of Shareholders of Rokiskio suris AB, on 19 November 2019 the Board of Directors of Rokiskio suris AB decided to launch purchase of ordinary registered shares of Rokiskio suris AB, par value of which is equal to EUR 0.29 (twenty nine euro cents), consequently total nominal value including the shares already purchased would not exceed 1/10 of the Company's Authorized Capital. For the purchase of own shares there is an accumulated reserve of kEUR 10,850. A tender offer will be made to purchase own shares via the securities market Nasdaq Vilnius AB.

Assignments to sell shares will be accumulated during the whole period of share purchasing. If the share offer surpasses number of the shares to be purchased, then the number of buyable shares will be reduced proportionally to all sellers of the shares.

Conditions of the purchase:

The beginning of share purchase: 21 November 2019

The end of share purchase: 17 December 2019

The maximum number of shares to buy (units): 2,780,480

The maximum purchase price (EUR): 7,229,248

Share purchase price (EUR): 2.60 per share

On December 17th, 2019, it was announced that Rokiskio suris, AB completed the purchase of its own shares on AB Nasdaq Vilnius Stock Exchange. In total it was bought 54,957 units own shares during this time. Together with the previously acquired own shares, AB Rokiskio suris will own 861,274 units treasury shares, which will make up to 2.40 per cent of the Company's authorized capital.

## 7. Significant developments after the end of the fiscal year

On 13 February 2020, 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 2021. The Company's assets pledged previously for the benefit of the Bank were extended in order to secure the repayment of the loan, and the claims to receivables were pledged additionally. The interest rate set in the credit agreement was not subject to repricing.

Other information on major developments after the end of fiscal year is provided in comment 34 to the consolidated report of Rokiškio sūris, AB and the financial report of the parent company of 31 December, 2019.

## 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 more than 1,400 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



2019 was not successful on the Lithuanian raw milk market - drought reduced yields and higher feed prices, increasing dairy farms environmental requirements and other factors reduced the number of dairy farms and their cows. As of January 1, 2020, the number of producers selling milk to purchasers was 20.25 thousand, which is 11.25 per cent less than in the same period of 2018, while the number of dairy cows and milk sales decreased by 4.95 per cent (up to 220.35 thousand) and 1.21 percent (up to 1339,59 thousand tons).

In December 2019, the average purchase price of natural milk (4.33% fat and 3.44% protein) in Lithuania was 306.0 Eur/t, according to the ŽŪIKVC PAIS. In December, the average purchase price of natural milk was 1.3% higher than in November 2019 (in November 2018, the milk purchase price was 301.9 Eur/t). In December 2019, the average milk purchase price of basic indicators increased by 2.1% compared to November and was 238.7 EUR/t. In December 2019 the purchase price of natural milk was 2.5% lower than in December 2018 (in December 2018 it was 313.8 EUR/t). 103.96 thousand tons of milk were bought in Lithuania in December 2019, i.e. 0.1 percent more compared to December 2018.

According to the data of ŽŪIKVC PAIS, in January - December 2019, 1 339.59 thousand tons of raw natural milk with average fat content of 4.19 per cent were purchased from 20 245 dairy producers in Lithuania, ie by 1.21 per cent less than in 2018 (1355.99 thousand tons). Sales of raw milk decreased the most among producers keeping 1-5 cows (-7.53%, to 155.90 thousand tons, producers keeping 6-14 cows sold 6.29% less raw milk (total 142.71 thousand tons), while producers keeping 15 cows and more sold 0.57% more (1040.99 thousand tons in total).

According to the data of the Agricultural Information and Rural Business Center on January 1 2020 in Lithuania, it was registered 241.85 thousand cows - this is 5.8 percent less than in the same period last year.

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 t of raw milk per month in 2015-2016-2017-2018-2019.





Rokiškio sūris AB average purchase price of raw natural milk from milk producers supplying more than 40 tons per month in Q4 2019 was 332.2 EUR / t - 9.6%. higher than in the third quarter, but 5.2% lower than in the fourth quarter of 2018. Due to seasonality, the price of raw natural milk was higher in Q4 2019. Although the number of dairy farms selling milk is decreasing, the dairy farms are gradually increasing, the yield is growing, and the share of milk sold from large dairy farms is also increasing. The purchase price of milk is also determined by the current uncertainty in the global dairy market due to unusual natural conditions in milk producing regions and geopolitical factors influencing foreign trade.

### ***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).

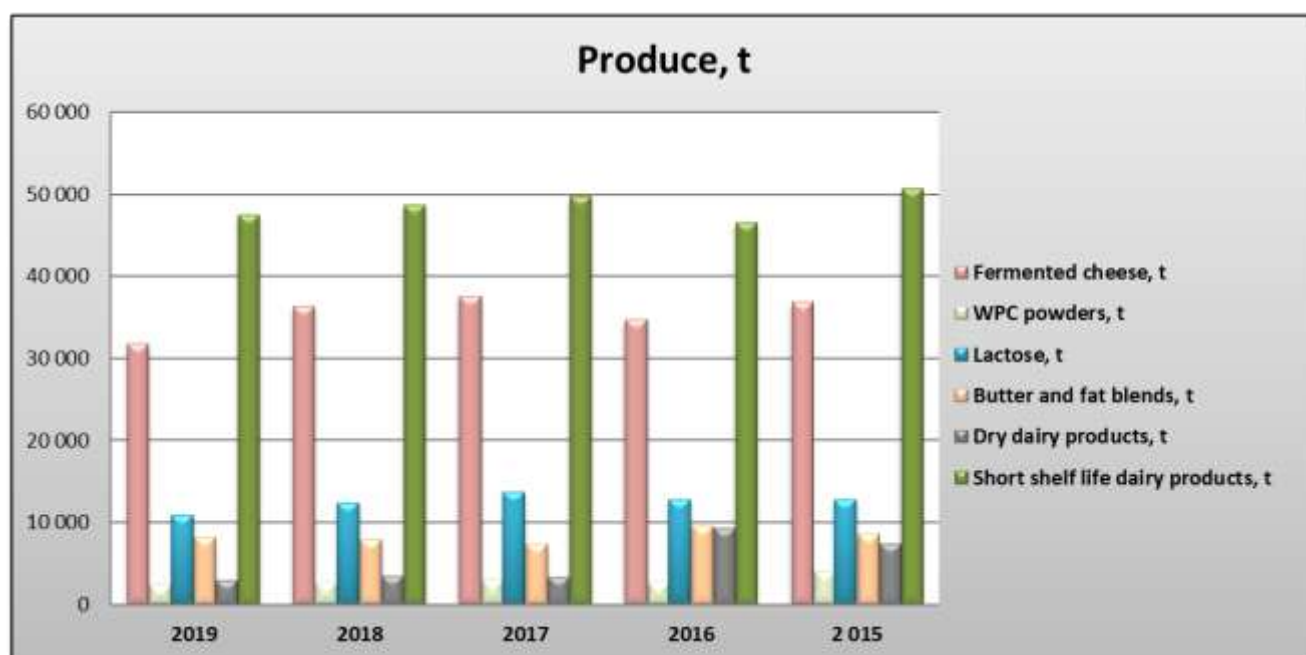


- Rokiškio sūris, AB (in Rokiškis) specialises in the production and marketing of fermented cheeses and products obtained from whey.
- Rokiškio pieno gamyba, UAB (Utena company) specialises in fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.

- 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 2015-2019:

Production / Year	2019	2018	2017	2016	2015
<b>Fermented cheese, t</b>	31,745	36,214	37,463	34,603	36,759
<b>WPC powder, t</b>	2,384	2,635	2,857	2,622	4,004
<b>Lactose, t</b>	10,866	12,405	13,661	12,746	12,774
<b>Butter and fat blends, t</b>	8,143	7,891	7,285	9,391	8,455
<b>Dry milk products, t</b>	2,862	3,463	3,335	9,234	7,379
<b>Fresh dairy products, t</b>	47,370	48,596	49,734	46,475	50,633



In 2019, the Company's production of fermented cheese decreased by 12.34% compared to 2018. Hard cheeses, excluding hard cheese Grand, produced 2.64 times less than in 2018, production of semi-cheeses and fresh cheeses decreased by 2.18% and 3.87%, respectively. Changes in assortment were driven by changes in the cheese market.

In 2019, the production of hard cheese (35 kg) was further increased and the technological production process was improved.

The company's priority is solid long-maturing GRAND rennet cheese, whose production in 2019, compared to 2018, increased 2.3 times.

The technology of this cheese was created by prof. Angelo Frosio, the Italian cheese expert, together with the company's production experts.

The company produces 35 kg GRANA type hard cheese which is distinctive by mature, rich, and savory flavor. The production process of this type of cheese is very complex, requiring a lot of investment, exceptional knowledge, time and patience. Cheeses of this level can only be created by a very high-tech company with a team of highly qualified specialists.

In 2019, the company's production of lactose decreased by 12.41% compared to 2018. The decline in whey protein concentrate production was due to the assortment of WPC. The decrease in the production of milk sugar was also caused by the amount of lactofiltrate purchased from other companies.

In collaboration with the New Zealand company Fonterra, one of the world's largest dairy product manufacturers, 90% of the WPC production technology has been successfully implemented (Whey Protein Concentrate). This technology is constantly improved and the range of WPC is expanded.

Reconstruction of household premises in Rokiskis company. During the reconstruction, the staff changing room, lounge, product tasting and guest changing room were renovated. Equipped with hand and foot hygiene point.

In 2017, the laboratory of Rokiškis company started implementation of laboratory information system – a project for transferring data into electronic environment. The project was completed in 2019, and still being improved in order to offer new information management and analysis possibilities.

## 9. Sales of the Group of companies



As every year, the largest part of the company's production is exported. The Group of Rokiskio suris exports its products to 42 countries of the world. In 2019, the group's exports accounted for about 62 percent from total sales. Sales to foreign markets accounted for the same percentage also in 2018.



## Sales of the Group of companies by different markets

Country	Sold				
	2019		2018		Change
	kEUR	%	kEUR	%	
	79 166	37,99	78 093	38,34	+1,37
<b>Lithuania</b>	100 010	48,00	109 546	53,78	-8,71
<b>European countries</b>	4 769	2,29	1 075	0,53	+343,63
<b>Middle East</b>	4 778	2,29	4 370	2,15	+9,34
<b>Far East</b>	13 022	6,25	3 654	1,79	+256,38
<b>North America</b>	6 628	3,18	6 937	3,41	-4,45
<b>Other countries</b>	208 373	100	203 675	100	+2,31



In 2019, the Group's sales revenue amounted to kEUR 208,373. Compared to 2018 (kEUR 203,675) sales revenue slightly increased by 2.31 percent.

During 2019, sales to European countries decreased by 8.71 percent. This was due to several factors: the low prices of fresh cheeses led to a significant increase in hard cheeses due to their profitability, and the hard cheeses were helped to ripen, resulting in less sales of fresh cheeses.

Meanwhile, sales to the Middle East increased significantly, by as much as 343 percent. This was mainly due to butter sales to the Middle East. In addition to butter, the company also exported hard cheese to Turkey. Sales of hard cheese to the United States increased significantly.

During 2019, extraordinary amounts of lactose were exported to New Zealand. As in 2018 and in 2019, lactose continued to travel to regular customers in the Philippines, India, Russia and some European countries.

Exports of fresh cheeses to the Far East increased slightly in connection with exports of mozzarella to South Korea. However, sales to this country in 2019 are still below 2017 levels, as the Koreans have an alternative US mozzarella market where the price level is often more favorable to them.

In 2019, the company exported hard cheeses to North America for as much as EUR 13 million, a 256 percent increase over 2018. This was due to increased demand for cheeses in the US, plus a good dollar against the euro.

As in the past, the group sells in the export markets conventional products such as butter, cream, buttermilk flour and ancillary products from the cheese making process - IBK and lactose. Fresh cheese (Cagliata and Mozzarella) continues to travel mainly to Italy, the Netherlands and Spain.

Fat prices remained low throughout 2019, similar to 2018.

One of the biggest goals of the Rokiskio suris group is to continue to increase sales in Asia, where the biggest increase in consumption of dairy products is expected in the near future.

## Local market sales

In 2019, Rokiskio Group's consolidated sales turnover in the domestic market amounted to EUR 79.2 million or 1.4% more than in 2018, when it amounted to EUR 78.1 million. Changes in sales prices of products were insignificant. The average price increase per kilogram of production is only 0.3%.

The company succeeded in boosting its own-brand sales (+ 8%), but significant losses in the private label category (minus 30%).

Rokiskio Group sold 39.5 thousand tons of its own products in the domestic market in 2019, which is more than 6% higher than in 2018. In 2018, its brands also enjoyed 3% annual growth.

The domestic market share of Rokiskis Group in sales increased to 38%, but this was also due to the fact that the company produced larger quantities of hard ripened hard cheeses, thus, the stocks of cheeses intended for export have increased.

In most product categories, the Rokiskis Group is first or second on the market, with a slightly weaker appearance in the dessert groups (however, sales of yogurts in 2019 managed to increase by 12%). The Rokiskio Group is the market leader in sour milk products (kefir, buttermilk), semi-hard and processed cheeses, ranking first / second in butter and curd.

The company is not strongly involved in small market segments and focuses on mass-production which ensures lower costs and consistently high product quality. Retail networks are the priority marketing channel for the Company; the Company works with them on the basis of mutual cooperation, including the manufacture of private labels.

## 10. Products, brands and achievements

### Reliable professionals in the dairy industry for over 50 years!

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

products. The key group of products of the Company is Rokiškio Naminis that is one of the best recognised brands in FMCG (Fast Moving Consumer Goods) sector.

The company aims to make its production consistent with the trends of healthy nutrition. According to the data of the Ministry of Health, Lithuanian people receive more sugars every day than it is recommended by the World Health Organization (WHO). As a result, the company contributed to a co-operation agreement initiated by the Ministry of Health Protection to reduce the potential threats to the health of the population and to improve the composition of the products produced in Lithuania. Consequently the company reduced amount of sugars in the Bifi Active yogurt line.

A cooperation agreement initiated by the Ministry of Health to commit to improving human health and reducing sugars in the Bifi Active yogurt line.

This has been successfully implemented - according to a list of products signed with the Ministry of Health, BiFi Active yogurts consume as much as 42 tonnes of annual sugar. It is gratifying that consumers have noticed and appreciated it (12% yogurt growth has been achieved).

In addition to what was already agreed with the Ministry of Health, the second half of 2019 also reduced sugar levels in BiFi Active 40g and 100g cottage cheese (30% less added sugar). As a result, the whole dessert line has better nutritional properties.





Rokiskis Kefir GRAIKISKAS with 1,5% fat content was awarded the prize in the Product of the Year 2019 competition organized by the Lithuanian Confederation of Industrialists. This is the most successful news for the local market in 2019 in the sour drink category.

Rokiskio suris AB Group also has a range of high quality and exclusive high value added products and other product categories. Other news for 2019 - 2kg Kefir Naminis (family pack), Rokiskis Gouda cheese 200g. Curd dessert BiFi Active with jelly slices, Greek butter and olive oil blend.



Various products of the company constantly fall among the marks in the competition "Most Popular Product" organized by the Association of Lithuanian Trading Companies. In 2019, in addition to four other items, this list was supplemented by Organic Yogurt Rokiskis 'Genuine' lactose free (in the category lactose free products).

The list of organic products was expanded by "Genuine" Rokiskis cheese in 150 and 200 g packages.

The company is successfully strengthening its position in the Premium Hard Cheese category. Its pride is Rokiskio GRAND, whose sales in the Lithuanian market increased by 45% a year, and its growth is expected to continue.

Rokiskis GRAND cheese was awarded the Gold Stars for the second time in 2019 by the Brussels International Taste Institute.

The company is expanding its assortment of cheese and switching to more convenient primary and secondary packaging.



## 11. 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.

The Group's core business is milk processing. Milk processing business is related to raw material suppliers, competition in raw milk market, raw milk price fluctuations. Shortage of raw milk, which promotes the constant fluctuation of milk prices, may affect the performance of the issuer.

Specialization in the production of fermented cheeses determines the main part of the income. The process of maturing the cheeses is quite long. Therefore, it is difficult to react quickly to market changes, which may affect the performance of the company.

High competition for dairy products in domestic and export markets, cheaper Polish products, restrictions to the Russian market limits sales.

Group's credit risk is related to receivables. The risk that partners fail to meet their obligations is controlled. The Group has insured its customers with credit insurance. Customers with higher financial risk are subject to a prepayment system.

The Group's activities are under constant control of food safety, environmental and social responsibility audits. Food safety systems are in place and operate in the group's companies. The company has been awarded the specific quality certificates of HALAL and KOSHER (for the products such as Lactose, WPC, SMP, FMP, Butter milk powder, Butter). This ensures consumer confidence in product safety. Certified organic products are labeled with additional information.

The goal of the Group's management is to produce safe and high-quality milk products with minimal impact on the environment. The Group is constantly looking for ways to optimize production, reduce costs and minimize risk factors and manage them as much as possible.

Risk Factor	Source of Risk	Risk Management.
<b>Economic Factors: Supply of raw material</b>	Small farms; Seasonality; Competition; Absence of a long-term regulatory framework. Fluctuation of raw milk prices in winter and summer. Significant changes in milk prices on global markets	In order to mitigate the potential risks and their impact, dairy producers are paid additionally to the milk price for long-term cooperation, for higher milk quality indicators, loyalty, and balance in seasonality of milk production. Risk is managed by additional import of milk from other countries (Estonia, Latvia) and diversification of raw milk purchase from different size suppliers in Lithuania.
<b>Product sales</b>	The Group's core business is milk processing. The main product is fermented cheese.	Searching for alternatives to import production. Increasing the range.

	<p>Cheese sales account for most of the revenue.</p> <p>The Company's income, profits and cash flows may be negatively affected by changes in the demand and prices of cheeses and other products - milk sugar, butter, WPC.</p> <p>The production of long ripening hard cheese is a long process that lasts from 9 to 24 months. This long process can negatively affect the company's cash flows and performance.</p> <p>Internal competition between local producers.</p> <p>Cheaper Polish production on the Lithuanian market.</p> <p>Increase in the number and range of cheaper products from other EU countries.</p>	<p>Search for new markets.</p> <p>Cooperation with business partners.</p> <p>Risk assessment for each client.</p>
<b>Environmental Factors</b>	<p>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.</p>	<p>Replacement of vehicles with new ones, maintenance, operation conditions control.</p> <p>Selection of energy suppliers.</p> <p>Resource conservation, accounting and control measures.</p> <p>Control, automatisisation and modernisation of technological processes.</p> <p>The monitoring of the consumption and impact of natural resources.</p>
	<p>The use of chemical substances. This poses a risk to employees, products, and the environment.</p>	<p>Staff training, personal protection measures.</p> <p>Accounting and control.</p> <p>Process automatisisation.</p>
	<p>Physical environmental pollution: noise, odour, light</p>	<p>Control measurements and assessment.</p> <p>The deployment of technical measures.</p> <p>Focus on design works.</p>
	<p>Industrial and surface wastewater management.</p> <p>Release of industrial and surface wastewater containing pollutants.</p>	<p>Maintenance, operation conditions, process control.</p> <p>Analysis of the concentrations of contaminants, accounting of contaminant releases.</p> <p>The use of city wastewater purification reserves.</p> <p>Cleaning and maintenance of sand oil precipitators.</p> <p>In 2019, part of the sewage networks was renovated and the aeration system of the first aerotank of wastewater treatment plants was reconstructed.</p>
	<p>Poor treatment of waste generated during operation poses</p>	<p>Waste separation, process management.</p> <p>Ensuring adequate storage conditions.</p>

	environmental risk.	Staff training. Transfer to legitimate managers.
	Regulation and compliance. The risk manifests itself in the large scope and developments of legal regulations.	Certified management system in compliance with ISO 14001:2015 Environmental management system. Requirements and usage guidelines. Continuous assessment of legal acts and developments.
	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.	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. Climate control chambers have been installed in the production rooms, which not only maintain the set temperature and humidity parameters, but also operate in recuperation mode.
<b>Energy-related risk</b>	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.	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. Installed thermal energy vapor accounting with controlled and assured consumption and needs of relevant workshops. Three hot water boilers are installed at the production facility.
<b>Food safety and quality</b>	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 occurrence and increase thereof have been identified. Risk assessment has been performed to identify the probability of risk and the gravity thereof;	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; Constant risk management and the monitoring of set targets.

	Risk assessment covers the entire production chain – from raw materials procurement to delivery to the customer.	
<b>Information security</b>	IT risks arise from the use of illegal software, lost and unrecoverable data and data vulnerability.	<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>
<b>Occupational risk factors:</b> <b>Physical factors</b>	<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 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</p>



		<p>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.</p> <p>Reconstructed fire reservoir. It fully complies with the relevant laws of the Republic of Lithuania. Fire extinguishing means are adequately labelled. Workplaces are equipped with a ventilation system. Ventilation equipment is maintained and renovated on a regular basis.</p> <p>Fire safety trainings are organized for the employees.</p> <p>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 prepared and coordinators are appointed to ensure employee safety and health in order to prevent the risks which arise from the</p>
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		activities of other undertakings as well as the risks to employees of such undertakings which arise from the activities of the Company.
<b>Physical: Noise</b>	Work equipment	The use of personal protection means, mandatory health checks for noise, staff trainings. Equipped with high-pressure washing stations that fully control the dose of chemicals needed to clean and disinfect premises and improve staff conditions.
<b>Chemical factors</b>	Use of chemical substances during laboratory tests, cleaning process of work equipment and premises.	Equipped with high-pressure washing stations that fully control the dose of chemicals needed for indoor cleaning and disinfection and improve staff conditions. Occupational risk assessment of workplaces where chemicals are used. Mandatory medical examinations. Information and training of employees. Use personal protective equipment where hazardous chemical agents are present. An artificial ventilation system is installed.
<b>Ergonomic factors</b>	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 Avoiding heavy manual handling of cheeses, in 2019 a lifting device with a pivot / flip function was installed.
<b>Social factors</b>	Employee Search and Recruitment.	Employee search in the Employment Agency. Cooperation with educational institutions. Recommendations of employees working in the company. Internal resources of the company (encourages employees to improve their skills).
	Employee qualification and employee integration into work processes.	The company has a system for assessing and developing employee performance. Every year, employee training plans are drawn up. The training is organized both by sending employees to external seminars organized by the suppliers and within the group.
	Employee retention and reduction of turnover.	The company strives to build a stable team by maintaining good relationships,

		<p>empowering to grow, participate in decision-making, giving employee benefits under the Collective Agreement.</p> <p>These social factors do not depend solely on the company's actions. The company may be forced to increase investment in robotic production processes, i.e. to replace manual work with robots.</p>
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## 12. 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.

A detailed description of the financial risk factors to which the Company and the Group are exposed is provided in comment 3 to the consolidated report of Rokiškio sūris, AB and the financial report of the parent company dated 31 December, 2019 (Comment 3).

## 13. 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

## 14. Food safety and quality

Thanks to their flawless quality, the dairy products manufactured by the Company enjoy high international recognition. The internationally-certified food safety and environmental systems deployed by the Company ensure the possibility to offer a wide range of delicious products to the consumers. Experience obtained through many years of work as well as continuing attention to the deployment of new technologies allow the Company to maintain competitiveness in raw milk procurement and product sale markets.

Production of hard cheese is a long process which may take between a few months and a few years. Such production particularity does not allow instant response to changes in the cheese market which might influence operational results.

The Companies focus on food safety and quality in order to satisfy customer needs and comply with environmental requirements. Rokiškio sūris, AB was the first company in Lithuania to certify its Food Safety System, and the first milk processing undertaking to certify its Quality management and Environment management systems in accordance with the international ISO requirements (ISO 9001, ISO 14001).

Food safety is the most important aspect of the companies' performance. In an effort to enhance food safety, one of the companies of Rokiškio sūris, AB – the company in Rokiškis, upgraded the existing food safety system and was certified in accordance with the Certification scheme for the certification of food safety systems FSSC 22000 in 2013. The Scheme covers ISO 22000: 2005 and ISO/TS 22002-1:2009. The food safety scheme is recognised by the Global Food Safety Initiative GFSI *and can replace such previously recognised food safety standards as BRC, IFS and SQF*.

Rokiškio pieno gamyba, UAB (plant in Utena) and Rokiškio pieno gamyba, UAB branch Ukmergės pieninė (plant in Ukmerge) are both certified according to the requirements of Environmental Management (ISO 14001) and Food Safety (ISO 22000) international standards. In 2016 the Companies were certified in accordance with the requirements of the Scheme *Food Safety Management System under FSSC 22000*.

The requirements of the standards served as the framework for the development of rules designed to ensure the manufacturing of stable, uniform, high-quality and safe products in compliance with the policy of the organisation. The system covers the processes from the procurement of the raw materials till the satisfaction of consumer needs; it is reviewed and improved on a regular basis in order to maintain high product quality. Food safety, quality and environmental systems are reviewed on a regular basis and improved in order to ensure that all products are of a high quality and meet the expectations of the clients.

Improvements to existing corporate food safety systems have introduced changes to the new requirements of FSSC 22000 Version 4.1: 2017 in all companies. The changes relate to food safety risk assessment and control, food counterfeiting vulnerability assessment and control, services, allergen management, environmental hygiene control.

The international certification company BUREAU VERITAS Lit carries out surveillance audit in the Company every year and repeated system certification (re-certification) every 3 years. During the most recent integrated management system review the auditors issued a highly favourable assessment of Rokiškio sūris, AB.

Companies will periodically carry out non-scheduled audits without prior notice under the new FSSC 22000 Version 4.1: 2017 requirements.

Certification under the Food Safety System Certification Scheme FSSC 22000 serves to demonstrate that the Company's operations process and the resources related thereto are under control. The inter-connected processes are perceived and managed as a single system, which increases the Company's performance and efficiency. A properly operating food safety system allows to manage the identified risks both at critical and important control points related to production processes, transportation and consumption.

The Management of the Company performs annual review and approval of the food safety, quality and environmental policy which provides for continuous improvement. We believe it is never enough to "do things right". We know that the things we do right today will be done even better tomorrow!"

The Company has created the atmosphere where every employee takes part in the struggle for the goals set and the tasks raised.

The Company has prepared and deployed effective minimum programmes which stipulate the conditions, measures and rules to prevent biological, chemical and physical pollution and help ensure the production of safe products.

In 2007 the State Food and Veterinary Service of the Republic of Lithuania conformed the compliance of dairy products to the requirements of the new EU hygiene regulations and issued the following veterinary approval numbers:

- Rokiškio sūris, AB LT 73-01 P EB;
- Rokiškio pieno gamyba, UAB LT 82-01 P EB;
- Ukmergės pieninė, Branch of Rokiškio pieno gamyba, UAB LT 81-01 EB.

The laboratory of Rokiškis company is certified in accordance with LST EN ISO/IES 17025 international standard. The operations of the laboratories of Utena and Ukmergė plants have been assessed under the description of the procedure for issuing laboratory certification authorisations of food management undertakings approved by the State Food and Veterinary Service.

In 2003, the public institution EKOAGROS certified that Rokiškio sūris, AB complies with the requirements laid down in EU Council Regulation EC No. 834/2007 and is a certified manufacturer of organic products: hard cheese BIO, Cagliata BIO, Mozzarella BIO, cheese Gouda BIO.

Organic products are subject to stringent requirements not only for their production processes, but also for their ingredients. The main ingredient is organic milk, which comes exclusively from organic farms approved by the certification bodies. These farms have special requirements for the care of cows, feed and the environment of milk production.

Special HALAL and KOSHER (Lactose, WPC, skimmed and full milk powder, whey powder, butter) quality certificates have been issued for certain products of the Company (Lactose, WPC, butter, skimmed milk powder, fermented cheeses).

Rokiškio sūris, AB has the status of a certified exporter to the Republic of South Korea.

Rokiškio sūris, AB is entered in the list of the Certification and Accreditation Administration of the People's Republic of China (23 August, 2016).

The activities of the State Food and Veterinary Service received a positive evaluation during the audit by competent Mexican authorities, which serves as a confirmation that the Company is also an authorised exporter to the country.

Rokiškio pieno gamyba, UAB and Ukmergės pieninė Branch of Rokiškio pieno gamyba, UAB became certified manufacturers of organic products in 2017 – short shelf live dairy products for the local market such as various yoghurts, sour cream, kefir, milk, curd, curd cheese, as well as butter and skimmed milk powder.

## 15. Environment protection

The risks caused by manufacturing operations is managed in accordance with the Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (integrated pollution prevention and control) (IPPC Directive). Rokiškio sūris AB is classified as an installation required to hold IPPC permit. IPPC permit was issued on 30 December, 2005 and renewed on 12 September, 2014. The Company has introduced the best available manufacturing techniques (BREF), resource consumption and emission levels match those achieved in the European Union.

In 2019, the Company carried out four environmental monitoring measures designed to monitor environmental impact: 1) Rokiškio sūris, AB program for monitoring the releases of treated wastewater into wastewater receiver – Ruopiškio (Alsetos) lake in Rokiškis district; 2) program for monitoring the ground water of Rokiškio sūris, AB water extraction plant; 3) program for monitoring the ground water of Rokiškio sūris, AB petrol stations in Rokiškis and Obeliai. The three monitoring programs are being carried out by environmental engineering surveys undertaking Geoaplinka, UAB; 4) monitoring releases/emissions from emission sources. Statutory surveys are performed by authorised undertakings. Reports are submitted to the Environmental Protection Agency, no adverse impact has been identified.

In order to manage its environmental risks, Rokiškio sūris, AB has voluntarily introduced ISO 14001 Environmental management system standard in 2001. The management system has been certified and independent surveys are being performed by Bureau Veritas Lit, UAB. The ISO 14001:2015/LST EN ISO 14001:2015 certificate is valid until 19 June, 2019.

External audit identified one irregularity in complying with the requirements of the international internal audit standard (ISO 14001:2005) in 2017. Plans for corrective action were made, internal audit was to be performed within three months to verify compliance with the new requirements. The requirements have been complied with, internal audit has been performed, the irregularity has been addressed. No comments were received and no irregularities were identified by internal audit controls in 2018.

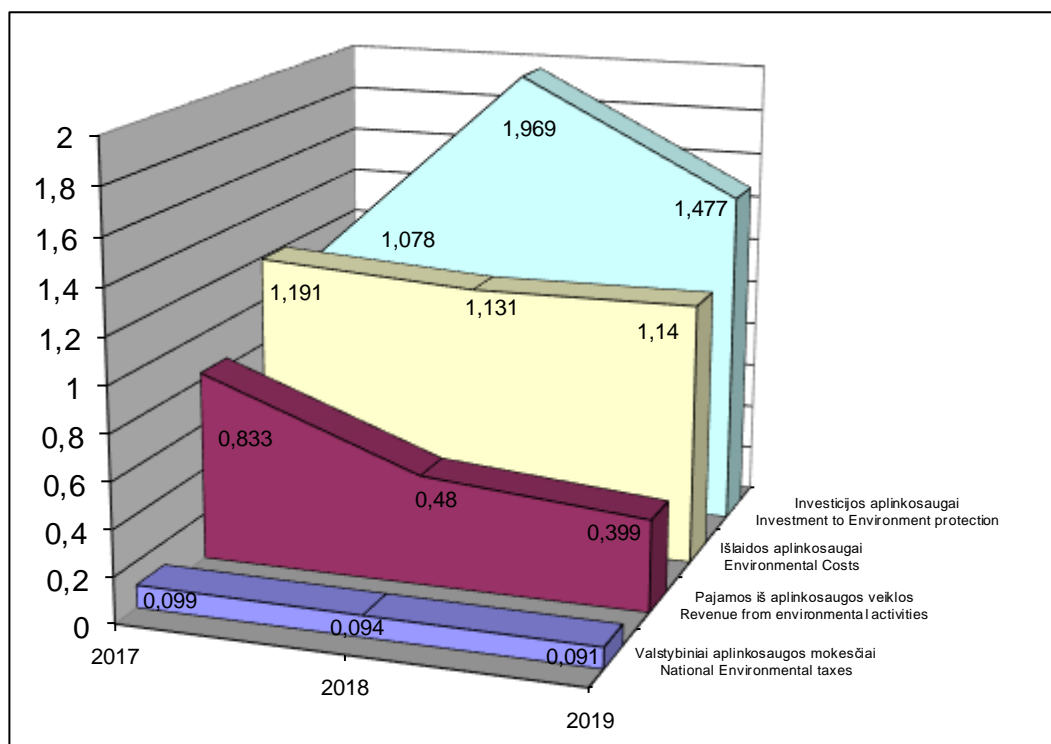
When implementing its environmental policy, Rokiškio sūris, AB seeks to reduce environmental impact, implement pollution prevention measures, waste generation so that the operations do not cause undesired impact on air, water and soil. Seeking continuous improvement and mitigation of



environmental risks, environmental targets have been set. The assessment and analysis of the operation is performed regularly.

#### Environmental activities (mio EUR)

Year	2017	2018	2019
State environmental fees	0.099	0.094	0.091
Investments in the sphere of environmental protection	0.833	0.480	0.395
Revenue from environmental activity	1.191	1.131	1.140
Expenditure for environmental activity	1.078	1.969	1.477



### Non-financial information Main environmental indicators 2019

Emissions of pollutants from stationary sources	Environmental Protection Agency, Annual Report on Environmental Protection 2019.	5.3405 t.
Groundwater consumption	Environmental Protection Agency, Annual Report on Accounting of Water Consumption 2019.	21.991 t.
Quantity of reused water	Environmental Protection Agency, Annual Report on Accounting of Water Consumption 2019.	903,977 m <sup>3</sup>
Releases of wastewater discharged	Environmental Protection Agency, Annual Report on Waste Water handling 2019.	109,282 m <sup>3</sup>
Waste generated and handled (* of which hazardous)	Department of Environmental Protection, Product, Packaging and Waste Accounting Information System (GPAIS).	4051.839 t.
Chemicals used	Environment Agency, Data on chemical substances and preparations in 2019	1-42.667 t.
Fuel used for road	Accounting system Navision Atalant	2-139.33 t.

transport		
Produced electricity	Photovoltaic power plant produced electricity in 2019, ESO.	1833.9 t
Electricity and thermal energy consumed	Consumption of energy resources in 2019. ESO, AB Panevėžio energija.	4214.7 t

## Disclosure of Information on Environmental and Climate Change Factors:

AB Rokiškio sūris does not participate in the greenhouse gas (GHG) emissions scheme because it does not meet the criteria set out in Directive 2003/87 / EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community. It is already known that the EU institution reports that GHG emissions are given in CO<sub>2</sub> equivalents, as the various greenhouse gases are assessed on the basis of their global warming potential. The EU institutions and bodies do not have a common approach to this task, so other institutions or companies are facing this problem. For the EU's climate policy to be credible, it is important for the EU institutions and bodies to set an example and lead the way.

## 16. Research and development activities

The constant goal of the companies of AB „Rokiškio sūris“ group is to supply to the market - both local and export - high quality and safe production to the maximum extent possible. To this end, research activities are carried out both internally and in cooperation with scientific institutions such as KTU FTMC, Vilnius University. The largest part of the research is done by the company's production specialists together with prof. Angelo Frosio from Italy (co-founder and collaborator of *Centro Latte Lodi* and *Scuola d'Arte Bergognone*).

As one of the largest dairy companies in the world – Fonterra – has become a shareholder of Rokiskio suris AB, the company's specialists can use the knowledge and research possibilities of this company in their research activities. Research and experiments with Fonterra specialists are carried out both within the company itself and at the Fonterra Research Laboratory, located in the Research and Development Center of the company. Laboratory tests of products are performed both in the laboratories of the companies of the group and in other laboratories of Lithuania and foreign countries, such as the National Institute of Food and Veterinary Risk Assessment (Lithuania), KTU MI (Lithuania), Eurofins (Germany, Poland, China), Campden Bri food and drink innovation (UK), Galab laboratories (Germany), Qlip quality assurance in agrofood (the Netherlands), Mérieux NutriSciences Italia (Italy), Nutricontrol laboratory (Netherlands). Company's laboratory in Rokiskis is accredited, certificate no. LA01.129. The aim of these activities is to ensure product safety, improve recipes, achieve product exclusivity and more efficient production processes, as well as develop new products.

AB "Rokiskio suris" research laboratory has implemented LabdataLims laboratory information system in the company's laboratory in order to more efficiently manage production processes and improve laboratory activities. In the laboratory information system, all data related to research is stored: studies, repositories, files are stored, reports are generated, files are imported from the analyzer, software that automatically calculates the required data is integrated.

The information system of the laboratory is protected from unauthorized access, and the system is accessible only in the internal network of AB “Rokiškio sūris”.

In order to better understand the needs of the market, the company is constantly cooperating with an expert in the field, NIELSEN, a research company, both in purchasing its services and participating in



seminars. Another method of market research is participation in global exhibitions of major regions, cooperation with competent specialists of major clients and representatives of major suppliers.

As a result of these activities, the company constantly offers the market completely new or improved products tailored to both the specific market and the specific customer. Seeing that the needs of the market are changing more and more rapidly, the company will continue to strengthen its units in charge of research and development in order to respond to it.

## 17. FINANCIAL PERFORMANCE INDICATORS

### Alternative performance indicators

Alongside with the financial performance indicators prepared in accordance with International Financial Reporting Standards (IFRS), AB “Rokiškio sūris” also presents the financial performance indicators that are not indicated by the IFRS. These alternative performance indicators are important indicators of its performance for investors and other users of financial statements. Alternative performance indicators should be treated as additional information prepared in accordance with IFRS.

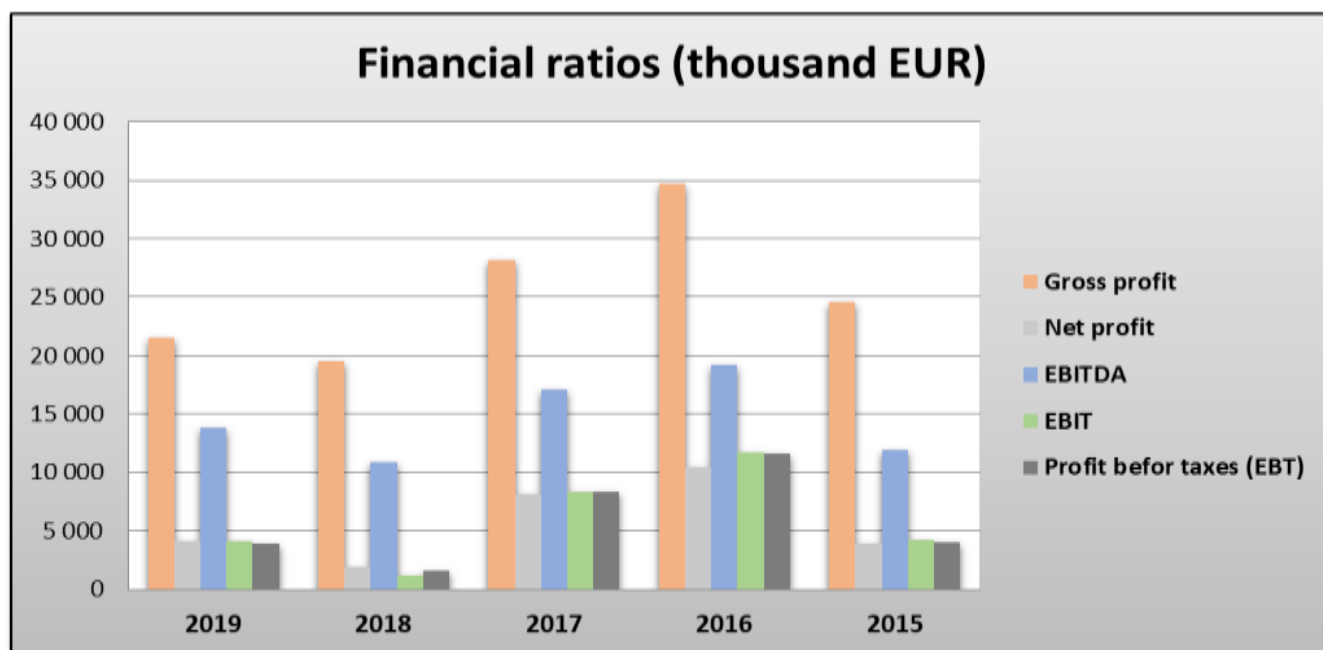
The company below presents alternative performance indicators and their calculation methodology:

<i>Financial performance (thou. EUR)</i>	2019	2018	2017	2016	2015
Sales revenues	208 373	203 675	243 566	226 196	196 504
Gross profit	21 554	19 500	28 150	34 687	24 550
EBITDA	13 832	10 865	17 042	19 174	11 926
EBIT	4 101	1 193	8 330	11 723	4 267
Operational profits	4 101	1 648	8 330	11 723	4 267
Earnings before tax EBT	3 914	1 619	8 290	11 607	4 066
Net profit/loss	4 101	1 918	8 156	10 451	3 895
Fixed assets	62 294	64 140	74 070	60 623	56 324
Current assets	106 774	106 071	88 589	81 789	98 283
Total assets	169 068	170 211	162 659	142 412	154 607
Shareholders' equity	130 771	130 319	134 096	122 066	115 633
<b>Profitability (%)</b>					
Return on assets [ROA]	2.42	1.15	5.35	7.04	2.64
Return on equity [ROE]	3.14	1.45	6.37	8.79	3.64
Gross profit margin	10.34	9.57	11.56	15.33	12.49
EBITDA margin	6.64	5.33	7.00	8.48	6.07
EBIT margin	1.97	0.59	3.42	5.18	2.17
Returned on Capital Employed [ROCE]	2.67	0.76	5.18	8.34	3.06
Profitability rate [EBT margin]	1.88	0.79	3.40	5.13	2.07
Net profit margin	1.97	0.94	3.35	4.62	1.98
<b>Financial structure</b>					
Liabilities-to-equity ratio	0.29	0.31	0.21	0.17	0.34
Equity capital to assets ratio	0.77	0.77	0.82	0.86	0.75
Debt-to-equity ratio	0.12	0.11	0.01	0.02	0.13
Debt ratio	0.23	0.23	0.18	0.14	0.25

General liquidity ratio	3.18	2.92	3.56	5.00	2.86
<b>Market value indicators</b>					
Price/earnings ratio (P/E ratio)	21.00	50.20	11.00	5.53	12.91
Net earnings per share	0.12	0.05	0.25	0.32	0.11

Ratio	Method of calculation	Meaning of ratio
<b>EBITDA</b>	Earnings before Interest, Tax, Depretiation and Amoritization	EBITDA – Operating profit before depreciation of fixed assets, amortization and impairment costs helps investors to assess the potential for profit before investing in fixed assets.
<b>EBITDA margin</b>	EBITDA / Income	EBITDA - the relationship with income shows the effectiveness of company performance
<b>EBIT</b>	Profit before tax and interest, i.e. net profit + income tax + financial activity costs.	EBIT – operational profit. EBIT is a very important indicator, as all liabilities to creditors are paid from the operational profit. This indicator well reflects the company's ability to generate cash flow.
<b>EBT</b>	Profit before tax, i.e. net profit + profit tax.	Profit before deduction of income tax and investing and financing activities at net value
<b>Return on assets [ROA]</b>	The ratio of EBIT for the past 12 months to the average of the total assets over the past 12 months.	This indicator shows how much the company's assets are effectively managed, i.e. share of net profit to every euro of the company's assets, which is one of the most popular valuation rates
<b>Return on equity [ROE]</b>	The ratio of the net profit of the last 12 months to the average equity of the last 12 months.	The return on equity shows how much euro s of net profit is attributable to one euro of equity. This indicator is important for the shareholders, taking into account their past return on investment.
<b>Returned on Capital Employed [ROCE]</b>	The ratio of operating profit (EBIT) to operating income over the last 12 months and the average capital employed over the past 12 months.	The ROCE Profitability Index evaluates the recoverability of funds required by the firm for its regular operations. It is often compared to the loan rates on the market of that year. ROCE is considered to be above the cost of borrowed capital at that time.
<b>Liability to equity ratio</b>	Liability/Equity capital	The ratio of liabilities to equity shows what the total amount of long-term and short-term liabilities of the company is per euro of equity.
<b>Debt-to-assets ratio</b>	Financial debts (long-term + short-term) / Assets	It is a financial indicator comparing a company's financial debts with its entire assets. The coefficient shows what part of the company's assets is financed by borrowed funds.
<b>Debt-to-equity ratio</b>	Financial debts (long-term + short-term) / Equity	This is one of the key financial leverage indicators. The debt-to-equity ratio shows how many euros of short-term and long-term debt are per euro of equity. In calculating debts, all liabilities of the company related to interest payment are assessed.
<b>Debt ratio</b>	Net Debt / Equity	The ratio of net financial debt to equity shows how many long-term and short-term financial debts related to interest payments minus available cash and other highly liquid short-term financial assets are attributable to one equity euro
<b>General liquidity ratio</b>	The ratio of current assets to current liabilities	The current liquidity ratio shows the ability of the company to settle short-term liabilities

<b>Price/earnings ratio (P/E ratio)</b>	Share price at end of period / (Net profit / Number of shares)	using its current assets. The share price / earnings ratio reflects how much the investor pays for one euro of net profit earned by the company in the past period.
<b>Net earnings per share</b>	Net profit / Number of shares	Earnings per share show how much of the net profit earned by the company is attributable to one share in circulation.



## Profit/loss report

Rokiskio suris AB Group's sales revenue in 2019 amounted to EUR 208,373 thousand, which is 2.31 percent more than in 2018. (In 2018, the Group's sales revenue amounted to EUR 203,675 thousand).

The increase in the Group's sales revenue is due to a significant increase in sales of hard cheeses. In 2019, the volume of fermented cheeses sold was 1780 tons more than in 2018.

Sales of other products either remained at the same level or fell. In the butter market, except for the Middle East, both sales volumes and sales prices fell. Higher sales volumes were achieved in whey products market. This was influenced by a change in assortment and higher sales prices.

During 2019 sales of fresh dairy products amounted to 1.2 mln. € sales less than in 2018

In 2019, the major part of the revenue, i.e. 53.1 percent (2018: 47.8 percent) was the sales revenue of fermented cheese.

## Costs:

In 2019 AB Rokiskio suris Group incurred selling expenses of EUR 186,819 thousand. In 2018 it amounted to EUR 184,175 thousand. During 2019, the cost of sales increased by 1.4 percent or EUR 2,644 thousand. This change was due to the increase in product sales volumes. Cost per euro of sales remained almost at the same level as in 2018.

The major part of costs (EUR 142 110 thousand) consists of raw materials and consumables.

In 2019, sales, marketing and general administrative expenses accounted for 8.69 percent of turnover. (EUR 18,111 thousand), in 2018 (EUR 18,747 thousand) - 9.20 percent.

Sales and marketing expenses rose to 6.50 percent in 2019. (EUR 13,554 thousand), whereas in 2018 it was 5.52 percent. (EUR 11,256 thousand). This increase in sales and marketing costs was driven by increased exports of hard cheeses to the United States.

### **Profit:**

Consolidated audited net profit of Rokiskio suris AB group for the year 2019 amounted to EUR 4,101 thousand, ie. 113.82% higher than in 2018 (EUR 1,918 thousand). Significant profit growth was due to increased hard cheese sales and higher sales prices. The increase in sales prices of lactose, IBK, also contributed significantly to the increase in profitability. The sales volumes of these products are lower but the impact of average sales prices and assortment is higher.

In 2019 the net profit margin of AB Rokiskio suris group increased 2.1 times and made up 1.97 percent. (0.94 percent in 2018). EBITDA EUR 13,834 thousand, i.e. 27.3 per cent higher compared to 2018 (EUR 10,865 thousand). EBITDA Margin 6.64 per cent, (2018 – 5.33 per cent)

## **18. Operations of the Group of companies by segment**

The business operations of Rokiškio sūris, AB comprise the following segments: hard cheese, semi-hard cheese, butter, milk, cream, sour cream, curd milk, yogurt, curd, curd cheese, etc. Based on similarities of products, manufacturing process, customer group and distribution method, the segments were combined into two main segments presented in the financial statements.

The Group's main business segments provided in financial statements are as follows:

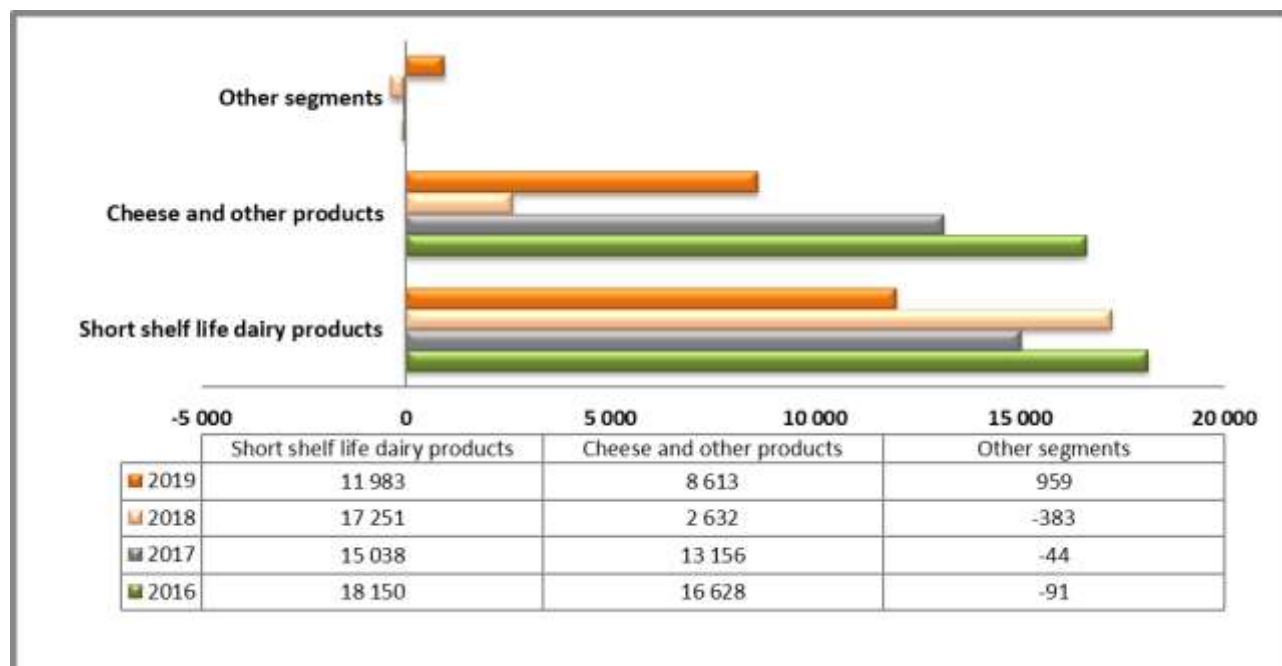
- Fresh dairy products
- Cheese and other dairy products.

Other operations of the Group consist mostly of raw milk collection; the volume of the segment is too small to merit individual reporting. Transactions between the business segments are on normal commercial terms and conditions. There are 2 external customers in the fresh dairy products sector the individual revenues whereof account for more than 10% of the total segment revenue.

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

	2019	2018	Change (%)
<b>Total sales revenue (thousand EUR)</b>	<b>208 373</b>	<b>203 675</b>	<b>2.31</b>
Fresh dairy products	73 652	76 009	-3.10
Cheese and other dairy products	134 355	126 759	5.99
Other segments	366	907	-59.65
<b>Total gross profit (thousand EUR):</b>	<b>21 555</b>	<b>19 500</b>	<b>10.54</b>
Fresh dairy products	11 983	17 251	-30.54
Cheese and other dairy products	8 613	2 632	227.24
Other segments	959	-383	-350.39

## Gross profit by segment (thousand EUR)



## 19. Investments

The company allocates a significant amount of funds to investments in order to implement its strategic goals. During the financial year 2019, the value of investments made by the Group amounted to mEUR 9.1. However, the planned investment value was estimated at mEUR 10.1.

In 2019, AB Rokiskio suris Group completed the implementation of the investments of the KP 2014-2020 supported program.

In 2019, investments were focused on a number of areas: improving product quality, working conditions, assimilating new products, and upgrading old equipment.

The planned project of reconstruction and modernization of household premises in Rokiskis enterprise was EUR 0.7 million.

Investments in cheese production and processing of whey in packaging were not large but technologically significant and important. In 2019, the technological process of Grand Cheese, its care during ripening, packaging and placing on the market continued to be improved.

Investments in fresh produce have focused on the Greek high protein production line. Equipment for extended-life acidic dairy products has been introduced, old storage tanks for dairy products and semi-finished products have been replaced, a significant part of the investment has been spent on upgrading existing lines and buildings, and modernizing the butter packing line.

The branded product store “Sūrio stotelė” (Cheese stop) was opened in Ukmerge, where products manufactured by AB “Rokiškio sūris” group companies can be purchased. Their assortment is truly diverse, including low-sugar chocolate coated cheese bars with oranges, carrots and other additives,

cottage cheese, soft, processed, smoked, Stracchino and other cheeses. Here customers can buy a wide variety of Rokiskio suris products - from hard, blue cheese to fresh dairy products.

## 20. Plans and forecasts for the operations of the Group

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 2020 the Company plans to invest EUR 5.9 millions into the the implementation and development of its objectives.

The main investment areas for 2020 include:

- Expanding the production, maturing and packaging of GRAND hard cheese, seeking new ideas in technology, care and packaging;
- Improvement of innovative technology in the production of fresh dairy products, deeper and more complete processing of whey;
- 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;
- Saving of energy resources, diminishing adverse environmental impact;
- Improvement of working conditions for employees;
- Improving sanitary and hygiene levels in production units;
- Addressing customer needs for the company's products;
- Modernisation of waste water utilisation;
- Others.

As every year, investments in the renewal of the worn-out vehicles are planned.

Subsidiary in Utena intends to invest in production automation, quality improvement of sour milk products, modernization of dry milk products and butter production equipment. Centralized washing section, washing lines, tanks are being modernized. Household premises will be reconstructed by improving the working conditions of the employees.

### Plans in the sales markets

As was the case in 2019, the Company shall continue to focus on the Asian markets that continue to show a strong growth of demand for dairy products, thanks to the growing consumption and purchasing power. In addition to lactose and Mozzarella, there is also a plan to offer hard cheeses, milk powder and perhaps even some retail products with a longer shelf life. Efforts to penetrate the markers of Japan, Singapore, Indonesia, Philippines and other Asian countries will continue.

It is planned to continue exporting hard cheese to the United States in 2020, as well as selling butter to the Middle East.

A strong focus will remain on the former countries of the Soviet Union, such as Kazakhstan, Uzbekistan and Azerbaijan. The plans of the Company include expansion of the exports of high added-value products to other countries, i.e. enter retail markets rather than trading wholesale.

## INFORMATION ON THE COMPANY'S SHAREHOLDERS AND SHARES

### 21. Information on the Company's Authorized capital

As December 31, 2019, 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

### 22. 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](mailto:info@orion.lt) ) regarding the administration of securities issued by the Company and provision of investment services.

### 23. 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:

	2015	2016	2017	2018	2019
Price at the most recent trading session, EUR	1.42	1.77	2.75	2.51	2.52
Highest price, EUR	1.50	1.84	2.99	2.81	2.75
Lowest price, EUR	1.35	1.30	1.65	2.25	2.20
Turnover, units	1 086 633	362 586	1 230 178	277 058	159 107
Turnover, mio EUR	1.51	0.55	2.75	0.73	0.40
Capitalisation, mio EUR	50.93	63.49	98.64	90.03	90.39



## Share price and turnover dynamics during the reporting period

Price, EUR



Source: NASDAQ Vilnius, AB website

<https://nasdaqbaltic.com/statistics/en/instrument/LT0000100372/trading>

## Share price and turnover dynamics during 4 years' period



Source: NASDAQ Vilnius, AB website

<https://nasdaqbaltic.com/statistics/en/instrument/LT0000100372/trading>



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



Source: NASDAQ Vilnius, AB website

<https://nasdaqbaltic.com/statistics/en/charts>

Chart data:

INDEX   EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
■ OMX Baltic Benchmark GI	772.8	992.83	+28.47
■ OMX Vilnius	557.2	712.14	+27.81
■ RSU1L - Rokiškio sūris	1.81	2.52	+39.23

## 24. Limitation on transference of securities

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

## 25. 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.

In 2019, the Company's Articles of Association were not amended.

## 26. Information about the shareholders of the Company

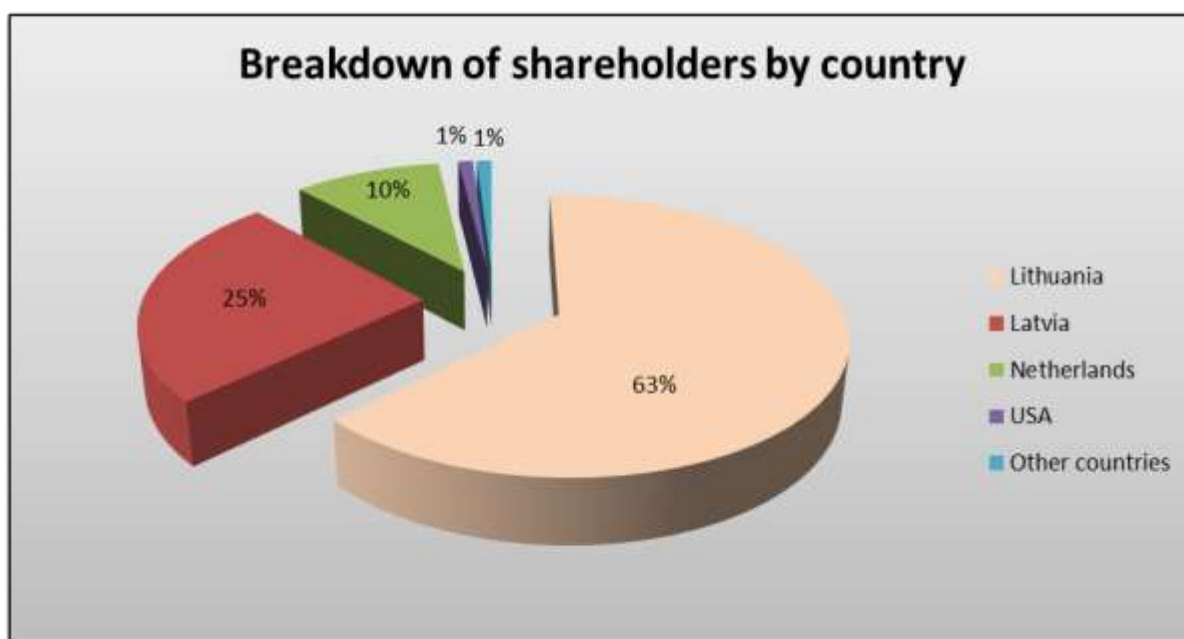
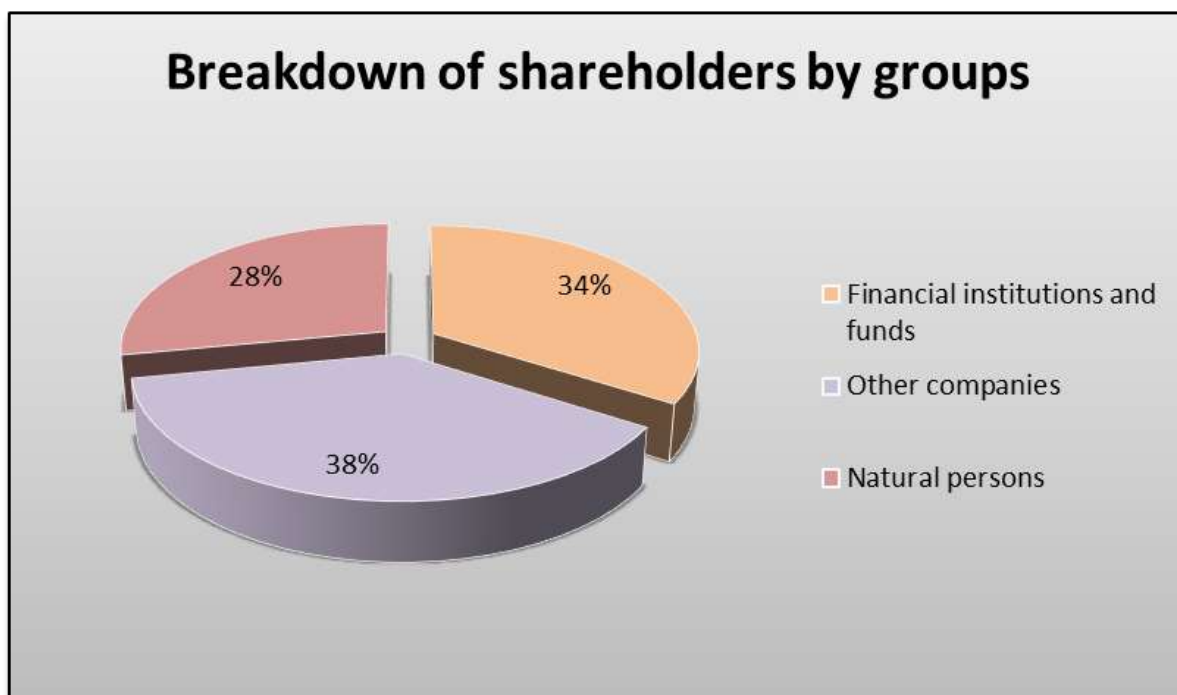
As of 31 December, 2019, the total number of shareholders of Rokiškio sūris, AB was 5,220.

### Package held by a group of shareholders (as of 31 December, 2019):

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 %
<b>UAB "Pieno pramonės investicijų valdymas"</b> Įm. kodas 173748857	Pramonės str. 3, Rokiškis Lithuania	9 758 312	27.21	81.86*
<b>SIA "RSU Holding",</b> reg.Nr.40103739795	Elizabetes iela 45/47, LV-1010 Riga, Latvia	8 953 883	24.96	
<b>Antanas Trumpa</b> Board Chairman	Sodų str. 41a, Rokiškis Lithuania	6 980 233	19.46	
<b>Fonterra (Europe)</b> Coöperatie U.A., CCI 50122541	Barbara Strozzi laan 356-360, EurBld2, 3e verdieping, 1083HN Amsterdam, Netherlands	3 586 797	10.00	
<b>Dalius Trumpa</b> CEO	Sodų str.31, Rokiškis Lithuania	83 500	0.23	
<b>INVL Asset Management, UAB</b> management of investment and pension funds	Gynėjų str.14, Vilnius Lithuania	1 851 846	5.16	

\* 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).

### Distribution of shareholders of Rokiškio sūris, AB as of 31 December, 2019



## 27. 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) to obtain the information specified in Article 89 (6) of the Law on Markets in Financial Instruments regarding a public company whose shares are admitted to trading on a regulated market;
- 7) 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 47<sup>1</sup> 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.

## 28. Information about the purchase of own shares by issuer

At the beginning of the reporting year (01.01.2019), AB Rokiskio suris owned 806,317 shares, which was 2.25% of the company's authorized capital. During 2019 AB Rokiskio suris acquired 54,957 own shares. The purchase price of one share is EUR 2.60.

In addition to the previously acquired shares, as of December 31, 2019, AB Rokiskio suris owned 861,274 own shares, which is 2.40% of the company's authorized capital. The Company has a reserve of EUR 10.850 million for the acquisition of own shares. The shares were purchased through the Nasdaq Vilnius Stock Exchange Offering Market. The total price of the shares acquired by AB "Rokiškio sūris" amounted to EUR 2,108,397.82.

The total nominal value of the treasury shares acquired, together with the par value of the treasury shares already held, shall not exceed 1/10 of the authorized capital of the Company. The shares were acquired in accordance with the resolution adopted by the General Meeting of Shareholders of AB Rokiskio suris on April 30, 2019.

During the reporting period AB Rokiskio suris did not transfer its own shares.

## 29. Dividends

The decision on the distribution and payment of dividends is made by the general meeting of shareholders, distributing the profit of the company to be distributed.

The Annual General Meeting of Shareholders of AB „Rokiškio sūris“, held on April 30, 2019, approved the audited consolidated and Company's financial statements for 2018 and the Company's profit allocation for 2018. Dividends totaled EUR 3,506,165.30 or EUR 0.10 per ordinary registered share.

### 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
2009	1,113,439.35	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	0.2481	0.40
2018	3,506,165.30	0.1000	0.0537	1.86

On 27 April 2018, the General Meeting of Shareholders of AB „Rokiškio sūris“ approved the Dividend Policy. In accordance with this approved policy, the Board of the Company, when proposing to distribute the dividends to the General Meeting of Shareholders, will follow the signed Shareholders' Agreement, according to which dividends will be allocated 100% of the Company's profit for the financial period minus the Company's funds for investment (CAPEX), working capital and / or other purposes. If the Company's Board of Directors foresees a large amount of investment and therefore, according to the dividend allocation provisions described above, the Company's profit for the financial period would not be sufficient to pay dividends, the Board of the Company, taking into account the Company's financial situation and trends in the global dairy market, will endeavor to maintain the continuity of dividends paid in previous financial periods.

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.

The Company pays dividends within one month from the date of the decision to distribute the profit. Dividends may be granted for a financial year or less than a financial year.

Dividends for a period shorter than a financial year shall be decided by the General Meeting of Shareholders. Shareholders who hold at least 1/3 of the voting rights have the right to initiate the distribution of dividends for a period shorter than a financial year. The general meeting, which has an agenda for the distribution of dividends for a period shorter than a financial year, must be held within 3 months of the end of the period for which the dividend is proposed, but not before the approval of the annual financial statements and profit (loss) of the preceding financial year is distributed, and at the latest by the end of the financial year.

Dividends for a period shorter than a financial year may be granted if all of the following conditions are met:

- (1) an approved set of interim reports for a period shorter than the financial year;
- 2) the amount of profit (loss) for the period shorter than the financial year is positive (no losses);
- 3) the amount of dividend payout shall not exceed the amount of profit (loss) of the period less than a financial year carried forward to the current financial year less the amount of profit earned during the period less than a financial year which according to the Law on Companies whether the Articles of Association of the Company should be assigned to reserves;
- 4) the company does not have outstanding obligations that were due before the date of the decision and would be able to meet its obligations for the current financial year by paying dividends.

If a dividend is paid for a period shorter than a financial year, the distribution of dividends for a period shorter than a financial year may not be earlier than 3 months.



## MANAGEMENT OF THE COMPANY

### 30. Management bodies of the Company

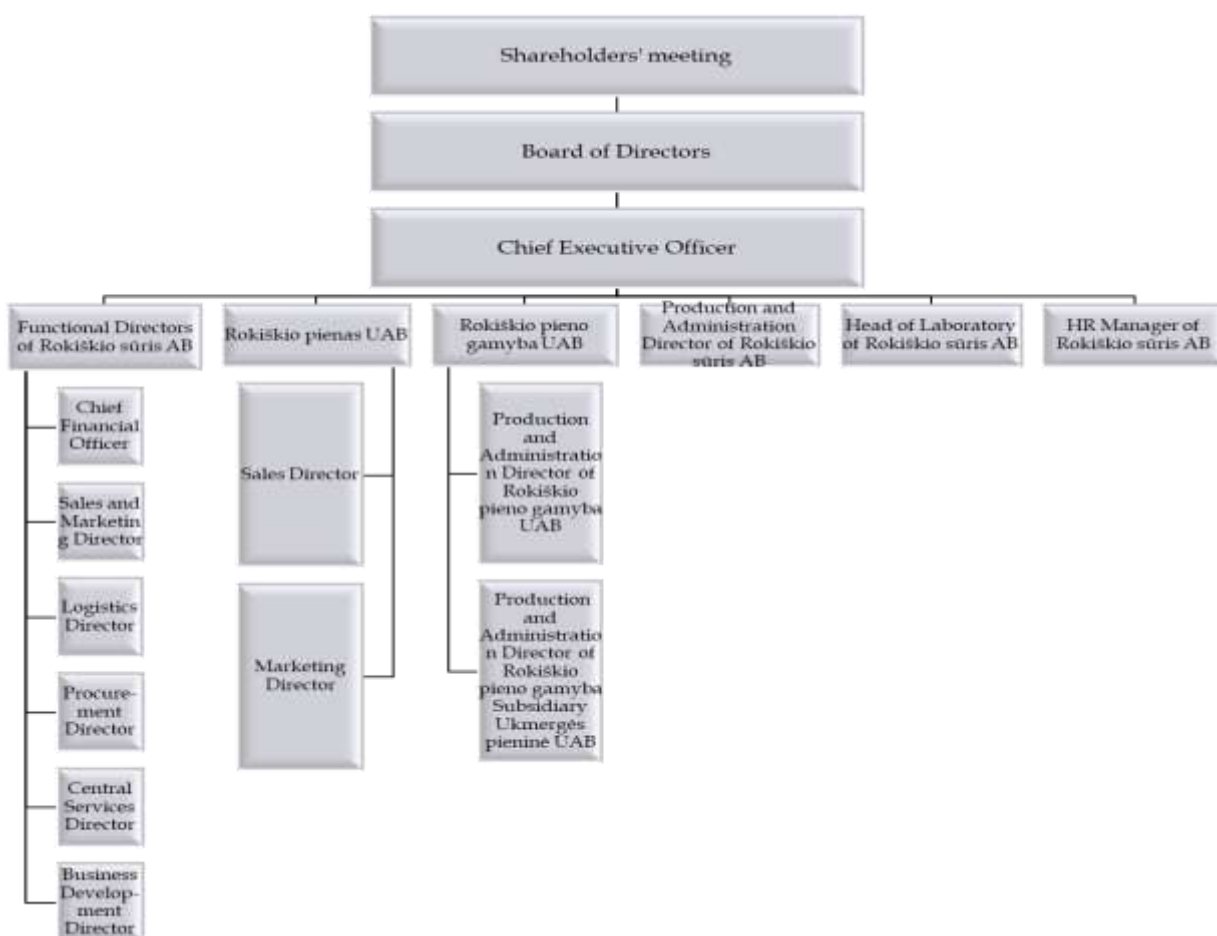
The following management bodies of the Company are provided for in the Articles of Association of the Rokiškio sūris, AB entered in the Register of Legal Persons:

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

The Supervisory Board shall not be formed at the Company.

### 31. 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.



## GENERAL MEETING OF SHAREHOLDERS

### 32. 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](http://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 26<sup>1</sup>(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](mailto: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](mailto: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](http://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.

#### **General Meetings of Shareholders convened in 2019:**

During 2019, one general meeting of shareholders of AB "Rokiškio sūris" was convened and held on the initiative and decision of the Board of the Company.

At the Annual General Meeting of Shareholders held on April 30, 2019, the shareholders were informed about the consolidated annual report of AB Rokiškio sūris for the year 2018, and the Auditor's report on the consolidated financial statements for the year 2018 and the annual report, consequently the Audit Committee's report was approved and the consolidated and Company's financial statements for the year 2018 were approved, the Company's profit distribution for 2018 was approved, dividend per share was EUR 0.10 (total dividend allocated EUR 3,506,165.30) and decision was made to buy up to 10 percent of own shares, and the audit company PricewaterhouseCoopers UAB was appointed for the audit of the annual consolidated financial statements of AB „Rokiškio sūris“ group and the parent company for 2019.

The General Manager of the Company, Chairman of the Board of the Company, Chief Financial Officer and Chief Executive Officer of the Company participated in the General Meeting of Shareholders of the Company in 2019 AB Rokiškio sūris.

### 33. 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.

In 2019, 5 Board meetings took place (14 Board meetings in 2017). All Board members attended all Board meetings. Members of the Board who were unable to attend the meeting attended in the way of a telephone conference. Two meetings were held in accordance with a predetermined schedule of Board meetings, and other meetings were convened according to the procedure provided for in the Law on Companies of the Republic of Lithuania and the Rules of Procedure of the Board and in case of important issues requiring a decision of the Board. The Board approved the Company's consolidated and Company's financial statements for the year 2018 and the Annual Report, proposed to the General Meeting of Shareholders to approve the 2018 profit distribution project, the Company's dividend policy and the candidacy of the Company's audit company. The Board of the Company decided to extend the credit line concluded with SEB banka for one year and, following the decision of the General Meeting of Shareholders of 30.04.2019, executed repurchase of own shares, during which 54 957 own shares were repurchased, which is 0.15% of the authorized capital. In total, Rokiskio suris AB has acquired 861 274 own shares, which is 2.40% of the authorized capital.

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. In 2019 (for 2018) the Company did not award any tantiemes to the members of the Board.

No other additional payments related to the motivation system are provided for the Chairperson 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 83.75% 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 Kombinats; 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 2001, 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 83.75% votes)
Participation in the activities of other companies	Shareholder of Rokvalda, UAB (company code 300059165, address Basanaviciaus str. 16A-125, Vilnius), 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

## 34. 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 2017. 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.

In 2019 the Audit Committee held 5 meetings. The meetings discussed the year-end and half-yearly financial statements and presented conclusions. The Audit Committee has provided reports on the functions assigned to them, that is, how the financial statements of the Company and its subsidiaries are prepared, how the Company's internal control risk management and internal audit systems operate. The Audit Committee monitored the audit firm PricewaterhouseCoopers UAB for its independence and objectivity.

The Audit Committee monitored and controlled compliance with specific requirements regarding statutory audit of public-interest entities pursuant to Regulation (EU) No 537/2014 of the European Parliament and of the Council in the purchase of non-audit services.

### **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.

## 35. 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.

## 36. Employees

In 2019, the average number of employees of Rokiškio sūris, AB was 1,453. Compared to 2018 (1,484), it decreased by 2.09% or 31 employees. The decrease in the number of employees is related to the decrease of raw milk purchase points, which reduced the number of employees of milk purchase points and employees of logistics department.

In 2019, workers accounted for 82.3% of all employees of the Company (as compares to 82.5% in 2018), specialists accounted for 17.1% (17.0% in 2018), the number of the managerial staff remained the same and accounted for 8 employees.

### Employees of the Group of the Company by categories

Employee group	Average number of employees		Change
	2019.12.31	2018.12.31	(%)
Management*	8	8	0,00
Specialists	249	252	-1.19
Workers	1196	1224	-2.29
<b>Total:</b>	<b>1453</b>	<b>1484</b>	<b>-2.09</b>

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



As of 31 December 2019, men accounted for 54.2% of the employees of Rokiškio Sūris, AB and women accounted for 48.5% (as compares to the respective numbers of 53.8% and 46.2% recorded on 31 December 2018).

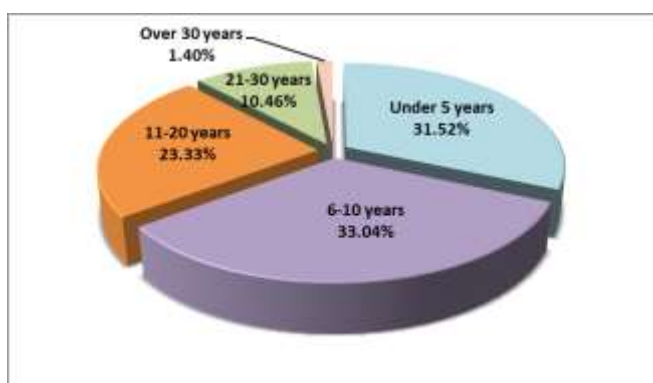
The average age of the employees of the Group of the Company was 45 years old. In 2018, the average age of the employees was the same.

The Company employs people with high qualifications. Out of them, 10.81% were graduates of higher education institutions (11.0% in 2018), 49.07% had professional post-secondary education (50.8% in 2018), 40.06% were people with secondary education (38.1% in 2018), and 0.06% had partially completed secondary education (0.1% in 2018).

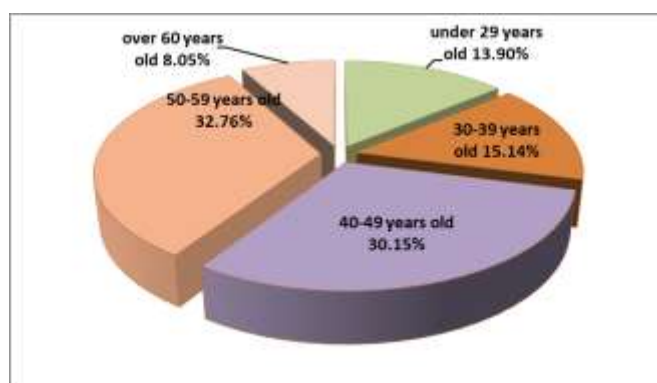
### Educational background of the employees of the Rokiškio sūris, AB Group

Education	2019.12.31	2018.12.31	Change (%)
Higher	157	163	-3.68
Professional post-secondary	713	754	-5.44
Secondary	582	566	+2.83
Partially completed secondary	1	1	0.00

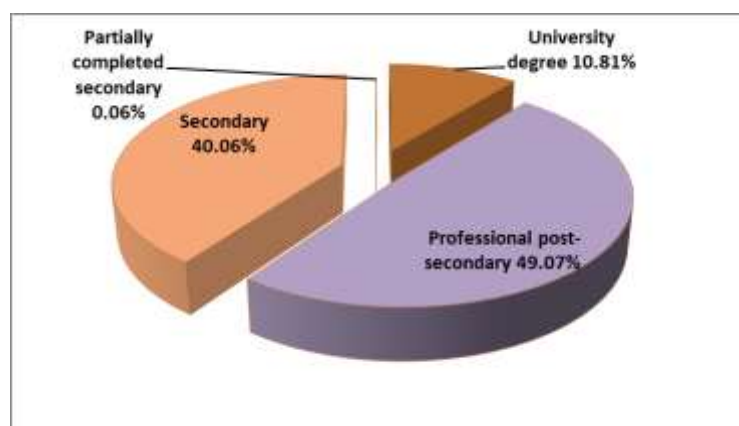
### Work experience



### Age of employees



### Education of employees



## 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 (%)
	2019.12.31	2018.12.31	
Managerial staff	2712	2695	0.63
Specialists	1404	1399	0.36
Workers	1164	1128	3.19
<b>Group average</b>	<b>1215</b>	<b>1188</b>	<b>2.27</b>

\* For comparability of data, 2018 average wages increased 1,289 times.

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 2018, 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.

## Material well-being

Following the expiration of the Collective Agreement on 1 January 2019 (Article 6 (11) of Work Codex of the Republic of Lithuania), management strives to continue to maintain the objectives of the Collective Agreement, i.e. to create conditions for the harmonious operation of the company, to guarantee the level of work, wages, safety and health and other working conditions of various categories of employees better than provided by the laws of the Republic of Lithuania, Government resolutions and legal acts. Therefore, the Company's management together with the Labour Council has signed the Payment for Work Procedure and its Annex "Material Promotion and Allowance Procedure", part of the guarantees is provided in the Work Rules.

Additional social guarantees are provided for in the Material Promotion and Allowance Procedure:

- Employees raising children with disability receive an annual allowance in the amount of 1 minimum monthly salary;
- In the event of a death of a family member (spouse, parent, child), employees receive a funeral allowance;
- In the event of a death of an employee, his/her family receives a lump sum funeral allowance
- Employees receive additional allowance on the occasion of important anniversaries (20, 25, 30, 35, 40, 45, 50 years of age);
- Allowance is paid to employees of the Company suffering from serious or long-term illness as well as those who have been injured at work;
- Employees of the Company, employee family members and retired former employees of the Company receive discounted treatment at the health resort of the Company;
- Employees who have reached the age of retirement and retire from service receive a severance compensation the amount whereof is higher than that provided for in the Labour Code of the Republic of Lithuania;
- The unpaid leave provided for in the Labor Code of the Republic of Lithuania for the marriage of an employee, attendance at a funeral of a deceased family member shall be paid in accordance with the general procedure for granting leave. In addition, leave is granted for staff members to marry their children.

The rights and duties of the employees of the Company are established in their job descriptions. Employment contracts do not provide for special rights and duties.

## Competence development

Development of human resources and improvement of their special and general skills are among the key priorities for Rokiškio sūris, AB because only well-educated employees possessing appropriate knowledge and experience are capable of creating a high-quality product. Development plans are drawn up on a yearly basis with regard to the objectives of the Company and the relevance of employee competences to achieving those objectives. The Company's employees are provided with possibilities to deepen their knowledge and receive training at various workshops, seminars, and conferences. The Company also supports vocational training at the country's universities, colleges or other educational institutions providing qualification degrees. There is a strong focus on the learning of foreign languages.

Rokiškio sūris, AB also offers special training courses to the country's farmers so that they can successfully manage the health of their herd, ensure proper maintenance of their milking, cooling and storage equipment and modernise their milk farms. State-of-the-art milk farms, milk quality and herd health are crucial for the success of the dairy business.

## Ethical employment policy

In 2018, the Company implemented an ethical employment policy, according to which the Company carries out its activities on the basis of internationally recognised human and workers' rights according to the Charter of Human Rights and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, applies the principles of socially responsible business, and acts in a transparent, reliable and fair manner.

### **37. 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**

### **38. Related parties of the Rokiškio sūris, AB Group**

The group of parties acting in concert includes the following: Pieno Pramonės Investicijų Valdymas UAB (27.21% of the authorised capital and votes in the Company), SIA RSU Holding (24.96% of the authorised capital and votes in the Company), Fonterra (Europe) Coöperatie U.A. (the Netherlands) (10.00% of the authorised capital and votes in the Company), Antanas Trumpa (19.46% of the authorised capital and votes in the Company), and Dalius Trumpa (83,500 shares, 0.23% of the authorised capital and votes in the Company). The group of parties acting in concert controls 81.86% of the authorised capital and votes in the Company.

The remaining 18.14% part of the Company's shares and votes is owned by minority shareholders who are Lithuanian and foreign natural and legal persons.

The private limited liability company Pieno Pramonės Investicijų Valdymas is controlled by Antanas Trumpa (as the majority shareholder holding 70.95% of the shares of and votes in Pieno Pramonės Investicijų Valdymas UAB). SIA RSU Holding is controlled by Dalius Trumpa (the sole shareholder holding 100% of the shares of and votes in SIA RSU Holding).

Certain cooperative societies engaged in milk production are considered to be related parties of the Company because the Company may exert significant influence over the day-to-day activities of these societies through the close family members of the Company's directors and some of its employees.

### 39. Related-party transactions and significant agreements

During 2019, the company had no transactions with related parties that met the criteria set out in Article 37<sup>2</sup>. All related party transactions included the purchase of raw milk from related parties and sales of dairy products to related parties, see Note to the Consolidated Financial Statements of the Company “Transactions with Related Parties” Transactions were made under usual market conditions, classified as ordinary economic activities and had no significant impact on the company. The company considers the companies of the Fonterra Group as related parties – Fonterra (Europe) Coöperatie U.A., company reg. code 50122541, registered at Barbara Strozilaan 356-360, 1083 HN Amsterdam, the Netherlands and Fonterra Ingredients Limited, registered office at 109 Fanshawe Street, 1010 Auckland, New Zealand (sales of dairy products) and KB Dzūkijos Pienas, company code 300058288, registered office: Varanausko km., Krokialaukio sen., Alytus district (raw milk purchase).

Interested-person/related-party transactions are disclosed in Note 32 to the Consolidated Financial Statements of the Company for 2019.

### 40. 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.

## OTHER INFORMATION

### 41. Information on audit

The consolidated balance sheet of Rokiškio sūris, AB as of 31 December 2019 and the related statement of comprehensive income, cash flow statement, and statement of changes in equity for the year then ended were audited and the annual report was assessed by PricewaterhouseCoopers UAB, an international audit firm.

The audit firm for performing of the audit of annual financial statements shall be selected and payment conditions for audit services shall be established by the General Meeting of Shareholders. Since the company is listed and maintains its accounting in accordance with the International Financial Reporting Standards, the shareholders of the Company are obliged to select an international audit firm.

PricewaterhouseCoopers International Limited (PwC) is a network of audit and tax advice firms, a member of the so-called Big Four (the others are KPMG, Ernst & Young, and Deloitte Touche Tohmatsu). PricewaterhouseCoopers UAB (PricewaterhouseCoopers Lietuva) is a legally independent firm in Lithuania, a member of the global PwC network.

PricewaterhouseCoopers UAB provides audit, accounting, advisory, tax and legal services to international companies and large Lithuanian enterprises.

In 2019, the Rokiškio sūris, AB Group paid the audit firm an amount of EUR 47 100 for the work performed.

## 42. Details on publicly disclosed information

All the 2019 information publicly disclosed by Rokiškio sūris, AB is available on the website of the Company, [www.rokiskio.com](http://www.rokiskio.com), in the section “For investors > Essential events”.

Summary of the disclosed information:

Publication date	Brief description of the notice
2019.04.05	Convocation of the 30 April 2019 General Meeting of Shareholders of Rokiskio suris AB
2019.04.05	The Board of Directors proposes to pay a dividend of EUR 3,506,165.30, ie EUR 0.10 per share
2019.04.30	Resolutions of the Annual General Meeting of Shareholders of AB Rokiskio suris held on April 30, 2019
2019.04.30	Rokiskio suris AB audited annual information for 2018
2019.05.08	AB Rokiskio suris dividend payment arrangements for 2018
2019.05.08	Ex-day of dividend payment to AB “Rokiškio sūris”
2019.08.02	Information about the shares issued and votes cast by AB “Rokiškio sūris” 01/08/2019
2019.08.30	AB Rokiskio suris Group six months performance
2019.11.19	AB Rokiskio suris Board decision on acquisition of own shares
2019.12.18	Notification on acquisition of own shares of AB "Rokiskio suris"
2019.12.31	Dates for publishing the results of Rokiskio suris group for the year 2020

The company makes available public information in the Central Storage Facility on the website of Nasdaq Vilnius AB, <http://www.nasdaqbaltic.com>, and on the website of the Company, [www.rokiskio.com](http://www.rokiskio.com)





## ROKIŠKIO SŪRIS AB Governance Report

The Corporate Governance Report of the Public limited liability company Rokiškio sūris has been prepared in accordance with the Law on Corporate Financial Accountability of the Republic of Lithuania.

- 1. Reference to the applicable corporate governance code and the place of its publication, and (or) reference to the all necessary published information regarding management practices of the entity***

2019 Consolidated Report along with the Company's Management Report and the audited financial statements of the Company and its Group are published on the Company's website [www.rokiskio.com](http://www.rokiskio.com) and on the website of the Stock Exchange AB Nasdaq Vilnius [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)

- 2. In case of derogation from the provisions of the applicable corporate governance code and (or) when the provisions are not complied with, such provisions and the reasons thereof shall be indicated***

Information on compliance with and / or non-compliance with the Corporate Governance Code is provided in a structured table (No.2).

- 3. Information regarding the level of risk and risk management – management of risks related to the financial reporting, risk mitigation measures, and internal control systems implemented at the entity shall be described***

The Company provides information on the extent of risk and risk management, risk mitigation measures and internal control system implemented by the company in 2019, see Clauses 11, 12 and 13 of the consolidated annual report.

- 4. Information regarding significant directly or indirectly managed holdings***

The Company provides information regarding the significant directly or indirectly managed holdings in Clause 26 of the consolidated annual report of 2019.

- 5. Information regarding transactions with related parties, according to the Law on Companies Article 37<sup>2</sup> (by specifying the counterparty (legal form, name, code, register of the legal entity in which the person is stored, premises (address); name, surname, address of the natural person and the value of the transaction);***

In 2019, the Company did not have any Transactions with Related Parties, which would be applicable to the Law on Companies Article 37<sup>2</sup>. The more specific information is provided in Clause 39 of the consolidated annual report of 2019.

***6. Information regarding the shareholders who have special rights of control and the description of such rights***

There are no shareholders having special rights of control in the Company.

***7. Information regarding all current restrictions on voting rights (such as the restrictions on voting rights of persons having a certain percentage or number of the votes, the deadlines by which voting rights may be exercised or systems, according to which the property rights granted by the securities are to be separated from the holder of those securities)***

No restrictions on voting rights are applied in the Company. All shareholders have equal property and non-property rights (except for the Company's own shares that do not have voting rights).

***8. Information regarding the rules governing the appointment and dismissal of board members, as well as the amendment of the company's articles of association***

The Company has no rules regulating the amendments to the Company's Articles of Association, election and replacement of the members of the Board of the Company. The Company operates in accordance with the Law on Companies of the Republic of Lithuania, the Articles of Association of the Company and other legal acts.

More detailed information is provided in Clauses 25 and 33 of the consolidated annual report of 2019.

***9. Information regarding the powers of the board members***

The Board members have not authorized other persons to perform the functions assigned to the competence of the Board. The members of the Board of the Company operate in accordance with the Law on Companies, the Articles of Association of the Company and the Rules of Procedure of the Board.

***10. Information regarding the competence of the general meeting of shareholders, the rights of shareholders and implementation thereof, if such information is not established in the applicable legislation***

The company provides information regarding the competence of the general meeting of shareholders, the rights of shareholders, and implementation thereof, as well as the procedure for convening the meetings of shareholders, in Clause 32 of the consolidated annual report of 2019.

***11. Information regarding the composition of the management, supervisory bodies, and the committees thereof, as well as the fields of activity of the aforesaid bodies and the manager of the company***

Information on the management, supervisory bodies and the committees thereof is provided in Clauses 34 and 35 of the consolidated annual report of 2019.

***12. Description of diversity policy applicable in appointing the manager of the company, management, and supervisory bodies, related to the aspects such as age, gender, education, professional experience; objectives of such policy, methods of implementation thereof, and***



**results of the reference period. if the diversity policy is not applied, the reasons thereof shall be indicated**

The company has no policy of diversity in the selection of manager and management and supervisory bodies. The requirements for candidates to nominate members of the Company's management bodies do not discriminate against candidates for age, gender, education or professional experience. The Company does not impose any restrictions on the nomination of persons for gender or age. The key criteria for selecting members of the management bodies is the candidate's competence.

### **13. Information on the remuneration of each management, supervisory member (medium-term remuneration, stating premiums, bonuses, tantjams and other benefits)**

Amount of money and average amounts of money allocated to one member of the management body, assets and guarantees provided to the members of the Board, the Chief Executive Officer and Chief Financial Officer of AB „Rokiškio sūris“ during 2019:

Governing Bodies	Number of persons	Estimated Total Amount, (Salaries, and Tantjams), kEUR**	TOTAL average amount per person, (Salaries, and Tantjams), kEUR	incl. average amount of salary	incl. average amount of tantjams	incl. average amount of bonuses
Board members*	5	95.56	19.11	19.11	0	0
The Company's CEO and CFO	2	62.71	31.36	31.36	0	0

\* Three members of the Board were employees of the Company. Estimated and paid amounts in 2019 (salaries) are related to employment relationships.

\*\* As the Company did not pay any tantiemes, only salaries are presented

During the reporting period, the Company did not grant any loans, or issued any guarantees or asset assignments to the members of the Board of Directors, the Company's Chief Executive Officer and the Chief Financial Officer.

### **14. Information on all agreements between shareholders (their terms and conditions)**

On October 13, 2017 it was signed the Strategic Investment Agreement and Shareholders Agreement between the Company's shareholders – UAB Pieno pramonės investicijų valdymas, SIA RSU Holding, Antanas Trumpa and Ledina Trumpienė, Dalius Trumpa and Rasa Trumpienė, Strategic Investor – Fonterra (Europe) Coöperatie UA and the Company – AB „Rokiškio sūris“.

The purpose of this agreement was to establish the relationship between the parties in relation to the Company, to ensure joint action in the development of the Company and to exercise voting rights at general meetings, to agree on specific terms and conditions of share disposal and to enable shareholders to protect their interests in the Company.

The Company has no data on other agreements between shareholders.

## PURSUE THE GOVERNANCE REPORT

Rokiskio suris AB, following Article 22 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ Vilnius, discloses its compliance with the Corporate Governance Code for the Companies, whose securities are traded on the regulated market, as approved by the NASDAQ Vilnius AB, and its specific provisions and recommendations. If any of the provisions or recommendations of the Codex are not respected due to any reasons, the explicable information is provided herein.

Structured table No. 2.

PRINCIPLES/ RECOMMENDATIONS	Yes/ No/  Not appli cable	COMMENTARY
<b>Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights</b> The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All shareholders have equal access to the information and / or documents provided for in legal acts and participate in making important decisions for the company. The Company provides information through the Nasdaq Vilnius Stock Exchange Central Regulated Information Base in Lithuanian and English simultaneously. The information is published immediately at once, thus ensuring the simultaneous provision of information to all.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The authorized capital of the Company consists of ordinary registered shares, which grant equal voting, ownership, dividend and other rights to all shareholders of the Company.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company enables investors to familiarize themselves with the rights granted by the new or already issued shares well in advance.

<p>1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.</p>	<p>Yes</p>	<p>According to the Articles of Association of the Company, important transactions, such as decisions on the execution, assignment, lease, pledge and mortgage of long-term assets the book value of which exceeds 1/5 of the authorized capital of the company, as well as decisions on fulfillment of obligations of other persons exceeding 1/5 of the authorized capital of the company, and decisions to purchase fixed assets at a price greater than 1/5 of the company's share capital, do not require approbation by the Company's shareholders. Due to extremely important transactions, such as the transfer of all or almost all of the Company's assets, the Company would be guided by the Law on Companies of the Republic of Lithuania and other legal acts establishing requirements for the approval of such transactions.</p>
<p>1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.</p>	<p>Yes</p>	<p>All shareholders of the Company are informed about the date, place and time of the General Meeting of Shareholders in accordance with the established procedure in advance, in accordance with the terms established by legal acts, announcing the General Meeting of Shareholders, agenda, and draft resolutions in the Central Regulated Information Base of AB Nasdaq Vilnius Stock Exchange. The Company specifies the date of the General Meeting of Shareholders and may propose draft resolutions in the Notice of the General Meeting of Shareholders to be convened on the Company's website <a href="http://www.rokiskio.com">www.rokiskio.com</a>. In the notice of the convention of the General Meeting of Shareholders, the Company shall indicate when the shareholders may supplement the agenda of the General Shareholders Meeting and propose draft resolutions.</p>
<p>1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The documents prepared for General meeting of shareholders including draft resolutions of the meeting are available not later than 21 day prior the date of general meeting of shareholders as required by the Law on Joint stock companies. The documents placed on the website of NASDAQ Vilnius security exchange and the company website are available in Lithuanian and English languages. Resolutions accepted by the general meeting of shareholders including financial reports, the audit report, annual report, amendments of articles of association etc. are announce in Lithuanian and English languages are announced via the central base of regulated information of NASDAQ Vilnius security exchange and the company website <a href="http://www.rokiskio.com">www.rokiskio.com</a></p>

1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the Company have the right to participate in the General Meeting of Shareholders both personally and through a representative, if the person has the appropriate authorization or the contract of transfer of voting rights concluded with him/her in accordance with the procedure established by legal acts, as well as the conditions for the shareholders to vote by filling in the general voting bulletin as provided by the Law on Companies of the Republic of Lithuania.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	The company does not comply with the provisions of this recommendation as there is no possibility to ensure the security of the information transmitted and it is not possible to identify the person who participated and voted.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	When announcing the General Meeting of Shareholders, and if the agenda of the General Meeting of Shareholders includes the issue of electing new members of the collegial body or electing the audit firm, it shall disclose in the draft resolutions the nominations of the proposed new members of the collegial body and the proposed election company. Information about the candidates to the members of the collegial body shall be provided in advance by publishing this information on the Nasdaq Vilnius Stock Exchange website, on the website of AB „Rokiškio sūris“ <a href="http://www.rokiskio.com">www.rokiskio.com</a> , or by publishing it to the shareholders participating in the general meeting during the meeting if the shareholders, whose shares give at least 1/20 of all votes, propose an additional candidate during the meeting. In its annual and six-month interim report, the company publicly informs about the positions held by the collegial body, work experience and education.
1.10. Members of the company's collegial management body, heads of the administration <sup>1</sup> or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general	Yes	Members of the company's collegial body and heads of administration participate in the general meetings of shareholders. Proposed nominees for members of the collegial body are also present if the election of new members is included on the agenda of the

<sup>1</sup> For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.		general meeting.
<b>Principle 2: Supervisory board</b>  <b>2.1. Functions and liability of the supervisory board</b>  The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.  The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	N/A	According to the Articles of Association of AB „Rokiškio sūris“, only one collegial body - the Board - has been formed in the Company. The Supervisory Board is not formed in the Company. The company's shareholders decided to delegate all management functions to the collegial body - the Board.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	N/A	See point 2.1.1
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	N/A	See point 2.1.1
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent <sup>2</sup> members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	N/A	See point 2.1.1
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	N/A	See point 2.1.1

<sup>2</sup> For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

<p><b>2.1.6.</b> The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.</p>	<p>N/A</p>	<p>See point 2.1.1</p>
<p><b>2.2. Formation of the supervisory board</b></p> <p>The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.</p>		
<p>2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.</p>	<p>N/A</p>	<p>See point 2.1.1</p>
<p>2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.</p>	<p>N/A</p>	<p>See point 2.1.1</p>
<p>2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.</p>	<p>N/A</p>	<p>See point 2.1.1</p>
<p>2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.</p>	<p>N/A</p>	<p>See point 2.1.1</p>



2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	N/A	See point 2.1.1
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	N/A	See point 2.1.1
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	N/A	See point 2.1.1
<b>Principle 3: Management Board</b>		
<b>3.1. Functions and liability of the management board</b>		
The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	Only one collegial body is formed in the company and it is the board. The company's shareholders decided to delegate all management functions to the collegial body - the board. They are confident that one collegial body - the Board - is sufficient to ensure effective management of the company. The Board of the Company is responsible for the proper strategic management of the Company (approves the Company's operational strategy, approves the annual budget and operational objectives, adopts important decisions in the legal acts regarding the organizational management structure of the Company).
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs <i>inter alia</i> the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The company follows the company's strategic plan, according to which the mission of the company's management bodies is to create and maintain a strong, competitive, financially capable and technically modern company that creates and maximizes shareholder value. According to the information available to the company, all members of the Board act in the best interests of the company and shareholders, are guided by the interests of the company and not by themselves or by third parties, trying to maintain their independence in decision making.

3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Board ensures that the laws and company internal policies applicable to the company and its entire group are respected. The company also operates a risk management and control program. Risk management is carried out by the management of the Company.
3.1.4. Moreover, the management board should ensure that the measures included into the <a href="#">OECD Good Practice Guidance</a> <sup>3</sup> on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The company has a policy of internal control and business ethics. The Company has adopted a Business Ethics Policy that clearly and publicly declares a negative attitude towards bribery and corruption. The provisions of this policy apply to all employees, agents, intermediaries, suppliers and subcontractors of the Company.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the Chief Executive Officer, the Board takes into account the candidate's qualifications, experience and competence.
<b>3.2. Formation of the management board</b>		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the Board of the Company are elected by the General Meeting of Shareholders. The members of the Board of the Company are qualified and competent to perform their functions, having a long experience in management. One member of the board is delegated by the strategic investor (Fonterra) who has extensive experience in developing, managing and developing corporate strategy in international companies.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information about candidates to the Company's Board of Directors is provided to the shareholders together with the documents of the shareholders' meeting following the requirements of the Law on Public Limited Liability Companies of the Republic of Lithuania. Shareholders may see the documents prior the meeting. Information about the members of the Board of Directors (names, education, qualifications, professional experience, participation in the activities of other companies, other important professional obligations) is provided in the periodical reports.

<sup>3</sup> Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: <https://www.oecd.org/daf/anti-bribery/44884389.pdf>



3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	All new members of the Board are familiarized with their duties, company structure and activities.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The members of the Board are elected for a 4-year term. The number of terms is unlimited. Members of the Board are elected by the GMS. Shareholders who nominate and vote for the Board of Directors follow their own approach, which candidates are best to represent the interests of the shareholders.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	No	Former CEO of the Company has been appointed Chairman of the Board of the Company. The members of the Board of Directors, appointed the former CEO of the Company based on his long-term management experience and competence to take the chair of the Board.
3.2.6. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent <sup>4</sup> , it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	Each member of the collegial body fulfills his/her functions properly: actively participates at the meetings of collegial body, and devotes sufficient time to perform his/ her duties as a member of the collegial body. The quorum of each meeting was regulated so the Board of Directors would be enabled to accept decisions constructively. In 2019, there were 5 meetings of the Board. All Board meetings were attended by all members of the Board.
3.2.7. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	No	Currently there are no independent members on the Board of Directors. During the last tenures of the Board of Directors there was one vacant place intended to an independent member, however this vacancy had not been filled in up to the end of term. Candidates to the Board may be proposed by shareholders whose shares provide at least 1/20 of total votes. When the new statements regarding election of collegial bodies provided by the Law on Companies of the Republic of Lithuania come into force on 01/07/2018, the Company will pursue the statements in the election of new collegial bodies of the Company.
3.2.8. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete	Yes	Remuneration (tantjems) is paid for the work on the Board to its members, by decision of the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania. The members of the Board are not remunerated for their performance and participation in the meetings.

<sup>4</sup> For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.		
3.2.9. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes	By the Company's information, all Board members should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders. They are guided by the Company's interests but not their own or any third parties seeking to maintain their independence in decision-making, and they do not accept any unjustified privileges that would compromise their independence.
3.2.10. Each year, the Board should evaluate its performance. It should include an assessment of the board's structure, work organization and ability to act as a group, as well as an assessment of the competence and work efficiency of each board member, and an assessment of whether the board has achieved its operational objectives. The Board should, at least once a year, publicly disclose relevant information about its internal structure and operational procedures, without prejudice to the law governing the processing of personal data.	No	There is no practice of collegial body assessment. As four members of the Board of Directors belonged to the Company's executive management (the Company's executive directors), effective since 2001, therefore it does not conduct the assessment of its ability to act as a group, as well as competence and work efficiency.
<b>Principle 4: Rules of procedure of the supervisory board and the management board of the company</b> The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	No	The Company does not have a Supervisory Board. Shareholders of the company decided to delegate all management functions to one collegial body – the Board. They are confident that one collegial body – the Board – is sufficient to ensure effective management of the Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted	Yes	Board meetings are held according to the schedule approved in advance by the Board's work regulations, ie. at least once every 3 months and more often if necessary. Along with the notice of the summoned meeting all members of the Board receive a written agenda of the Board meeting, indicating the issues to be discussed at the

resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.		meeting not later than 5 (five) days prior the Board meeting. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	The agenda might be supplemented only if all members of the Board of Directors present at the meeting, and they all agree that the item is important enough to be put on the agenda.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	No	The Company does not have a Supervisory Board and this statement is not applied.
<b>Principle 5: Nomination, remuneration and audit committees</b> <b>5.1. Purpose and formation of committees</b> The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees <sup>5</sup> .	Yes/No	The Company has established the Audit Committee. The Committee was formed and elected by the 24 <sup>th</sup> April 2009 general meeting of shareholders. The meeting approved Regulations of establishment and performance of the Audit Committee. The 28 April 2017 General Meeting of Shareholders elected 3 members of the Audit Committee, two of which are independent members. Members of

<sup>5</sup> The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions

<p>5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.</p>		<p>the Audit Committee are elected for four year term.</p> <p>The Audit Committee is an independent, and objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The main function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations to the Board of Directors and management.</p> <p>The nomination and remuneration committees are not formed at the Company.</p>
<p>5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>N/A</p>	<p>The Board of the Company does not perform the functions assigned to the Audit Committee.</p>
<p>5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.</p>	<p>Yes</p>	<p>The Audit Committee consists of 3 members, two of whom are independent, with at least 5 years of experience in accounting, with relevant experience in finance and accounting in listed companies. The Chairman of the Board is not a member of the Committee.</p>
<p>5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.</p>	<p>Yes</p>	<p>The Audit Committee follows the regulations of the Committee approved by the General Meeting of Shareholders. These Regulations establish the rules defining the rights and duties of the Audit Committee, the size of the Audit Committee, the period of membership of the Audit Committee, the requirements for the education, professional experience and independence principles of the members of the Audit Committee.</p> <p>The Audit Committee annually submits an annual activity report to the General Meeting of Shareholders, announcing the composition of the Committee, the number of meetings and the attendance of the members, describing the work performed and presenting the results.</p>

where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

<p>5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.</p>	<p>Yes</p>	<p>The members of the collegial body take decisions at the meetings of their members, but in certain cases the committee invites the head of the Company and the responsible employees of the Company to attend its meetings, who are responsible for the areas of activity of the issues under discussion. The Chairman of the Audit Committee is also provided with the opportunity to communicate with the shareholders.</p>
<b>5.2. Nomination committee</b>		
<p>5.2.1. The key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected;</li> <li>2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;</li> <li>3) devote the attention necessary to ensure succession planning.</li> </ol>	<p>No</p>	<p>The Nomination Committee is not formed in the Company.</p>
<p>5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.</p>	<p>No</p>	
<b>5.3. Remuneration committee</b>		
<p>The main functions of the remuneration committee should be as follows:</p> <ol style="list-style-type: none"> <li>1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;</li> </ol>	<p>No</p>	<p>There is no Remuneration Committee in the Company.</p> <p>The company has implemented a remuneration policy that includes all forms of remuneration, including fixed salary, performance-based benefits, pension modules and severance payments. The Company is approved by the Company's management in coordination with the Trade Union Committee operating in the Company.</p>



2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.		
<b>5.4. Audit committee</b>		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee <sup>6</sup> .	Yes	The Audit Committee follows the provisions of the Audit Committee approved by the General Meeting of Shareholders of the Company. The Audit Committee carries out independent, objective monitoring, investigation, evaluation and advisory activities to improve the company's performance and create added value.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	All members of the Committee are provided with detailed information on the specific accounting, financial and operational characteristics of the company and, upon request, information on the execution of important transactions.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	The Audit Committee decides on the participation of other persons in its meetings and, if necessary, the Audit Committee invites the Head of the Company and the responsible employees of the Company to its meetings, who are responsible for the areas of activity of the issues under consideration. The Chairman of the Audit Committee is also provided with the opportunity to communicate with the shareholders.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The Audit Committee is informed about the work performed by the Internal Auditor and receives conclusions about the research performed. Each year, the Audit Committee receives reports from external auditors describing all relationships between the independent auditor and the Company and its group.

<sup>6</sup> Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	The Company has provided employees with the opportunity to submit complaints or anonymous reports about violations committed in the Company, however the Company has not received such complaints or reports during the reporting period.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Audit Committee analyzes and evaluates the Company's annual and semi-annual financial statements, makes recommendations to the Board for their approval, together with its activity reports for that period.
<b>Principle 6: Prevention and disclosure of conflicts of interest</b> The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	Members of the Company's management bodies behave in such a way that there is no conflict of interest with the Company. During the reporting period, there is no known conflict of interest between the Company and the member of its management body.
<b>Principle 7: Remuneration policy of the company</b> The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes/ No	The Company has implemented and operates a remuneration policy approved by the Company's management, but it is not published on the Company's website. The Annual General Meeting of Shareholders of 2020 will approve the Remuneration Policy, which will be published on the Company's website and regularly reviewed.

7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Company has implemented a remuneration policy that includes all forms of remuneration, including fixed salary, performance-based benefits, pension modules and severance payments. This procedure is approved by the management of the Company in agreement with the Trade Union Committee.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	See point 3.2.8
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	Termination benefits shall be granted in accordance with the provisions of Chapter 5 of the Labor Code of the Republic of Lithuania and the provisions of the Material Promotion and Allowance Procedure in the Company.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	No	The Company does not apply a system of financial incentives.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	No	See point 7.1



7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	No	See point 7.1
<b>Principle 8: Role of stakeholders in corporate governance</b> The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The corporate governance framework shall ensure that the rights of the stakeholders protected by law are respected. The Company has created conditions for interest holders to participate in the management of the Company - participation of the Company's employees and milk producers in the Company's share capital. The majority of employees are shareholders of the Company and are therefore directly involved in the management of the Company. The stakeholders involved in the governance process shall be given access to the information required and to vote in the relevant decisions. In addition, the Company has provided facilities for confidential reporting of unlawful or unethical practices.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.		
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.		
<b>Principle 9: Disclosure of information</b> The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	Yes	The information contained in this recommendation shall be disclosed in the annual and semi-annual reports of the Company in accordance with the requirements of legal acts regulating data processing and confidential information procedures. This information is published on the website of AB Nasdaq Vilnius Stock Exchange and on the Company's website.
9.1.1.operating and financial results of the company;		
9.1.2.objectives and non-financial information of the company;		

<p>9.1.3.persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;</p> <p>9.1.4.members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;</p> <p>9.1.5.reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;</p> <p>9.1.6.potential key risk factors, the company's risk management and supervision policy;</p> <p>9.1.7.the company's transactions with related parties;</p> <p>9.1.8.main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);</p> <p>9.1.9.structure and strategy of corporate governance;</p> <p>9.1.10.initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects.</p> <p>This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.</p>		
<p>9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.</p>	Yes	The Company discloses information on the Company's and the Group's consolidated results. The information is disclosed in the consolidated annual report and consolidated financial statements.
<p>9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the</p>	Yes/ No	The information specified in the recommendation is presented in the Company's annual and semi-annual reports.

remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.		
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The Company discloses all regulated information through the news distribution system of AB Nasdaq Vilnius. This ensures that it is accessible to the widest possible public. The information is simultaneously available in Lithuanian and English. In addition, the company publishes information before or after the Nasdaq Vilnius trading session so that all shareholders and investors of the company have equal access to information and make appropriate investment decisions. The Company shall not disclose information that may affect the price of the securities issued by it in the comments, interviews or other ways until such information is made public through the Central Regulatory Information Base.
<b>Principle 10: Selection of the company's audit firm</b> The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	An independent audit company performs auditing of the Company's and its subsidiaries individual and consolidated (the group) annual financial reports in accordance with International Accounting Standards applicable in the EU. An independent auditing company also evaluates conformity of annual report to the audited financial statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The Board of Directors proposes an auditing firm to the general meeting of shareholders.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	Information on remuneration to the audit company is made public in the Company's annual reports. The audit firm provides non-audit services only with the approval of the Audit Committee. In 2019, the audit firm received EUR 20,000 as remuneration for the non-audit services provided to the Company.

# • 2019 SOCIAL RESPONSIBILITY REPORT

ROKIŠKIO SŪRIS, AB



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ABOUT THE COMPANY

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## ABOUT THE REPORT

The Social Responsibility Report (hereinafter - the Report) is presented for the purposes of transparency and accountability of the business activity of Rokiškio sūris, AB (hereinafter - the Company). The Report covers the achievements as well as the activities of the Company in the sphere of social responsibility related to the environment, relations with the employees and the society. The Report outlines the actions of the Company and changes in the sphere of social responsibility during 2019.

The Social Responsibility Report presented by Rokiškio sūris, AB, has been drawn up by taking into account the fundamentals of Global Compact and the guidelines of the Global Reporting Initiative (GRI) which help to assess and demonstrate the indicators related to economics, environment, employees, human rights, community and market.

The Report is presented in Lithuanian and English, it is available on the website of the Company at [www.rokiskio.com](http://www.rokiskio.com); it is also published on Nasdaq Baltic website alongside with the annual report.

## ABOUT THE COMPANY



### Corporate Strategy and Objectives

Rokiškio sūris, AB carries out its activity in accordance with the 3-year strategic plan the key provisions whereof are outlined below:





## Corporate Activity

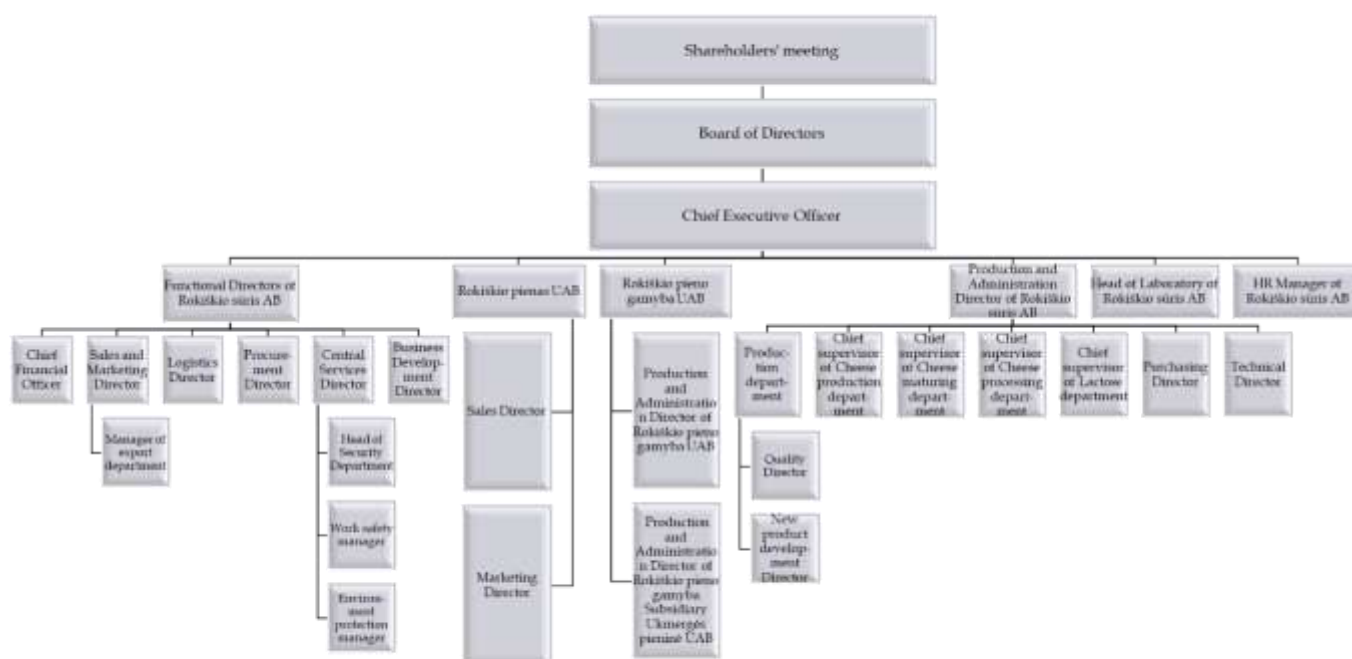
Milk processing is the principal business activity of the Group. The main products include cheese, butter, dry dairy products and fresh dairy products. Rokiškio sūris, AB Group carries out its production activity in the towns of Rokiškis (Rokiškio sūris, AB), Utena (Rokiškio pieno gamyba, UAB) and Ukmergė (Ukmergės pieninė, subsidiary 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 the production of fresh dairy products, whey protein concentrate, milk powder and butter.
- Rokiškio pieno gamyba, UAB (Ukmergė company) specialises in the production of curd and curd products as well as brined cheeses.
- Rokiškio pienas, UAB specialises in the marketing of the complete range of products of the Group in Lithuania, Latvia and Estonia.

The procurement of raw milk takes place throughout the territory of Lithuania and in other countries by setting up our own milk procurement network or using the services of intermediaries.

## The Structure of Rokiškio sūris, AB Group

The management structure of Rokiškio sūris, AB Group (hereinafter - the Group) is organised based on the key functions, i.e. sales, manufacturing, finance management, milk procurement, logistics, central services and business development. Functional directors form and develop the strategy, tactics and targets of the Group based on these functions.



## Board Members of Rokiškio sūris, AB:

(Elected by the General Meeting of Shareholders on 13 December, 2017)

Chairman of the Board of the Company	Antanas Trumpa	Since 13 December, 2017
Deputy Chairman of the Board	Antanas Kavaliauskas	Board member since 2005 (elected for a new 4-years term by the General Meeting of Shareholders on 13 December, 2017)
Board member	Ramūnas Vanagas	Board member since 2006 (elected for a new 4-years term by the General Meeting of Shareholders on 13 December, 2017)
Board member	Paul M Campbell	(Elected for a 4-years term by the General Meeting of Shareholders on 13 December, 2017)
Board member	Darius Norkus	Board member since 2008 (elected for a new 4-years term by the General Meeting of Shareholders on 13 December, 2017)



## Management of the Company

### Members of the Management of the Company

Position	Name, surname	Holds the position since
Director	Dalius Trumpa	1 January, 2018
Director, Finance	Antanas Kavaliauskas	1 May, 2002
Director, Development	Ramūnas Vanagas	27 September, 2005
Director, Central services	Jonas Kvedaravičius	1 May, 2002
Director, Logistics	Jonas Kubilius	16 May, 2002
Director, Procurement	Evaldas Dikmonas	14 May, 2002
Director, Sales and Marketing	Darius Norkus	18 July, 2001

## 2019 BUSINESS OVERVIEW

The business overview of the Company is presented in the 2019 Consolidated Annual Report, Point 8.

## CORPORATE SOCIAL RESPONSIBILITY

### The Principles of Social Responsibility

The social responsibility activities of Rokiškio sūris, AB are based on the values and the key business principles of the Company: socially responsible and transparent business, introduction of rational innovations as well as maintenance and development of competent staff. With the view of maintaining the status of a socially responsible and transparent business partner, the Company seeks to maintain good relations with employees and the society by being a transparent and responsible player in the market as well as in the environmental sphere.

In 2017/2018, AB Rokiskio suris was audited in accordance with the audit principles of SMETA 4 areas. The main "areas" of this audit are: (1) labor standards; 2) health and safety at work; 3) environmental protection; 4) Practice of activities. The audit was performed by UAB Bureu Veritas Lit. The audit report is posted to the SEDEX account.

The SA8000 Social Accountability standard has been introduced in the subsidiaries Rokiškio pienas, UAB and Rokiškio pieno gamyba, UAB since 2012. The standard is a set of requirements to businesses eager to demonstrate their socially responsible attitude towards the creation and maintenance of working conditions by means of an independent assessment. The purpose of SA8000 is to lay down requirements based on the international standards of human rights and national labour legislation which protect all employees falling within the management scope and the control of the company who manufacture the products or provide the services of the company, including employees hired by the company as well as its suppliers and sub-suppliers.

The framework of the standard provides for the following corporate policy: “When conducting its business, the Company relies upon internationally recognised human and employee rights. We seek that all employees enjoy fair and respectful treatment. We expect and seek that our suppliers and subcontractors, as well as relevant downstream actors in the supply chain adhere to the same principles. We believe that dialogue between the employer and employees can contribute towards sustainable success of the company and its employees.”

Compliance with the social responsibility requirements of the standard will enable the Company to:

- shape, maintain and implement policies and procedures in order to handle the issues which fall within the scope of its management and influence;
- provide assurance to the parties concerned that the corporate policy, procedures and practices comply with the requirements of the Standard.

The Principles of Social Responsibility:

- Accountability (for impact to the community, economy and environment);
- Transparency (in adopting decisions which affect the community and the environment);
- Ethical (decent) conduct;
- Respect to the interests of the parties concerned (listening and taking action);
- Respect to the rule of law;
- Adherence to international standards of conduct;
- Respect to the human rights.

Social responsibility and support measures are important in order to maintain good partnership relations with local communities and the society on the national scale.

## Risk factors

Recruitment and employment	Employee competences, and integration into work procedures	Employee retention and reduction of turnover level
<ul style="list-style-type: none"> <li>•Recruitment via the Labor Exchange base.</li> <li>•Cooperation with education institutions.</li> <li>•Recommendations of current employees.</li> <li>•Internal human resources (employee empowerment to train and improve).</li> </ul>	<ul style="list-style-type: none"> <li>•Performance evaluation and training system.</li> <li>•Training plans made yearly.</li> <li>•External as well as internal training sessions.</li> </ul>	<ul style="list-style-type: none"> <li>•The company is keen to have a stabile team in the way of retention of good relationship, and providing favourable conditions for personal improvement, participation in decision making, as well as various privileges.</li> </ul>

These social risk factors do not depend solely on the company's actions. the company may be forced to increase investment in robotization production processes, i.e. manual work would be replaced by robots.

## Employees

Employees are the most important asset of the Company; they determine the efficiency and success of the Company. The corporate human resources policy is aimed specifically at the development of competent employees, team work and shaping of organisational culture.

The Company and its employees operate in the framework of the approved Payment for Work Procedure system, the rules of procedure, the procedure for organising internal training, ethical employment policy, the policy of business ethics, the policy of equal opportunity and the politics of the human rights adopted by the Company.

In 2019 the average number of employees of Rokiškio sūris, AB was 1,453; in comparison with 2018 (1,484), it decreased by 2.09 per cent or 31 employees. The decrease in the number of employees has to do with the decrease of milk collection points, and consequently less keepers of milk collection points as well as logistics staff.

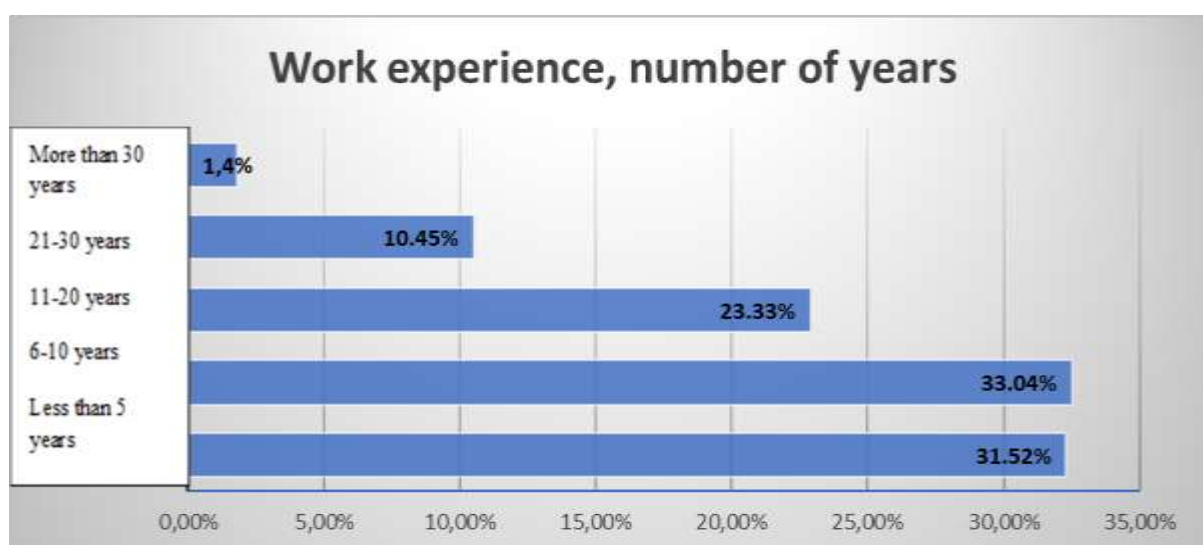
In 2019 workers accounted for 82.30 per cent (82.50 per cent in 2018) of all employees of the Company; professionals accounted for 17.10 per cent (17.0 per cent in 2018) and the number of management personnel was the same, i.e. 8 employees.

### Employees of the Group of the Company by category

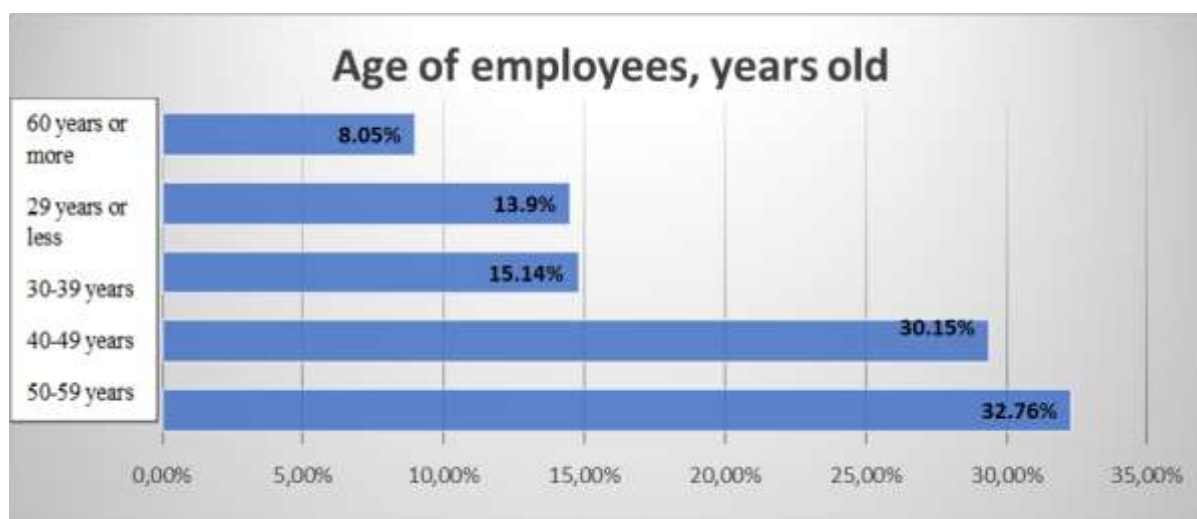
Employee group	Average number of employees		Change (per cent)
	31 Dec., 2019	31 Dec., 2018	
<b>Management*</b>	8	8	<b>0.00</b>
<b>Professionals</b>	249	252	<b>-1.19</b>
<b>Workers</b>	1,196	1,224	<b>-2.29</b>
<b>Total:</b>	<b>1,453</b>	<b>1,484</b>	<b>-2.09</b>

\* Directors are classified as the management of the Company

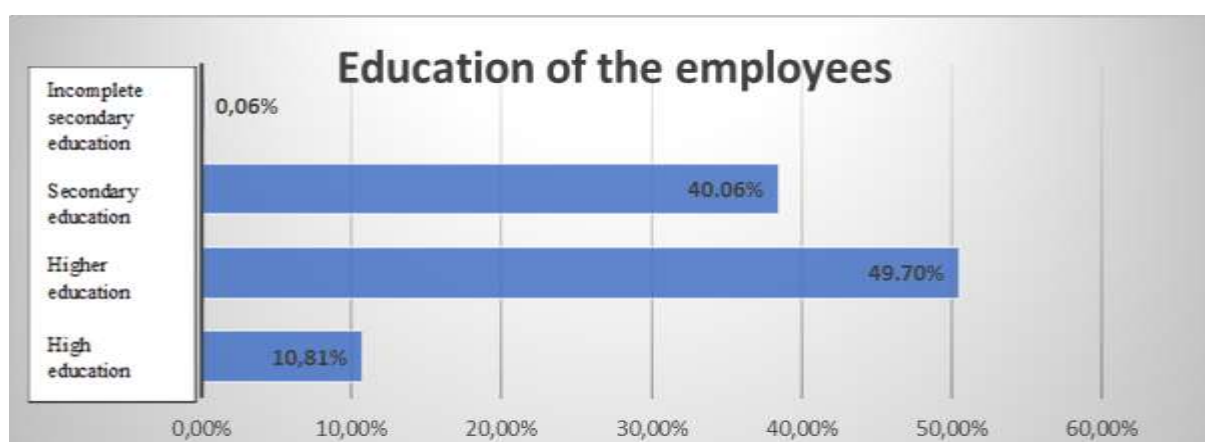
As of 31 December, 2019, 54.2 per cent of the employees of Rokiškio sūris, AB were male and 45.8 per cent – female (53.8 per cent and 46.2 per cent respectfully as of 31 December, 2018).



Average age of the company's employees – 45 years old. It has not changed compared to 2018.



### Education of the employees of Rokiškio sūris, AB Group



The Company employs highly qualified employees, including: 10,81 per cent of employees with high education (10,98 per cent in 2018), 49,07 per cent with higher education (50,81 per cent in 2017), 40,06 per cent with secondary education (38,14 per cent in 2018) and 0,06 per cent with incomplete secondary education (0,07 per cent in 2018).

Education	31 Dec., 2019	31 Dec., 2018	Change (per cent)
High	157	163	-3.68
Higher	713	754	-5.44
Secondary	582	566	+2.83
Incomplete secondary	1	1	0.00

### Work environment

### Ethical Employment

Starting from February 2018, the Company has a documented Policy of Ethical Employment aimed at establishing the standards of conduct promoted by the Company:

*On the free choice of employment.* We do not tolerate forced, compulsory or involuntary work.

*On the freedom of association and the right to collective bargaining.* We respect the right of our workers to join or form a trade union of their choice and engage in collective bargaining regarding working conditions. We refrain from any measures restricting the right of the workers; we create possibilities and refrain from interfering with parallel measures for independent and free associations and bargaining.

*On health and safety.* We provide a safe, hygienic and hazard-free work environment by continuously taking appropriate action to prevent damage to human health in connection with the direct work of the employee, or damage which may arise at work, by mitigating the causes of the hazards that are typical to the work environment. In order to promote safety and health, we seek to involve the workers into the activity by offering safety and health at work training to new and existing employees.

*On remuneration and benefits.* The workers receive their agreed wages that may not be below the minimum wage established by the Government and/or the subsistence minimum. We refrain from any wage withholdings other than those stipulated in the laws of the Republic of Lithuania.

*On working hours.* We ensure that the working time of the employees complies with the provisions and mandatory legal regulations of the Republic of Lithuania on working time and overtime, work breaks, resting hours, holidays, including maternity and paternity leaves.

*On discrimination.* We do not tolerate discrimination in the spheres of employment, remuneration, education, career and employment relationships. All employees have equal access to personal development and career opportunities.

We do not tolerate employee discrimination based on gender, race, nationality, language, origin, social standing, faith, beliefs or views, age, sexual orientation, disability, ethnicity, religion or other grounds.

*On permanent employment.* When hiring on a permanent basis, we always offer permanent employment based on official employment relationship established in the laws and the practice of the Republic of Lithuania.

*On abductive and inhumane behaviour.* We do not tolerate ill-treatment, belittlement and insults against employees, he/she can't be subjected to mockery or harassment, he/she can't be coaxed, blackmailed, manipulated or otherwise forced to do anything contrary to the law, conscience or other principles. The employees of the Company are respected and their dignity is protected.

In order to ensure that the commitments are clear and comprehensible, we communicate this policy to all our employees and the parties concerned (as appropriate).

The Management is committed to continuous monitoring of the way in which this policy is implemented in the course of daily activities.

## Protection of Human Rights and Equal Opportunities

The Company is guided by the 2017 Endorsement of Equal Opportunities and the 2019 Endorsed by Human Rights Policies, which emphasize intolerance to discriminatory treatment based on race, sex, nationality, political or religious beliefs, health or disability.

The company provides equal opportunities for all employees during work hours. Recruitment and the course of employment are determined solely on the basis of the personal characteristics of the person concerned and the criteria relating to the post in question. In all cases, the focus is on the ability to do a good job.

The company organizes its work in such a way that its employees are represented in all groups of society and each employee feels respected and can use his / her full potential.

The Company organizes its activities in such a way that all employees have equal working conditions, opportunities for qualification improvement, vocational training, retraining, practical work experience, as well as equal benefits irrespective of employees' gender, race, nationality, language, origin, social situation such as religion, beliefs or beliefs, age, sexual orientation, disability, ethnicity, religion.

In order to create a positive work environment, the Company works to ensure that its activities do not violate the rights of others, and upholds its core values of employee respect, honesty and openness.

It does not tolerate any form of physical, sexual or verbal abuse, intimidation or threats, degrading or rude behavior. All employees of the Company are respected and their dignity is protected.

Interference with the privacy, family or household of employees is not tolerated. Subject to the laws of the Republic of Lithuania, we process and use personal data for specific purposes and only with the consent of the person concerned.

Employees suspected of having acted unlawfully or witnessed and / or suspected and / or witnessed cases of discrimination, harassment may contact the immediate supervisor or lodge a complaint with a responsible person designated by the Company. The company ensures confidentiality in the handling of complaints.

## Remuneration Policy

The Remuneration Policy is a part of the Company's internal rules of operation, remuneration policy and its annexes, which include internal documents regulating the standards of the Company's operations and its internal control.

Responsibility for the implementation of the provisions of the Company is defined in the Internal Rules of Procedure of the Company.

Remuneration policy (Payment for Work Procedure) has been approved at the meeting of the Board of the Company, upon the approval of the trade union committee. In accordance with the provisions of the Law on Companies of the Republic of Lithuania, the remuneration policy will be submitted to the General Meeting of Shareholders for approval. A remuneration committee has not been formed at the Company.

The internal rules of procedure of the Company in the sphere of ethics and the conflict of interest ensures that the persons concerned are not involved in any processes that might give rise to a conflict of interest, therefore the persons concerned are not involved in remuneration policy-making.

The remuneration package of employees of the Company consists of financial, non-financial and emotional compensation.

*The system of financial compensation includes:*



- 1) fixed remuneration for the work performed, i.e. the monthly salary stipulated in the employment contract. Fixed salary forms the principal component of remuneration. The salary of individual employees is determined on the basis of the person's position and his/her performance.
- 2) piecework pay – remuneration paid to the workers of production shops and employees of sale department warehouses based on the quantity of actual work and pre-approved rates. The rates are approved by the meeting of the Management of the Company, subject to the approval of the trade union committee. Where dictated by production needs, rate adjustments are approved by order of Director.
- 3) Variable part of remuneration – paid in accordance with the provisions of the approved incentive fund and adopted alongside with the Payment for Work Procedure. Variable remuneration is calculated based on long-term perspective, thus ensuring that the assessment is based on long-term sustainable profit so that profit-related remuneration is paid with due consideration of the main economic cycles. The variable remuneration of employees is determined by individual employee performance, the employer and the overall profits of the Company. When carrying out the assessment of an employee's performance, financial and non-financial criteria are taken into consideration alongside with different variables of conduct related to the values of the Company, including the assessment of the employee's compliance with internal and external regulations. The financial and non-financial criteria which serve as the framework for calculating the variable remuneration are defined in the regulations on the allocation of variable remuneration. For incentive purposes, employees also receive one-off incentive payments under the collective agreement.

*Non-financial compensation* is a form of indirect compensation which the Company uses to promote the employee involvement effort and loyalty as well as the enrichment of employee well-being and activity in the Company. It includes different corporate events, the expression of acknowledgement and appreciation by awarding exceptional performers, health promotion and employee development.

*Emotional compensation* is difficult to gauge but it is a strong factor of employee involvement in the activities of the Company which covers the reputation, organisational culture and values of the Company, career opportunities offered by the Company, different internal communication programs carried out by the Company: employees have the opportunity to share their ideas and voice their concerns.

## Remuneration System

The Company has an efficient and fair remuneration system in place; the aim of the system is to attract, maintain and motivate employees. All employment contracts with employees of the Company, including those with the management, 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 Rokiškio sūris, AB Group, by employee group

Employee group	Average monthly salary (gross), EUR		Change (per cent)
	31 Dec., 2019	31 Dec., 2018*	
Managers	2712	2695	0.63
Professionals	1404	1399	0.36
Workers	1164	1128	3.19
<b>Group average</b>	<b>1215</b>	<b>1188</b>	<b>2.27</b>

\*In order to achieve data comparability, 2018 salary increased 1,289 times.

The average monthly salary is calculated in accordance with Resolution No. 496 of the Government of the Republic of Lithuania of 21 June, 2017.

The remuneration paid to the employees of Rokiškio sūris, AB Group consists of:

- 1) fixed remuneration for the work performed, i.e. the monthly salary stipulated in the employment contract;
- 2) piecework pay – remuneration paid to the workers of production shops and employees of sale department warehouses based on the quantity of actual work and pre-approved rates;
- 3) Variable part of remuneration – based on the provisions of the incentive fund approved in the Payment for Work Procedure.

The Payment for Work Procedure which the Company has introduced in 2018 and applies to this day establishes the variable components of pay which depend on the performance of the Company, market situation and other factors. The variable components of pay are allocated for every department in accordance with the approved functional management system. The Payment for Work Procedure is approved by the CEO of the Company.

Every manufacturing shop or department of the Company has an approved procedure for the distribution of incentive fund which provides for the assessment criteria and employee incentives. The assessment of employee performance is one of the key tasks of the Company in order to ensure efficient work organisation with the view of achieving the set objectives, building positive relationship between managers and their subordinates and facilitating employee motivation.

## Social dialogue

Employees of Group companies are guaranteed the right to participate in trade union activities. The companies have a trade union committee that defends the employment, economic social rights and interests of its members, defends its members' employment, social security, promotes professional qualifications, develops professional ethics, and seeks to raise wages and other income for food industry workers.

The 11-member Labour Council has been elected at the Company since 2018. The Council has been formed for a term of three years, commencing from the start of the mandate of the Council.

## Material well-being

Following the expiration of the Collective Agreement on 1 January 2019 (Article 6 (11) of Work Codex of the Republic of Lithuania), management strives to continue to maintain the objectives of the Collective Agreement, i.e. to create conditions for the harmonious operation of the company, to guarantee the level of work, wages, safety and health and other working conditions of various categories of employees better than provided by the laws of the Republic of Lithuania, Government resolutions and legal acts. Therefore, the Company's management together with the Labour Council has signed the Payment for Work Procedure and its Annex "Material Promotion and Allowance Procedure", part of the guarantees is provided in the Work Rules.

Additional social guarantees are provided for in the Material Promotion and Allowance Procedure:



- Employees raising children with disability receive an annual allowance in the amount of 1 minimum monthly salary;
- In the event of a death of a family member (spouse, parent, child), employees receive a funeral allowance;
- In the event of a death of an employee, his/her family receives a lump sum funeral allowance
- Employees receive additional allowance on the occasion of important anniversaries (20, 25, 30, 35, 40, 45, 50 years of age);
- Allowance is paid to employees of the Company suffering from serious or long-term illness as well as those who have been injured at work;
- Employees of the Company, employee family members and retired former employees of the Company receive discounted treatment at the health resort of the Company;
- Employees who have reached the age of retirement and retire from service receive a severance compensation the amount whereof is higher than that provided for in the Labour Code of the Republic of Lithuania;
- The unpaid leave provided for in the Labor Code of the Republic of Lithuania for the marriage of an employee, attendance at a funeral of a deceased family member shall be paid in accordance with the general procedure for granting leave. In addition, leave is granted for staff members to marry their children.

The rights and duties of the employees of the Company are established in their job descriptions. Employment contracts do not provide for special rights and duties.

## Development of Competences

The development as well as the improvement of special and general skills of human resources is one of the key priorities at Rokiškio sūris, AB because only the well-educated employees possessing appropriate knowledge and experience are capable of creating a high-quality product. Development plans are drawn up on a yearly basis based on the objectives of the Company and the relevance of employee competences for their achievement. Employees of the Company are offered opportunities to improve their knowledge and skills by attending various training courses, seminars and conferences; the Company also supports employees who seek to receive vocational training at the country's universities, colleges or other education establishments offering a qualification degree.

In 2019, the Company's production supervisors have been trained in a unique 5-day master skills training program, "Master Academy," and this training session will continue in 2020. Senior managers deepened their knowledge of strategic management and corporate management, and middle management participated in leadership, team building, stress management and other general skills training. There is a strong focus on the learning of foreign languages.

Rokiškio sūris, AB also offers special training courses to the country's farmers so that they can successfully manage the health of their herd, ensure proper maintenance of their milking, cooling and storage equipment and modernise their milk farms. State-of-the-art milk farms, milk quality and herd health are crucial for the success of the dairy business.

## Corporate Culture and Relations with Employees

In order to facilitate bonds with its employees, every three years the Company organises a festival of families of production employees which has since turned into a traditional event where families demonstrate their skills in sports, singing, quiz contests and other competitions.

The Company also arranges a number of other traditional festivals, e.g. off-site Christmas concerts and New Year celebrations.

## EMPLOYEE SAFETY AND HEALTH

In the company there is a set of preventive measures that the Company applies in order to protect employability, health and life at work of employees.

Persons admitted to the company must be subject to health checks, contagious diseases, and occupational risk factors at the workplace. Health must be checked under employment at hazardous work conditions and when working with potentially hazardous equipment. Employees working in the company check their health periodically, in accordance with the legislation.

The Company has approved the Procedure for Employee Briefings and Trainings on Safety and Health. At the time of their hiring, employees of the Company receive introductory briefing on employee safety and health. Employees are briefed about the activities of the Company, the organisation of employee safety and health, occupational risk factors at the Company, personal hygiene requirements and accident reporting procedure, traffic regulations in the territory of the Company and inside production units. The briefing is carried out by employee safety and health specialists. Unit managers provide on-site briefing at the workplace. Employees receive information about the workplace, work equipment, occupational risk factors at the specific workplace and safe methods of performing specific works, technological and production operations. Scheduled employee safety and health briefing at the workplace is carried out on a yearly basis. Employees receive additional safety and health briefing at the workplace in accordance with the procedure established in the briefing procedure. Employees receive additional briefing in accordance with the briefing procedure approved by the Company. Employees of the Company are exposed to dangerous work and operation of potentially dangerous machinery. Therefore the employees who perform dangerous works or operate potentially dangerous machinery are trained at the Company, or undergo training by vocational training providers in accordance with a training and knowledge testing procedure approved by the Company. The assessment of occupational risk at the workplace is carried out, taking into account the compliance of work equipment and working conditions with employee safety and health requirements. Employees are provided with personal protective equipment designed to protect against the impact of risk factors. The provision, storage, drying and laundering of personal protective equipment is organised in accordance with the procedure established by the Company.

Employees of the Company receive briefing on fire safety matters. Introductory fire safety briefing at the time of hiring as well as periodic yearly briefing is a responsibility of unit managers. The briefing is carried out by unit managers.

Where employees of other undertakings work at the Company (perform works or provide services under contract), they are briefed in accordance with a description of the procedure for co-operation and coordinated action. Safety and health requirements are in place to ensure that the work performed by the contractors or other activities in the territory of AB “Rokiškio sūris” is safe and secure.

In an effort to mitigate ergonomic risk factors, the Company carries out the modernisation of its work equipment. All workplaces are being robotised, technically obsolete machinery is being replaced with new one and work equipment is being automatized.

In 2019, it was mounted lifting unit with swivel / flip function, avoiding heavy manual handling of cheese.

The maintenance of potentially dangerous machinery is carried out in accordance with the Law on the Maintenance of Potentially Dangerous Machinery.

In 2019, the premises were modernized, including not only women's and men's changing rooms, showers, shoe dryers, but also modern kitchen, dining room.

In 2019, two minor accidents at work occurred in the company.

## COMMUNITY

### Internship Opportunities

The Company cooperates with universities and educational institutions and annually provides students who want to get to know the Company, look at the working day of people working there, visit the Company, and do internships.

### Environment Clean-up Action

In 2019, the Company's employees, together with their family members, took part in the traditional cleanup "Green Park for the Manor Park", coinciding with the voluntary public action "Let's do it".

### Sponsorship

The Company seeks to preserve the status of a reliable social partner by making a contribution to addressing social challenges of our society and supporting various establishments, organisations or their projects; the Company also contributed to the promotion of different initiatives by sponsoring various cultural events and supporting the local community, sports development projects and by improving the living environment of socially sensitive groups of the society.

## ENVIRONMENT

Environment protection is one of the spheres of activity in the framework of the social – economic responsibility policy of Rokiškio sūris, AB. Environmental measures are funded in co-operation with the European Agricultural Fund for Rural Development and the Lithuanian Environmental Investment Fund.

Our environmental objective is continuous reduction of adverse impact on the environment by implementing pollution prevention measures; conservation of natural resources, sustainability.

### Informing the Public

When planning for new business activities as well as the development and re-organisation of existing business activities, the Company acts in accordance with the Law on the Assessment of the Impact of Proposed Business Activities.

In 2018, an impact assessment of public health (hereinafter referred to as PVSU) and the determination of the sanitary zone for the planned activities for the construction of a cheese ripening chamber was performed. Inventory of emissions into the atmosphere, analysis of pollutants, analysis of noise level and dispersion. In 2019, Integrated Pollution Prevention and Control Permit no. P1-5 / 026.

The conclusion of the PVSV and the comprehensive analysis of known environmental factors that may affect public health may lead to the conclusion that the level of ambient air pollutants and odors in the environment will not exceed the legal limits. Having evaluated the activities carried out and planned by AB „Rokiškio sūris“, it was established that the object has no significant influence on the ambient air quality, increase of noise and other pollution in the nearest residential environment, therefore no negative impact on public health is anticipated.

Relevant information on the evaluation of the planned activity is published in the district newspaper Gimtasis Rokiškis, in the republican press Lietuvos Aidas.

By informing the public about planned changes and our achievements, we ensure the right of the public to be informed about major developments.

## Protection of Ambient Air

An inventory of the existing stationary pollution sources has been drawn up, the sources are operated under the integrated pollution prevention and control permit issued by the Environmental Protection Agency.

In 2019 the emissions to the ambient air did not exceed the established annual permissible emission standard. The following environmental measures are used to ensure good ambient air quality:



- In an effort to reduce the possibility of undesired odour, waste is treated with a biodegrading agent during waste management process;
- Bio-filters are used to treat undesired odours created during wastewater treatment process;
- Solid particles (lactose particles) are returned to the product in the production line, and the exhaust air is filtered;
- Vehicles are replaced with new ones that have better emission characteristics.
- Energy efficiency measures are being implemented (building renovation, recuperation systems, efficient energy accounting and management system deployment, and others).

In order to control emissions of nitrogen oxides from the cheese smoking facility, the Company carries out the monitoring of emissions from stationary pollution sources. In 2018 the annual emissions were within permissible limits.

## Protection of Waters

The industrial wastewater generated during milk processing is treated using our own bio-treatment plant with nitrogen and phosphorus disposal. Bio-degraders are installed in the buffer tank to prevent undesired wastewater odour. A pollution measuring device has been acquired to monitor industrial wastewater pollution. Wastewater purification indicators are very high:



BDS<sub>7</sub> – 99.8 per cent  
 Materials in suspension -98.6 per cent  
 Total nitrogen – 94.2 per cent  
 Total phosphorus – 98.4 per cent  
 Fats – 99.6 per cent

The water remaining during whey processing is purified by filtering, using reverse osmosis method. The efficiency of reverse osmosis filtration is very high: BOD7 - 97.2%. Part of the purified water is used for sanitary purposes, saving 12% of groundwater resources.

We monitor the releases containing treated wastewater; we also monitor the wastewater receiver (Alsetos lake) for water status control purposes. In 2019 the annual pollution indicators of our releases were within the established limits. No adverse impact on Alsetos lake has been found.

A state-of-the-art 18 m<sup>3</sup> Volvo asenization car has been acquired to purify the wastewaters generated at milk procurement units. Once the wastewater is transported to our site, it is purified in our own bio-treatment plant.

The surface wastewater collected in the territory is purified in sand and oil precipitators. In 2019 the concentration indicators of the releases were within the permissible limits. Surface wastewater is released into the rainwater networks of the town under contract.

### Protection of Groundwater, Soil and Ground

Rokiškio sūris, AB operates two petrol stations. One is located in the town of Rokiškis in the vicinity of the Company, and the other one is in Obeliai village (15 km from Rokiškis). Groundwater monitoring programmes are in place. No contamination with oil products has been found.



Under an approved pollution management program, the sludge from wastewater purification in our biological wastewater treatment plant is used as farming field fertiliser in Rokiškis district. The analysis of wastewater sludge has shown that it is a high-value fertiliser product meeting the requirements of class A category I. In 2019, 3,881 tonnes of wastewater treatment sludge have been used as fertiliser; 210 hectares of land were needed for this purpose.

We have no data about soil or ground contamination.

### Waste Management

The activity of Rokiškio sūris, AB generated 4,051.8 tonnes of waste in 2019. This included 42.7 tonnes of hazardous waste. 139.3 tonnes of packaging waste have been delivered to secondary raw material managers. Wastewater treatment sludge accounts for most of the waste (575.7 tonnes. NOTE: calculation units for waste has changed: as from 2018, it is calculated in terms of dry matter, yet in the quality registering log book it is calculated in terms of natural weigh).



Wastewater sludge is used as farming field fertiliser. The rest of the waste is handed-over to authorised waste management undertakings under contract.

It could be singled out the waste which is used for production of biogas and later renewed electricity, and it amounts up to 2942 tonnes. We keep waste record books and compile relevant reports in accordance with the GPAIS system.

### The Use of Chemical Substances

For sanitary and food safety purposes, the processes of milk processing involve the use of washing and disinfection substances. Using technical innovation, automatic washing stations (CIP) have been



installed in most of the processes. Efforts are made to use less hazardous or even non-hazardous chemical substances or mixtures. Only authorised chemical substances are used in technological processes, strict accounting and control procedure is in place. Updated safety data sheets are available for all chemical substances and preparations that we use.

## The Consumption of Natural Resources and Raw Materials

Rokiškio sūris, AB extracts groundwater and uses it for production purposes. The water extraction plant has been registered, the water resources have been approved, accounting and control of the resource consumption is in place, reports are forwarded in accordance with the established procedure. 708 thousand cubic meters of groundwater have been extracted in 2019. Groundwater monitoring system is in place. The groundwater consumption volume does not pose a risk to the aquifer of the water extraction plant, no adverse environmental impact or contamination has been found. We buy a part of the necessary water supply from Rokiškio vandenys, UAB. In an effort to reduce the consumption of natural resources, we saved 108.9 thousand cubic meters of water by using purified water. Water condensate collection system was expanded.

In an effort to reduce fuel consumption and the discharge of atmospheric pollutants, the vehicle fleet is being gradually upgraded, outdated vehicles are being replaced. 23 vehicles have been acquired and 31 have been written-off or sold in 2019. Vehicle fuel consumption limits have been introduced, consumption records are being kept and routes are being optimised in order to save fuel and control its consumption.

In an effort to conserve natural resources, product packaging is organised to minimise the use of packaging. In co-operation with our customers and suppliers, we continuously explore the possibilities of using less packaging.

## ANTI-CORRUPTION

As of February 2018, the Company has documented the Business Ethics Policy (the “Policy”), which explicitly and publicly declares negative attitudes towards bribery and corruption. These policies apply to all employees, agents, suppliers, subcontractors of the Company.

The Company follows the principles of business practice in its activities:



*Responsibility.* The Company conducts its business in a responsible way.

*Transparency.* The Company complies with the requirements of the effective laws of the Republic of Lithuania, willingly co-operates with the authorities and, where necessary, provides the information required by law.

*Fairness.* The employees of the Company must carry out their functions and perform their work in a fair and transparent manner; they must respect the principles of impartiality, precedence of the Company’s interests, lawfulness and confidentiality.

*Reliability.* In order to earn the trust of its partners, shareholders, suppliers, customers and employees, the Company does not tolerate any form of corruption.

The Business Ethics Policy approved by the CEO (hereinafter – the Policy) is in place at the Company; it contains a clear and public declaration of the negative attitude of the Company on

bribery and corruption. The provisions of the Policy apply to all employees, agents, intermediaries, suppliers and sub-contractors of the Company.

The Management Team of the Company publicly voices its firm support for anti-corruption measures. Bribes or the offering or accepting of any payments is prohibited.

Any violation or suspicion of violation of the Policy may be communicated confidentially through the channels indicated on the Company's website.

There were no corruption-related incidents in the Company in 2019.