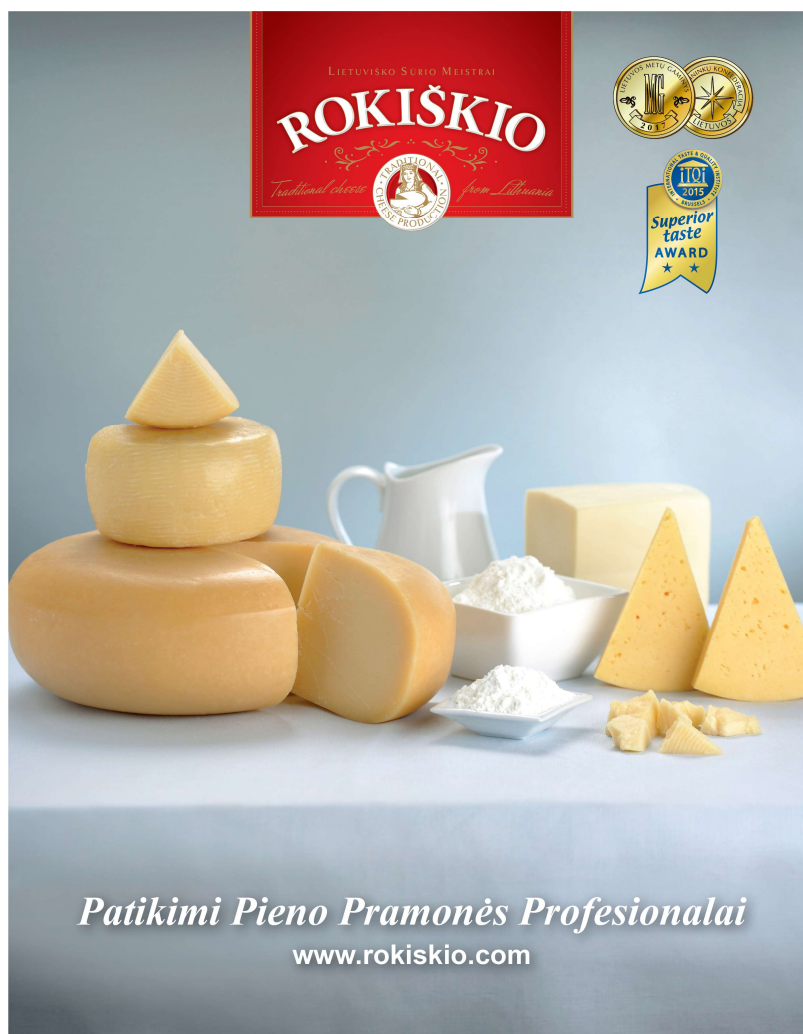




**CONSOLIDATED INTERIM REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
OF AB ROKIŠKIO SŪRIS  
FOR SIX MONTHS ENDED JUNE 30, 2020**



## TABLE OF CONTENTS

1. REPORTING PERIOD OF THE SUBMITTED HALF YEAR CONSOLIDATED REPORT AND CONSOLIDATED FINANCIAL STATEMENTS.....	3
2. KEY INFORMATION OF THE ISSUER: .....	3
3. INFORMATION ON THE COMPANY'S GROUP .....	3
4. TYPES OF MAIN ACTIVITIES OF THE COMPANY AND THE COMPANY GROUP .....	4
5. STRATEGY AND OBJECTIVES OF THE GROUP .....	4
6. THE MOST IMPORTANT EVENTS IN THE REPORTING PERIOD .....	5
7. SIGNIFICANT DEVELOPMENTS AFTER THE END OF THE FISCAL YEAR .....	6
8. BUSINESS ENVIRONMENT OF THE GROUP OF COMPANIES .....	6
9. SALES OF THE GROUP OF COMPANIES .....	9
10. PRODUCTS, BRANDS AND ACHIEVEMENTS .....	11
11. RISK FACTORS AND RISK MANAGEMENT .....	14
12. INFORMATION ABOUT THE AIMS OF FINANCIAL RISK MANAGEMENT AND THE USE OF HEDGING MEASURES .....	20
13. KEY ASPECTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS ASSOCIATED WITH THE FORMATION OF CONSOLIDATED FINANCIAL ACCOUNTS .....	21
14. ENVIRONMENT .....	21
15. FINANCIAL PERFORMANCE .....	23
16. PLANS AND FORECASTS FOR THE OPERATIONS OF THE GROUP AND INVESTMENTS FOR THE YEAR 2020 .....	27
17. INFORMATION ON THE COMPANY'S AUTHORIZED CAPITAL .....	28
18. CONTRACTS OF THE COMPANY WITH THE FINANCIAL BROKERAGE UNDERTAKINGS .....	28
19. DATA ABOUT TRADE IN ISSUER'S SECURITIES ON REGULATED MARKETS .....	28
20. LIMITATION ON TRANSFERENCE OF SECURITIES: .....	31
21. PROCEDURE FOR AMENDING THE ARTICLES OF ASSOCIATION .....	31
22. INFORMATION ABOUT THE SHAREHOLDERS OF THE COMPANY .....	31
23. RIGHTS OF SHAREHOLDERS .....	32
24. SHAREHOLDERS WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF THE RIGHTS. ....	33
25. INFORMATION ABOUT ALL RESTRICTIONS ON THE VOTING RIGHTS .....	33
26. INFORMATION ABOUT THE PURCHASE OF OWN SHARES BY ISSUER .....	33
27. DIVIDENDS .....	34
28. MANAGEMENT BODIES OF THE COMPANY .....	36
29. ORGANIZATIONAL STRUCTURE OF THE MANAGEMENT OF THE COMPANY AND THE COMPANY GROUP .....	36
30. INFORMATION ON THE POWERS OF AND THE PROCEDURE FOR CONVENING THE GENERAL MEETING OF SHAREHOLDERS .....	37
31. BOARD OF THE COMPANY .....	40
32. COMMITTEES SET UP IN THE COMPANY .....	43
33. MANAGEMENT OF THE COMPANY .....	44
34. EMPLOYEES .....	45
35. 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 .....	47
36. RELATED-PARTY TRANSACTIONS .....	47
37. INFORMATION ON INJURIOUS TRANSACTION CONCLUDED ON BEHALF OF THE ISSUER .....	47
38. CONSOLIDATED BALANCE SHEET .....	49
39. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	50
40. CONSOLIDATED CASH FLOW STATEMENT .....	51
41. CONSOLIDATED OWN CAPITAL CHANGE STATEMENT .....	52
42. COMMENTARY ON THE REPORT .....	53

## GENERAL INFORMATION

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

The half year consolidated report and consolidated financial statements are prepared for six months 2020.

### 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 at June 30, 2020, the group of Rokiškio sūris, AB (hereinafter, the “Group”) consists of the parent company Rokiškio sūris, AB, and four subsidiaries (as at June 30, 2019: the parent company and four subsidiaries).

**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 Akmens 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 Roga, Kaunata pag., Rezeknes nov., Latvia). Rokiškio sūris, AB holds 40 percent of member shares in the company, whereas Rokiškio pienas, UAB, holds 20 percent of member shares in the company.

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

Main activities of Rokiškio sūris, AB group:

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

Rokiškio sūris, AB:

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

Subsidiaries:

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

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

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

The activity of SIA Kaunata is purchase of raw milk.

#### 5. Strategy and objectives of the Group

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

**MISSION:**

**Rokiškio sūris, AB = Reliable Professionals in the Dairy Industry**

**VISION:**

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

**OBJECTIVES:**

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

***We seek objectives***

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

## 6. The most important events in the reporting period

**The 30 April 2020 General Shareholders' meeting of Rokiškio sūris, AB:**

1. Endorsed findings made by the Audit Committee;
2. Approved the Company's and consolidated financial reports for the year 2019;
3. Approved profit (loss) allocation 2019:

	Title	kEUR
1.	Non-distributable profit (loss) at beginning of year	69 801
2.	Approved by shareholders dividends related to the year 2018	(3 506)
3.	Transfers from other reserves	1 748
4.	Non-distributable profit (loss) at beginning of year after dividend pay-out and transfer to reserves	68 043
5.	Net profit (loss) of the Company of fiscal year	5 126
6.	Distributable profit (loss) of the Company	73 169
7.	Profit share for mandatory reserve	-
8.	Profit share for other reserves	-
9.	Profit share for dividend pay-out *	(3 501)
10.	<i>Profit share for annual payments (tantiemes) to the Board of Directors, employee bonuses and other as accounted by Profit (loss) statement</i>	-
11.	Non-distributable profit (loss) at end of year transferred to the next fiscal year	69 668

In total it will be allocated EUR 3,500,669.60 to the dividends pay-out, 0.10 euro per ordinary registered share.

4. Resolved to acquire treasury shares as follows:

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

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 including the nominal value of already owned 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.

The company has accumulated a reserve of kEUR 10,850 for acquisition of treasury shares. The decision of the General Meeting of Shareholders of April 30, 2019 regarding the acquisition of own shares shall become invalid as of the date of adoption of this resolution.

5. Approved the Remuneration Policy of the manager and members of the Board of AB Rokiškio sūris.
6. Elected an audit company UAB PricewaterhouseCoopers to perform an audit of annual consolidated financial statements for the year 2020 and evaluation of the consolidated annual report 2020 of the Group of AB Rokiškio sūris and the Parent Company.

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

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

### **Publicly announced information**

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

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

## **8. Business environment of the Group of Companies**

### **Basic Provisions**

#### ***Who we are:***

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

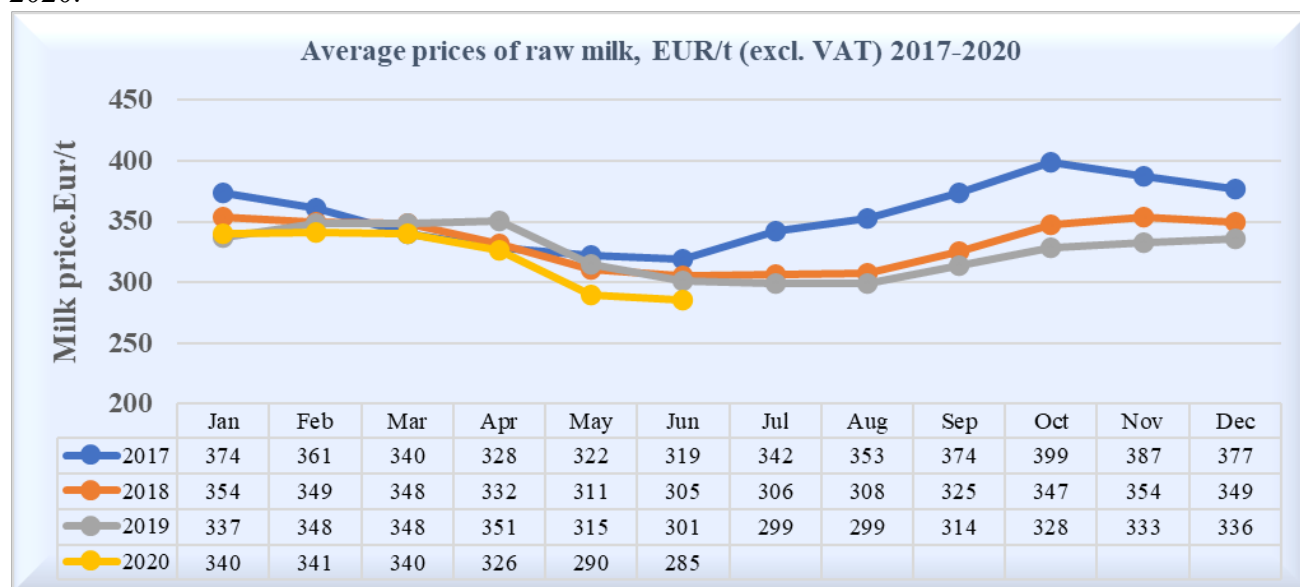


## Raw milk procurement



According to the data published by ŽŪIKVC (ŽŪMPRIS), 643.55 thousand tons of raw natural fat milk were bought from Lithuanian dairy producers in the first half of 2020, which is 0.1 percent more than in the same period of 2019. In the first six months of 2020, the largest processing companies in the country paid an average of 319 euros per tonne to large farms in Lithuania, which sold about 60 percent of the total purchased quantity. According to the data of the Agricultural Information and Rural Business Center, on January 1, 2020, 256.694 thousand cows were registered in Lithuania, and on July 1, 2020 – 243.206 thousand cows. The number of registered cows in the period from January 2020 to July 1, 2020 decreased by 5.25%. However, milk production on farms is increasing as cow productivity has increased. 1-2 cow keepers are mainly withdrawing from milk production. The average number of dairy cows on a farm selling milk is 12.6.

The chart below shows the prices of raw milk Rokiškio sūris, AB paid by the Group to large farmers with European-size farms delivering more than 40 tonnes of raw milk per month in 2017-2018-2019-2020.



The chart shows that the purchase price of raw natural milk in January-June 2020 was lower from EUR 7 to EUR 25 per tonne, except in January than in the same period of 2019. The average purchase price of natural milk decreased between January 2020 and June 2020 by 24.4 percent, especially in May and June. The coronavirus pandemic had a direct impact on the entire Lithuanian dairy sector. The coronavirus pandemic led to a fall in the prices of basic dairy products on world stock exchanges, which had a direct impact on the price of raw milk, which is highly dependent on exports. Following the announcement of a coronavirus pandemic by the World Health Organization on 11 March 2020, a quarantine regime was introduced in many countries, resulting in disruptions in the supply of dairy products between European Union (EU) countries and a significant reduction in dairy consumption. The price of milk during this period is also influenced by seasonal milk production: as the amount of milk on the market increases and the amount of milk protein and fat decreases during this period, the purchase prices decrease accordingly.

## *Manufacture of dairy products*

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

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



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

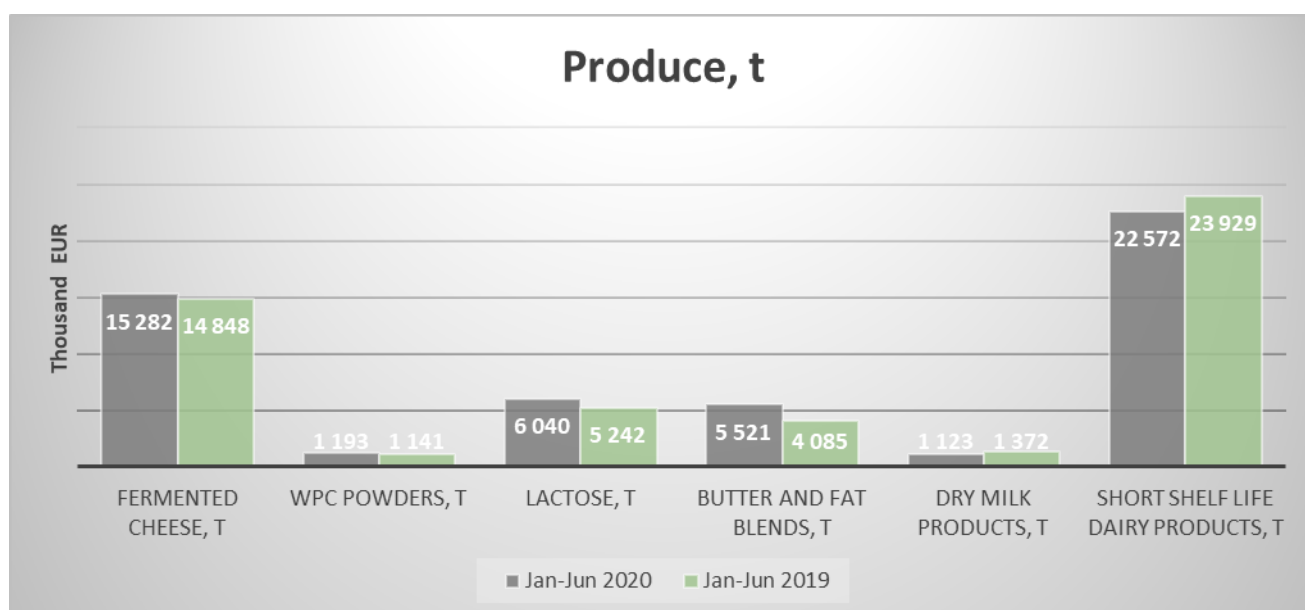
- Rokiškio sūris, AB (in Rokiškis) specialises in the production and marketing of fermented cheeses and products obtained from whey.
- Rokiškio pieno gamyba, UAB (Utena company) specialises in fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
- Rokiškio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

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

Production / Year	6 months 2020	6 months 2019	Change, %
Fermented cheese, t	15,282	14,848	2.92
WPC powder, t	1,193	1,141	4.56
Lactose, t	6,040	5,242	15.22
Butter and fat blends, t	5,521	4,085	35.15
Dry milk products*, t	1,123	1,372	-18.15
Fresh dairy products, t	22,572	23,919	-5.63

\* WPC, skim milk powder, butter milk powder.





Production of fermented cheeses increased by almost 3 percent. This was due to an increase in the purchase of raw milk and the search for new customers. In 2020, the production volumes of Rokiškis “GRAND” hard cheese increased even more, which led to an overall increase in the production of hard cheese.

Increased production of fermented cheeses resulted in higher whey yields during processing, which in turn led to higher production of edible milk sugar and IBK (whey protein concentrate) flour.

There is a noticeable increase in the production of butter and spreads by as much as 35 percent.

249 tons less dry dairy products were produced. Production of fresh dairy products has also declined, which may have been due to lower customer orders during the COVID-19 epidemic.

Construction of new cheese packaging premises has started in Rokiškis.

## 9. Sales of the Group of companies

Consolidated unaudited sales of AB Rokiškio sūris Group in January-June 2020 amounted to EUR 102,796 thousand, i.e. 15.28 percent more than during the same period last year. Consolidated sales for the same period in 2019 amounted to EUR 89,168 thousand.

Most of the company's production is exported. AB Rokiškio sūris group exports its products to 37 countries worldwide. Italy remains the main and major purchaser of the products. A large part of production is also exported to the Netherlands, the USA, Saudi Arabia, Philippines, South Korea. During the first half of 2020, the group's exports accounted for 60.58 percent of total sales, while the local market accounted for 39.42 percent of total sales.

During the first half of 2020, sales to European countries decreased by 10%. This was, of course, affected by the unprecedented Covid-19 pandemic. Italy, the company's largest importer of cheese in Europe, was one of the countries most affected by the virus in the world, and the closure of the Horeca sector for several months led to a sharp fall in sales of fresh cagliati and mozzarella, respectively.

The first half of 2020 was special in that the whole world was paralyzed by a pandemic for several months, and this understandably affected the company's sales. This has had the greatest impact on sales on the EU market, especially for fresh cheeses. However, as before, the group continued to sell conventional products on export markets, such as butter, milk flour and by-products from the cheese-making process, IBK and lactose. These sales were virtually unaffected by the pandemic.

Compared to 2019 prices, fat prices remained low. The price of cream, converted to butter per unit of fat, was lower, so the company produced butter instead of selling cream. In the first half of 2020, the company exported butter to the Middle East for over EUR 13 million, which allowed the company not to sell cream as a raw material at a lower price.

Mozzarella exports to South Korea increased slightly compared to the first half of 2019. This was due to increased demand for mozzarella and higher prices for US producers.

However, in the first half of 2020, exports of hard cheeses to the US increased again compared to the first half of 2019. This was due to rising prices for locally produced hard cheese and increased demand for hard cheese. Therefore, the company resumed exports of this product to former customers.

During January-June 2020, production for 40.5 million euros was sold in Lithuania, i.e. 7 percent more than in previous years. The share of Rokiškis Group in the domestic market remains ~ 22%.

The share of private labels in the company's networks has decreased by ~ 30% in the last two years, but this has been successfully offset by own brands, whose sales in the first half of 2020 were at an all-time high.

The strongest positions are in the categories of Curd, Milk, Butter, Cheese and Cheese Products; a little weaker - in dessert products that require a wide and small range.

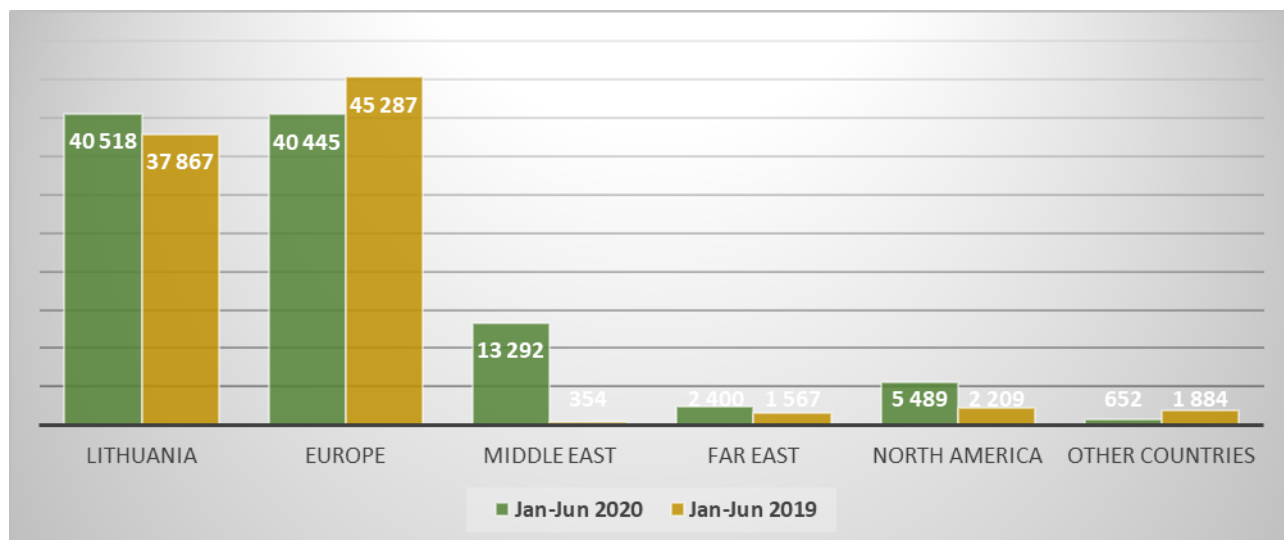
The company supplies consumers in Lithuania with almost 5,000 tons of dairy products of various choices per month, satisfying everyone's needs.

Changes in output prices in the Lithuanian market in the first half of 2020 are not significant, and over the last three years there has been an average increase of ~ 4% (a percentage for a year), which is close to inflation rates.

One of the biggest goals of the Rokiškio sūris group is to increase sales in Asia, where the largest increase in the consumption of dairy products is forecast in the near future, as well as to increase the export of hard cheeses to the US market by finding new customers there.

### Sales of the Group of companies by different markets

Country	Sales				
	Jan-June 2020		Jan-June 2019		Change
	kEUR	%	kEUR	%	%
<b>Lithuania</b>	40,518	39.42	37,867	42.47	<b>7.00</b>
<b>European countries</b>	40,445	39.34	45,287	50.79	<b>-10.69</b>
<b>Middle East</b>	13,292	12.93	354	0.40	<b>3,654.80</b>
<b>Far East</b>	2,400	2.33	1,567	1.76	<b>53.16</b>
<b>North America</b>	5,489	5.34	2,209	2.48	<b>148.48</b>
<b>Other countries</b>	652	0.63	1,884	2.11	<b>-65.39</b>
<b>Total:</b>	<b>102,796</b>		<b>89,168</b>		<b>15.28</b>



## 10. Products, brands and achievements

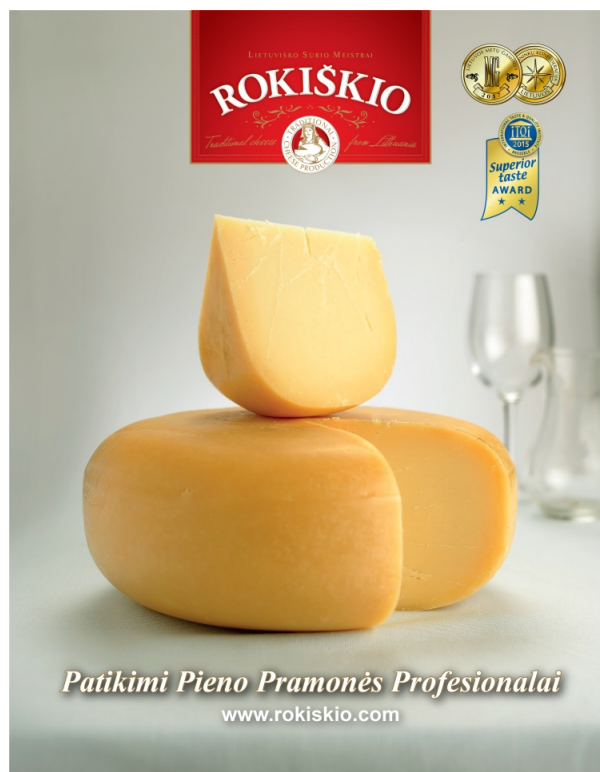
### Rokiškio sūris in the list of the most sustainable brands.

Since 2011, a list of the most sustainable brands has been compiled in Europe. One year, one of the largest independent research companies in Europe, the Sustainable Brand Index, which examines how consumers assess the sustainability of brands both in the general context of the country and in individual sectors, conducted this survey for the first time in Lithuania. For the study, brands are selected according to their market share, turnover and reputation. Summarizing the results of Lithuania, **"Rokiškio sūris" in the top ten list of the most sustainable brands.**

A survey conducted by the rating creators revealed that the Lithuanian population is concerned about sustainability. Most respondents take sustainability factors into account before making a decision to purchase a product or service.

A survey based on the opinion of Lithuanian consumers shows that brands are perceived taking into account environmental and social responsibility.

The more brands talk about sustainability, the more consumers care and demand that companies adhere to these principles. Businesses are expected to increase consumer interest and confidence in these issues by committing to and communicating their sustainability principles. As interest grows, so does consumers' knowledge of the company's standards.



Brands are assessed and classified in terms of environmental and social responsibility, based on the definition of sustainability under the United Nations Sustainable Development Goals.

### Project „The most popular product“

Every year, it publishes the goods that Lithuanian buyers chose most often last year. This is known by summing up the actual sales data of the four largest Lithuanian retail chains - Iki, Maxima, Norfa and Rimi last year in product categories.

These are the best-selling goods of the country's consumers, which have not received penalties for quality or safety from the State Food and Veterinary and State Consumer Rights Protection Services during the last 24 months - are announced as winners.

Therefore, "The Most Popular Product" is an objective and reliable voice of the Lithuanian consumer, who appreciates the daily and difficult work of suppliers, manufacturers and traders. It is also one of the most long-lasting business awards in Lithuania, always distinguished by its objectivity and quality.



**POPULIARIAUSIA**  
Jūsų prekė  
2019

**Kefyras Rokiškio  
NAMINIS**

**Fermentinis sūris  
ROKIŠKIO**

**Jogurtas be laktozės  
TIKRAS Ekologiškas**

**ROKISKIO**  
SŪRIS



AB Rokiškio sūris Group also has a full range of high-quality and exclusive high value-added products. **News for the first half of 2020:**

### Grated cheeses "Rokiškio GRAND" for pizza and pasta and salads

The cheese is presented to the consumer in airtight packaging. The taste of grated cheeses is different - the taste of pizza is neutral - as mild and neutral as possible, so as not to overshadow other delicious and important pizza ingredients. Grated cheese for pasta and salads - the taste of solid Rokiškis GRAND cheese already dominates here, which gives an exceptional taste to salads and pasta dishes. It's like a point of taste on a piece of food. Ideal for condiments and on slices of toasted bread. Suitable for wherever you need to satisfy the tastes of the picky.



### Sour milk NAMINIS 7% fat, 1 kg



### NAMINIS Dairy product family supplemented with fried curd Cheese 22%, "Rokiškio Naminis"; vak.



**Bifi Active family supplemented with  
vanile Bifi Active Pasuku  
chocolate coated cheese bar**



**Renewed fresh cheeses NAMINIS  
packaging -  
reclosable 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. Cheese sales account for most of the revenue. 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. 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. Internal competition between local producers. Cheaper Polish production on the Lithuanian market. Increase in the number and range of cheaper products from other EU countries.	Searching for alternatives to import production. Increasing the range. Search for new markets. Cooperation with business partners. Risk assessment for each client.
<b>Environmental Factors</b>	We consume a lot of energy and natural resources in our operations. This poses direct and/or indirect risk of environmental pollution, as does air pollution from technological equipment.	Replacement of vehicles with new ones, maintenance, operation conditions control. Selection of energy suppliers. Resource conservation, accounting and control measures. Control, automatisisation and modernisation

		of technological processes. The monitoring of the consumption and impact of natural resources.
	The use of chemical substances. This poses a risk to employees, products, and the environment.	Staff training, personal protection measures. Accounting and control. Process automatisisation.
	Physical environmental pollution: noise, odour, light	Control measurements and assessment. The deployment of technical measures. Focus on design works.
	Industrial and surface wastewater management. Release of industrial and surface wastewater containing pollutants.	Maintenance, operation conditions, process control. Analysis of the concentrations of contaminants, accounting of contaminant releases. The use of city wastewater purification reserves. Cleaning and maintenance of sand oil precipitators. In 2019, part of the sewage networks was renovated and the aeration system of the first aerotank of wastewater treatment plants was reconstructed.
	Poor treatment of waste generated during operation poses environmental risk.	Waste separation, process management. Ensuring adequate storage conditions. 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	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.

	<p>and non-industrial equipment is based on electricity consumption. This poses a risk of uninterrupted electricity supply.</p> <p>Electricity, heat energy (steam) and water supply affects the industrial-technological process.</p>	<p>Four water supply inlets are available: two from Rokiškio vandenys, UAB and two from own wells.</p> <p>Strict contractual terms and conditions for heat energy (steam) supply from Rokiškis ŠTR define maximum demand for pressure and temperature.</p> <p>Installed thermal energy vapor accounting with controlled and assured consumption and needs of relevant workshops.</p> <p>Three hot water boilers are installed at the production facility.</p>
<b>Food safety and quality</b>	<p>In order to implement one of the key objectives of Rokiškio sūris, AB, i.e. to ensure food safety and quality and prevent product recalls, the existing potential risk factors (biological, chemical, physical) as well as the conditions conducive to the occurrence and increase thereof have been identified. Risk assessment has been performed to identify the probability of risk and the gravity thereof;</p> <p>Risk assessment covers the entire production chain – from raw materials procurement to delivery to the customer.</p>	<p>Identification of key active risk control measures;</p> <p>Assessment of the efficiency of operational controls to mitigate the risks to a tolerable level;</p> <p>The development of appropriate action plans aimed at the improvement of the control system;</p> <p>Constant risk management and the monitoring of set targets.</p>
<b>Information security</b>	<p>IT risks arise from the use of illegal software, lost and unrecoverable data and data vulnerability.</p>	<p>Only legal and licensed IT software is used to prevent possible risks.</p> <p>Configured firewall is used to prevent unauthorised access from the outside.</p> <p>Unauthorised data access is controlled by granting employees only those rights and roles that are necessary for their work.</p> <p>Test environment is used to test software modifications. Protection against accidental data loss is ensured through creation of back-up copies.</p> <p>Antivirus software is installed in all computers of the Company.</p>
<b>Occupational risk factors: 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</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</p>

	<p> machinery;  Stability and firmness of construction works;  Evacuation routes and exits;  Fire detection and fire extinguishing;  Electrical installations;  The activities of other undertakings in the process of providing services and performing other works at the Company. </p>	<p> 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. 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. 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 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 </p>
--	---	---

		<p>maintained and tested on a regular basis. 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 activities of other undertakings as well as the risks to employees of such undertakings which arise from the activities of the Company.</p>
<b>Physical: Noise</b>	Work equipment	<p>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.</p>
<b>Chemical factors</b>	Use of chemical substances during laboratory tests, cleaning process of work equipment and premises.	<p>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.</p>
<b>Ergonomic factors</b>	Manual work is present in many workplaces.	<p>Occupational risk assessment. Mandatory health checks. Manual and power-driven carts are used to address ergonomic risk</p>

		<p>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</p> <p>Avoiding heavy manual handling of cheeses, in 2019 a lifting device with a pivot / flip function was installed.</p>
<b>Social factors</b>	Employee Search and Recruitment.	<p>Employee search in the Employment Agency.</p> <p>Cooperation with educational institutions.</p> <p>Recommendations of employees working in the company.</p> <p>Internal resources of the company (encourages employees to improve their skills).</p>
	Employee qualification and employee integration into work processes.	<p>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.</p>
	Employee retention and reduction of turnover.	<p>The company strives to build a stable team by maintaining good relationships, 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>

## 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.



### **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. Environment**

AB "Rokiškio sūris" policy in the field of environmental protection - to strive for efficient use of energy and natural resources, to reduce the negative impact on the environment, to implement pollution prevention measures, to take care of the environment in which we live.

The company implements five environmental monitoring programs to monitor and analyze potential environmental impacts. No adverse environmental effects have been identified and reports are submitted to the Environmental Protection Agency.

Compared to 2019, 3.0% more raw materials were recycled in the first half of 2020, and the results in resource consumption changed accordingly.

Thermal power	Electricity	Water	Waste effluent
Decreased by 3.3%	Decreased by 0.7%	Decreased by 2.6%	Increased by 0.2%

During the first half year 2020, 72% of used water was extracted from the company's fresh water bores. The savings of the underground water made 15.3% as it was used the cleaned whey water instead.

The whey from production procedure is fully processed using modern facilities. Nanofiltration, ultrafiltration and reverse osmosis are used in the processing technology. The water extracted from whey complies with the environmental requirements. Effectiveness of cleaning equals to 98% in terms of BDS<sub>7</sub>. 47.7% of the cleaned water is used second time.

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

In 2020, scheduled repairs were performed with our own biological treatment plant. Good technical condition ensures high cleaning efficiency. A part of waste is handled by UAB Rokiškio vandenys, it amounts to 11.6% of total waste. The amount of discharged contaminants with the waste in accordance with BDS<sub>7</sub> is equal to 0.38 kg/ ton of raw material.

AB Rokiškio sūris employs 262 vehicles: 143 trucks, 107 cars, and 8 others. 89.7% of which complies with the requirements set by Euro 1-6. Repair works are carried out in certified auto services.

The comprised waste is handled in accordance with the rules of applicable requirements. In the first half year 2020, it was 202.8 t of household waste, 1,005 t of hazardous waste, and 2,646 t of sludge from waste water treatment plant was used for soil fertilization. It was collected the secondary waste as follows: paper and carton 12.6 t, plastics 33.5 t. 1505.5 t of biodegradable waste was collected and transferred for compost or biogas production.

AB Rokiškio sūris has a Licence for integrated prevention and control of pollution (TIPK), which was renewed on 10 July 2019.

ISO 14001:2004 /LST EN ISO 14001:2005 „Environment Protection Management Systems. Requirements and guidance“. The certificate issued 17/06/2019, valid until 16/06/2022.

## 15. FINANCIAL PERFORMANCE

Financial performance	Values	30/06/2020	30/06/2019	Change +/-	%
Sales revenues	kEUR	102,796	89 168	13,628	15.28
Gross profit	kEUR	10,382	7 249	3,133	43.22
EBITDA	kEUR	7,220	2 793	4,427	158.50
EBIT	kEUR	2,524	(1 891)	4,415	-
Earnings before tax EBT	kEUR	2, 459	(1 948)	4,407	-
<b>Net profit/loss</b>	kEUR	2,134	(1 570)	3,704	-
Fixed assets	kEUR	60,419	65 941	-5,522	-8.37
Current assets	kEUR	109,024	109 995	-971	-0.88
Total assets	kEUR	169,443	175 936	-6,493	-3.69
Shareholders ' equity	kEUR	129,404	125 243	4,161	3.32
<b>Profitability</b>					
Return on assets [ROA]	%	1.49	(0.95)	2.44 p.p.	-
Return on equity [ROE]	%	1.64	(1.23)	2.87 p.p.	-
Gross profit margin	%	10.10	8.13	1.97 p.p.	-
EBITDA margin	%	7.02	3.13	3.89 p.p.	-
EBIT margin	%	2.46	(2.12)	4.58 p.p.	-
Profitability rate [EBT margin]	%	2.39	(2.18)	4.57 p.p.	-
Net profit margin	%	2.08	(1.76)	3.84 p.p.	-
<b>Financial structure</b>					
Debt-to-equity ratio	coef.	0.31	0.40	-0.09	-
Equity capital to assets ratio	coef.	0.76	0.71	0.05	-
General liquidity ratio	coef.	3.06	2.33	0.73	-
<b>Market value indicators</b>					
Number of ordinary registered shares	thou	35,868	35,868	-	-
Price per share at the end of period	EUR	2.54	2.48	0.06	2.42
Market capitalisation at the end of period	kEUR	91,105	88,953	2,152	2.42
Price/earnings ratio (P/E ratio)	coef.	42.33	(62)	-	-
Net earnings per share		0.06	(0.04)	0.10	-

Ratio	Method of calculation	Meaning of ratio
<b>EBITDA</b>	Earnings before Interest, Tax, Depreciation and Amortization	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>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>	Total liabilities / Total assets	The loss coefficient reflects the part of the Company's assets acquired with borrowed funds.
<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 using its current assets.
<b>Price/earnings ratio (P/E ratio)</b>	Share price at end of period / (Net profit / Number of shares)	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

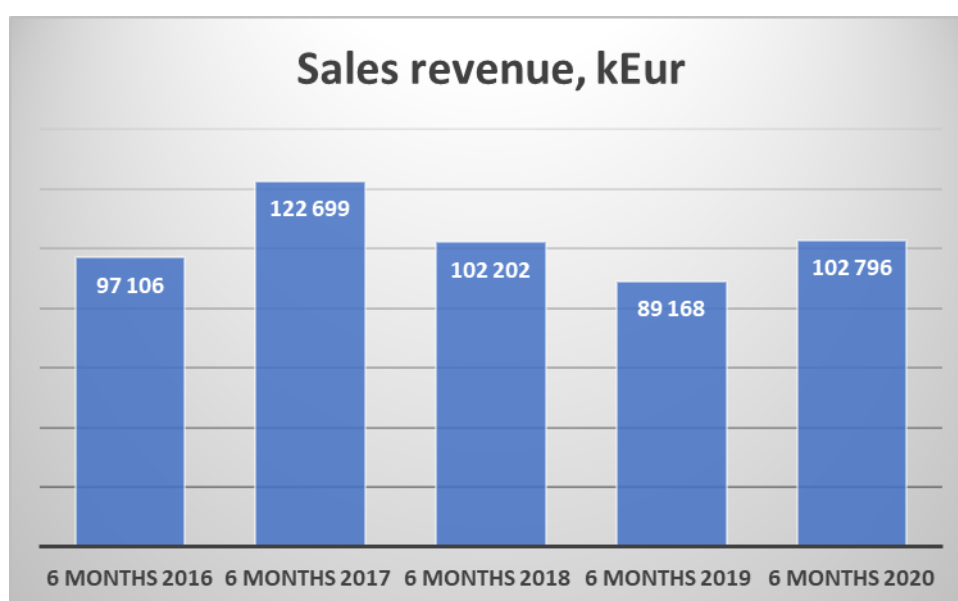
The sales revenue of AB Rokiškio sūris Group on 30 June 2020 amounted to EUR 102,796 thousand. The main part of the revenue, 77 percent, is made up of sales of cheese and other dairy products. Compared to 6 months of 2019, the Group's sales revenue increased by 15.28 percent.

Sales volumes and prices of fresh cheeses, both during the pandemic and in the pandemic, remained similar to 2019. Exports of other cheeses had already fallen at the beginning of the quarantine, but the quarantine certainly had an impact. Production has focused mainly on long-ripening hard cheeses, skimmed milk flour and butter that can be stored.

Sales of butter, milk sugar and other whey products were successful due to long-term contracts. Butter sales in 2020 increased as much as 2.5 times compared to 2019.

There were no significant changes in sales volumes in the fresh dairy market.

These are the main reasons behind the increase in sales.

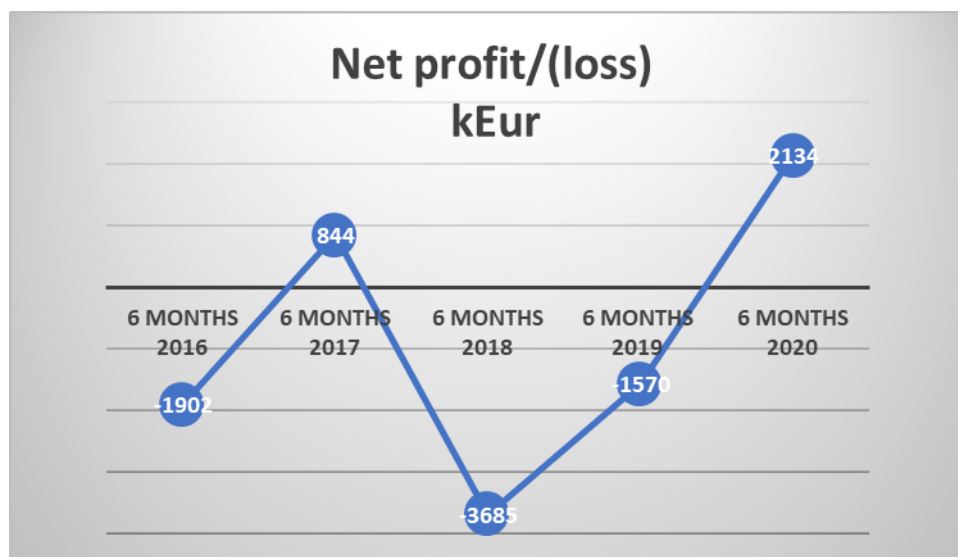


During the 6 months of 2020, AB Rokiškio sūris Group earned EUR 2,134 thousand of consolidated unaudited net profit. Meanwhile, during the 6 months of 2019, the Group received a net loss of EUR 1,570 thousand.

The positive result of the group was determined by the fact that in 2020 compared to 2019, the prices of raw milk decreased from April, which affected the profitability of fresh cheeses and fresh dairy products.

In export markets, lactose and other whey products were sold at higher prices in 2020 than in 2019.

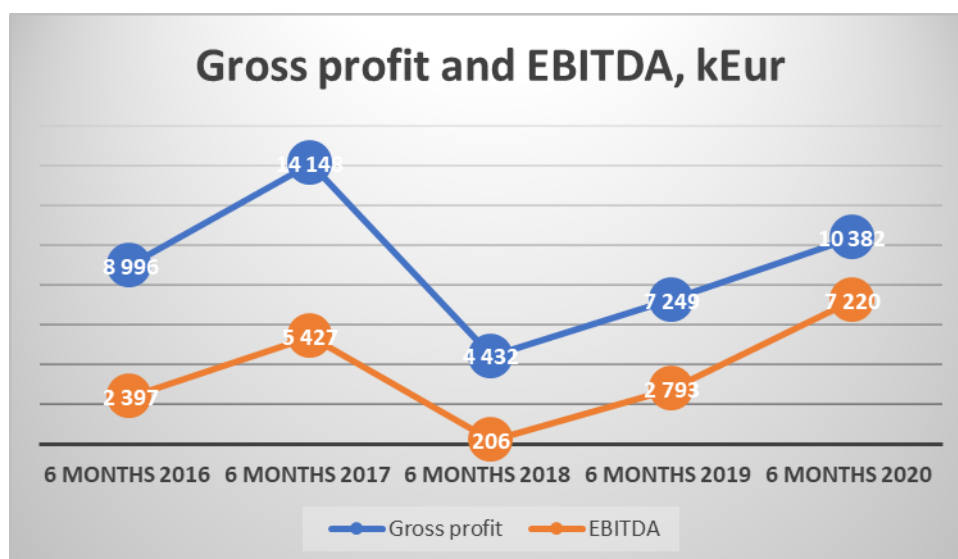
About 75% was obtained from the main segment - cheeses and other dairy products. net profit. The rest of the profit came from the sale of fresh dairy products and other products.



Margin of operational profit of 6 months 2020 made 2.46%, whilst this ration in the same period of last year was -2.12%.

EBITDA equals to kEUR 7,220, which is more by 2.6 times compared to 6 months 2019. (6 months 2019 made kEUR 793).

Margin of EBITDA of 6 months 2020 made 7.0% whilst in the same period of 2019 it made 3.13 per cent.

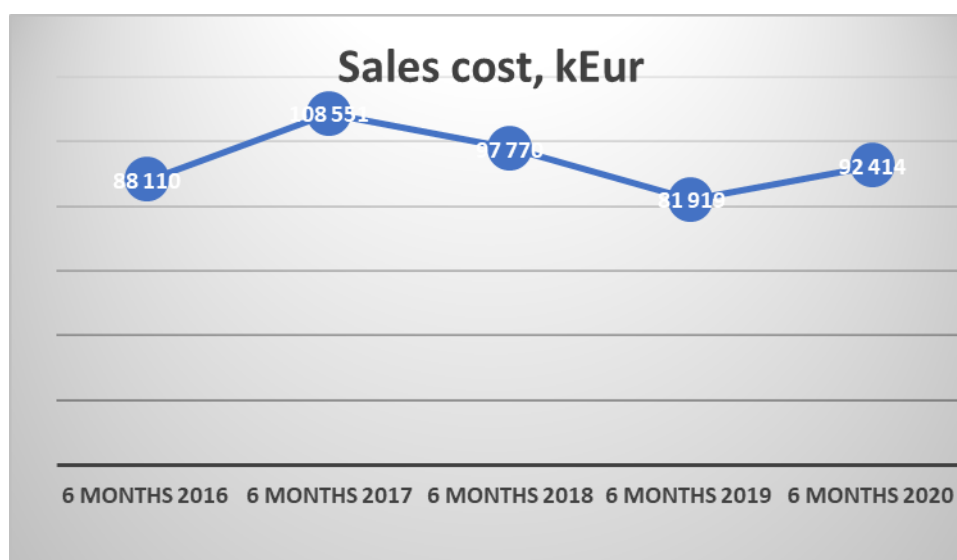


#### Costs:

During the first half of 2020, the Group incurred expenses of EUR 92,414 thousand, ie 12.81 percent more than in the same period of 2019, costs of goods sold amounted to EUR 81,919 thousand.

Compared to the same period in 2019, this change was mainly due to higher sales volumes and higher cost of products in stock.





## 16. Plans and forecasts for the operations of the Group and investments for the year 2020

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.

The Group plans to invest EUR 5.9 million in the implementation of its goals in 2020.

The main investment areas for 2020 include:

- Expanding the production of long ripening cheese, innovative technologies in the production of fresh dairy products and deeper processing of whey products.
- Increasing the competitiveness of the Company by focusing on the sales of cheeses, butter and products obtained from whey to the Far East and other global markets.
- Conservation of energy resources, curbing adverse environmental impact.
- Improvement of working conditions for employees.
- Improving sanitary and hygiene levels in production units.
- Addressing customer needs for the company's products.

The value of investments made by AB Rokiškio sūris Group during the first half of 2020 is EUR 3.1 million. Part of these investments are investments started and continued in 2019, and investments started and already completed in the first half of 2020.

The main investments in this half-year were in the bars serving production: preparation of hot water pipelines, collection of condensate, preparation of ice water, dehumidification of compressor air, filtration cooling systems, reconstruction of rain sewerage networks.

In the production bars, investments are made for further modernization of production equipment, expanding the capacity of existing equipment and technological equipment for the production and maturation of Grand cheese (cheese molds, packaging equipment, technological protein pipeline, racks, etc.). The filtrate cooling system is installed in the milk sugar workshop.

In the subsidiary Utena, in 2020, small investments were made for the modernization of the existing equipment for fresh and dry dairy products.

In July 2020, AB Rokiškio sūris completed the implementation of the project Optimization of Energy Production Sources Used by AB Rokiškio sūris under the measure “Renewable Energy Resources for Industry LT +”. The total value of the project is EUR 700,528.00, the European Regional Development Fund support funds are EUR -416,814.00.

The aim of the project is to reduce the intensity of energy consumption in the company by increasing the production and consumption of renewable energy sources. During the implementation of the project, for the first time in Lithuania, an innovative water-to-water heat pump-based heat production solution was implemented, which uses residual energy - heat from wastewater. This will reduce the cost of energy produced and used in the company and will contribute to the company's efficiency, improvement of working conditions in the company and increase the company's competitiveness. The project will benefit not only the company, but also the environment as a whole, as the ratio of renewable energy sources in the total energy consumption balance will increase, and air pollution will decrease.

AB Rokiškio sūris, a well-known dairy industry professional, implementing essential long-term development goals, is constantly increasing its competitiveness in the region and in the international market, creating new products that meet the highest safety and quality requirements.

## INFORMATION ON THE COMPANY'S SHAREHOLDERS AND SHARES

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

As of June 30, 2020, 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

### 18. Contracts of the Company with the financial brokerage undertakings

Rokiškio sūris, AB has a contract with FMI 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.

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

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

The company has been listed since 25 July, 1995.

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

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

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

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

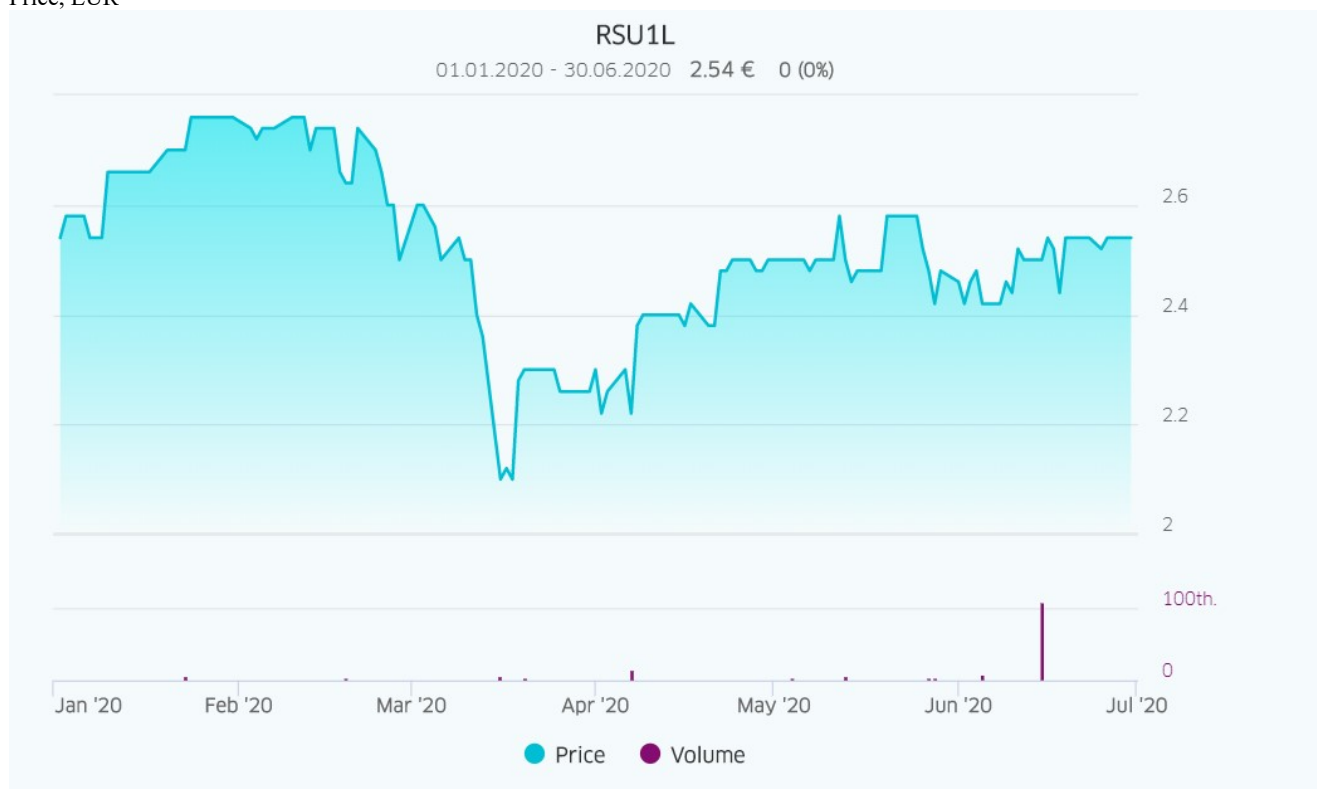
There was no trading on other stock exchanges and other organised markets.

### **Trading statistics:**

	6 months 2020	6 months 2019	6 months 2018
Price at the most recent trading session, EUR	2.54	2.48	2.70
Highest price, EUR	2.76	2.75	2.81
Lowest price, EUR	2.10	2.48	2.54
Turnover, units	216,707	58,954	169,172
Turnover, kEUR	534	150	458
Capitalisation, kEUR	91,105	88,953	96,844

### **Share price and turnover dynamics at the Nasdaq Vilnius stock exchange within 6 months of 2020**

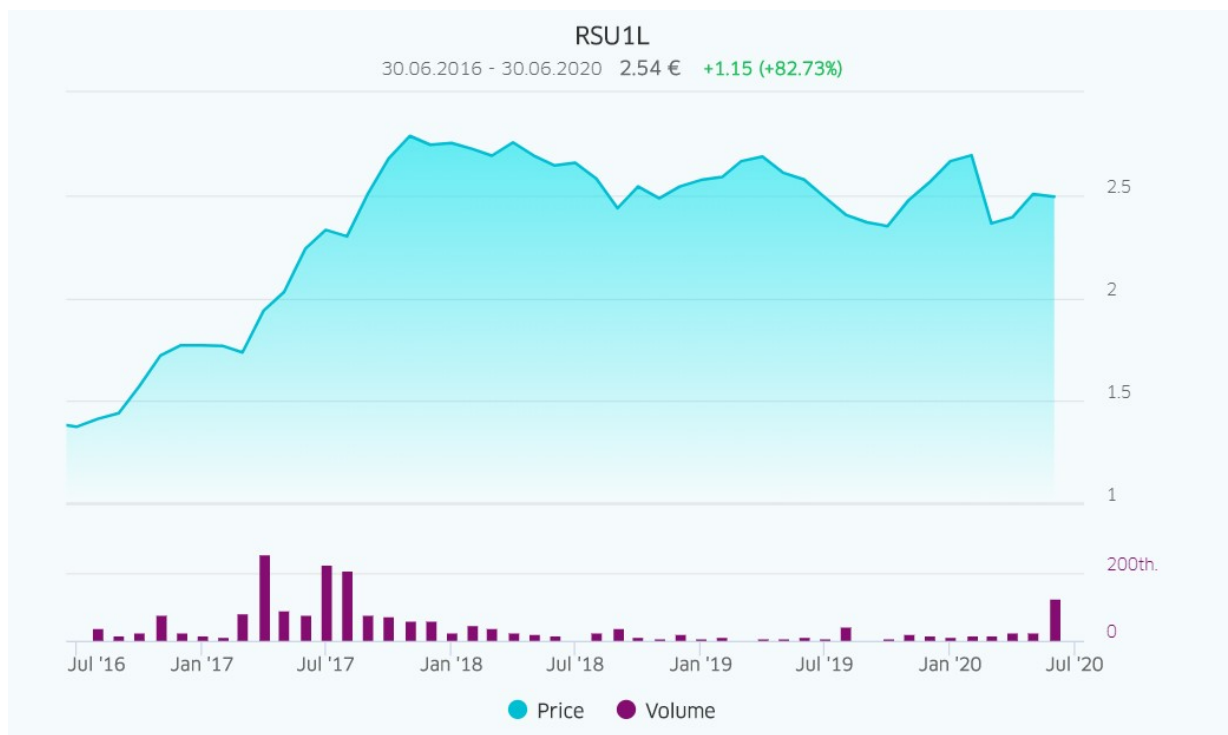
Price, EUR



Source: NASDAQ Vilnius, AB website

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

## Share price and turnover dynamics at the Nasdaq Vilnius stock exchange during 4 years' period (06/2016-06/2020)



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 within 6 months of 2020:



Source: NASDAQ Vilnius, AB website: <https://nasdaqbaltic.com/statistics/en/charts>

INDEX   EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
■ OMX Baltic Benchmark GI	992.83	947.82	-4.53
■ OMX Vilnius	712.14	737.71	+3.59
■ RSU1L - Rokiškio sūris	2.52	2.54	+0.79

## 20. Limitation on transference of securities:

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

## 21. 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.

## 22. Information about the shareholders of the Company

As of 30 June, 2020, the total number of shareholders of Rokiškio sūris, AB was 5,285.

### Package held by a group of shareholders (as of 30 June, 2020):

Name, surname Company name Registration number	Address	Held under ownership right		With associated persons*
		Number of ordinary registered shares	Share of capital and votes, %	Share of capital and votes, %
Pieno pramonės investicijų valdymas, UAB Code 173748857	Pramonės str. 3, Rokiškis Lithuania	9 758 312	27.21	

<b>SIA RSU Holding, reg. No. 40103739795</b>	Elizabetes iela 45/47, LV-1010 Riga	8 953 883	24.96	82.17*
<b>Antanas Trumpa Board Chairman of the Company</b>	Sodų 41a, Rokiškis Lithuania	7 088 663	19.76	
<b>Fonterra (Europe) Coöperatie U.A., CCI 50122541</b>	Barbara Strozilaan 356-360, EurBld2, 3e verdieping, 1083HN Amsterdam, The Netherlands	3 586 797	10.00	
<b>Dalius Trumpa CEO of the Company</b>	Sodų g.31, Rokiškis Lithuania	83 500	0.23	
<b>Investment and pension funds owned by INVL Asset Management, UAB</b>	Gynėjų str.14, Vilnius Lithuania	1 879 145	5.24	

\*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 (19.76% of authorized capital and votes of the Company) and Company CEO Dalius Trumpa (0.23% of the authorized capital and votes of the Company).

The basis of the group of persons acting together is the shareholders' agreement signed on 13.10.2017. The purpose of this agreement is:

- to regulate the relations between the shareholders, the strategic investor and the Company in appropriate cases;
- to ensure joint actions during the development of the Company;
- to agree on specific conditions and restrictions on the disposal of the Company's shares;
- to enable shareholders and strategic investors to protect their interests related to their investments in the Company.

## 23. 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 receive the information specified in Paragraph 6 of Article 89 of the Law on Markets in Financial Instruments regarding a public limited 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.

## **24. Shareholders with special control rights and description of the rights.**

There are no shareholders with special control rights.

## **25. Information about all restrictions on the voting rights.**

There are no shareholders whose voting rights are restricted.

## **26. Information about the purchase of own shares by issuer**

On 30 June 2020, AB Rokiškio sūris had acquired 861,274 own shares, which is 2.40% of the company's authorized capital. The total price of the shares acquired by AB Rokiškio sūris is EUR 2,251,286.02.

The company acquired its own shares in 2018 and 2019. The shares were acquired in accordance with the decisions of the General Meeting of Shareholders of AB Rokiškio sūris on 27 April 2018 and 30 April 2019, through the official offering market of the Nasdaq Vilnius Stock Exchange.

During the first half of 2020, the Company did not acquire or transfer its own shares.

The Company's own repurchased shares do not have voting rights.

## 27. 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, 2020, approved the audited consolidated and Company's financial statements for 2019 and the Company's profit allocation for 2019. Dividends totaled EUR 3,500,669.60 or EUR 0.10 per ordinary registered share.

Below please see the data provided on the dividends assessed and paid during 11 year period.

### Dividends assessed and paid and the indicators thereof during 11 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
2019	3,500,669.60	0.1000	0.1143	0.87

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

### 28. Management bodies of the Company

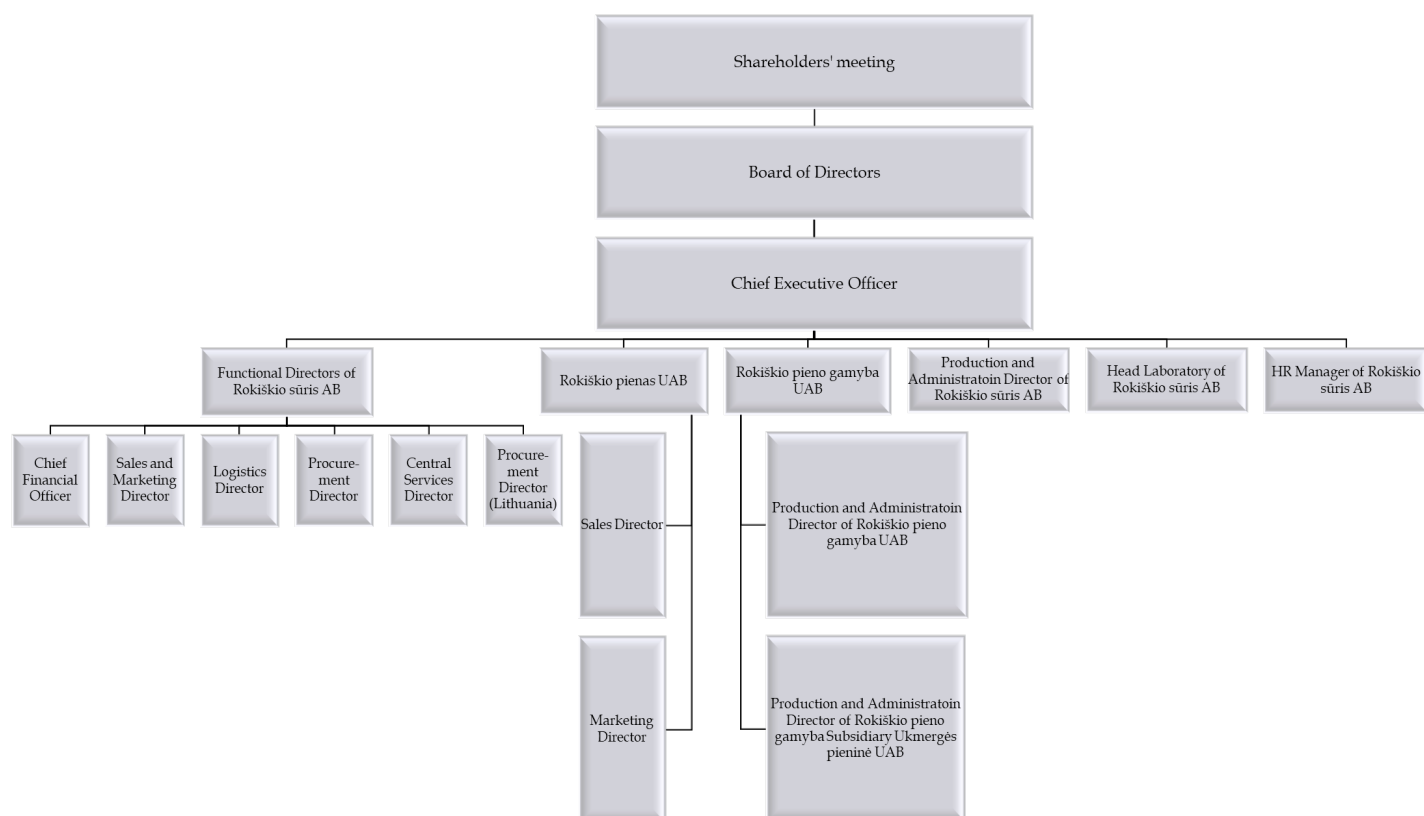
The following management bodies of the Company are provided for in the Articles of Association of the Rokiškio sūris, AB entered in the Register of Legal Persons:

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

The Supervisory Board shall not be formed at the Company.

### 29. 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.



### 30. 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) to take a decision on the approval of the remuneration policy of public limited companies whose shares are admitted to trading on a regulated market;
- 7) determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- 8) take a decision on conversion of the Company's shares of one class into shares of another class, approve the share conversion procedure;
- 9) 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;
- 10) approve the set of annual financial statements;
- 11) take a decision on profit/loss distribution;
- 12) take a decision on the building-up, use, reduction and liquidation of reserves;
- 13) 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;
- 14) take a decision on the allocation of dividends for a period shorter than the financial year;
- 15) take a decision on the issue of convertible debentures;
- 16) 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;
- 17) take a decision on increase of the authorised capital;
- 18) take a decision on reduction of the authorised capital, except where otherwise provided for by the Law on Companies;
- 19) take a decision on the Company's acquisition of its own shares;
- 20) take a decision on allocation of the Shares to employees and/or members of the management bodies;
- 21) to approve the Rules of the Allocation of Shares;
- 22) take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off;
- 23) take a decision on conversion of the Company;
- 24) take a decision on the restructuring of the Company in the cases specified by the Law on Restructuring of Enterprises;
- 25) 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;
- 26) 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, 9, 11, 12, 14, 15, 17, 18, 21, 22, 23, 24 and 25 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 16, 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.

## 31. Board of the Company

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

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

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

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

The 30 April 2020 General Meeting of Shareholders 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. The members of the Board have not authorised any other persons to perform the functions assigned to the scope of the powers of the Board.

### **Members of the Board of Rokiškio sūris, AB**

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

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

Work experience	Antanas Trumpa worked in the Company since 1966 1971–2017 – the Manager (Director) of the Company
Education	In 1966, he graduated from Kaunas Polytechnic Institute, Faculty of Equipment for Food Industry, and acquired the qualification of Mechanical Engineer In 1979, he defended the Ph. D. thesis titled “Organisation of Operation of Vacuum Apparatus” in Kaunas Polytechnic Institute On 12 October 1994, the Lithuanian Science Council nostrificated the thesis for a doctoral degree.

Shares of Rokiškio sūris, AB held	Antanas Trumpa directly holds 7,088,663 shares (19.76% of the authorised capital and votes) His holding jointly with other persons amounts to 29,471,155 shares (82.17% of the authorised capital and votes)
Participation in the activities of other companies	Board Chairperson at Rokiškio Pienas (code 300561844, adr. Pramonės str.8, Utena), UAB and Rokiškio Pieno Gamyba UAB (code 303055649, adr. Pramonės g.8, Utena). Shareholder of Pieno Pramonės Investicijų Valdymas, UAB, (code 173748857, adr. Pramonės str.3, Rokiškis) 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 (code 173748857, adr. Pramonės str.3, Rokiškis) owning 3.91% of the shares of and voting rights in the company. Board Chairperson of the Latvian-based SIA Jekabpils Piena Kombinats (code 45402008851, adr. Akmenu iela 1, Jekabpils, Latvia) 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. The main employer - Fonterra logistics (UK) Ltd., (company number 03718518 adr., Delta 200, Delta Business Park., Great Western Way, Swindor SN5 7XP, UK). Position – Director Special Projects.

**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 (code 173748857, adr. Pramonės str.3, Rokiškis), UAB owning 3.91% of the shares of and voting rights in the company Board person of the Latvian-based SIA Jekabpils Piena Kombīnats (code 45402008851, adr. Akmenu iela 1, Jekabpils, Latvia) no shares held.

**Darius Norkus** – Member of the Board of the Company

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

Work experience	From 2005, Sales and Marketing Director
Education	Kaunas University of Technology; Diploma of Engineer (1993) Baltic Management Institute, Master's Degree in Business Administration (EMBA programme, 2000).
Shares of Rokiškio sūris, AB held	No shares held
Participation in the activities of other companies	Shareholder of Pieno Pramonės Investicijų Valdymas, UAB (code 173748857, adr. Pramonės str.3, Rokiškis), 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 29,471,155 shares (82.17% of the authorised capital and votes)
Participation in the activities of other companies	Shareholder of Rokvalda UAB (code 300059165, adr. Basanavičiaus str.16A-125, Vilnius), holding 100% of shares and votes. From 2010, Chairperson of the Board of the Latvian-based SIA Kaunata (code 240300369, adr. Rogs, Kaunata pag., Rezeknes nov., Latvia) holding no shares of the company From 11 December 2013, Director of SIA RSU Holding (code 40103739795, adr. Elizabetes iela 45/47, Riga), owning 100% of the company's shares Shareholder of Pieno Pramonės Investicijų Valdymas UAB (code 173748857, adr. Pramonės str.3, Rokiškis) owning 3.91% of the shares of and voting rights in the company.

## **32. Committees set up in the Company**

### **Audit Committee of Rokiškio sūris, AB**

The Audit Committee of the Company consists of 3 members, including 2 independent ones. The term of office of the Audit Committee is four years. The members of the Audit Committee shall be

elected by the General Meeting of Shareholders upon the recommendation of the Board of the Company. The members of the Audit Committee were elected by the General Meeting of Shareholders held on 28 April 2013. The term of office of the Audit Committee shall end on 28 April 2021.

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

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

### **Main functions of the Audit Committee**

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

### **Members of the Audit Committee:**

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

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

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

No other committees are established in the Company.

## **33. 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

Procurement Director (Lithuania)	Ramūnas Vanagas	01/01/2020
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 are no management team bonus systems established in the Company.

### **Executive Remuneration Policy:**

On April 30, 2020, the General Meeting of Shareholders of the Company approved the remuneration policy of the Company's management. The Remuneration Policy defines the procedure for determining the remuneration paid to the Company's director and members of the Board, establishes the forms, bases and procedure for payment of monetary remuneration for members of the Company's collegial management and supervisory bodies, as well as regulates other issues related to remuneration. The remuneration policy applies to the Managers (the Director of the Company and the members of the Board). The remuneration policy is established for a period of four years. The Remuneration Committee has not been formed in the Company.

The Company's remuneration policy is publicly announced on the Company's website [www.rokiskio.com](http://www.rokiskio.com) in the section "Investors".

## **34. Employees**

The average number of employees of AB Rokiškio sūris Group for 6 months of 2020 was 1,396, compared to the first half of 2019, it decreased by 3.99 percent or 58 employees. The average number of employees for the 6 months of 2019 was 1,454 employees. The decrease in the number of employees is related to the technical reorganization changes taking place in the Company, as well as the optimization of works, as well as due to seasonal fluctuations in the number of employees.

Workers for 6 months of 2020 make up 81.7% (in the first half of 2019 - 82.2) among all employees of the Company; specialists -17.8% (in the first half of 2019 - 17.3%); the number of managerial staff remained unchanged.

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

Employee group	Average number of employees		Change
	30/06/2020	30/06/2019	(%)
<b>Management*</b>	8	8	<b>0</b>
<b>Specialists</b>	248	251	<b>-1.20</b>
<b>Workers</b>	1140	1195	<b>-4.60</b>
<b>Total:</b>	<b>1396</b>	<b>1454</b>	<b>-3.99</b>

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

The Company employs people with high qualifications. Out of them, 10.8% were graduates of higher education institutions (11.0% in 2019), 50.2% had professional post-secondary education (50.8% in 2019), 39.0% were people with secondary education (38.14% in 2019), and 0.08% had partially completed secondary education (0.06% in 2019).

## Labour remuneration system

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

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

Employee group	Average monthly wages (gross), EUR		Change, %
	30/06/2020	30/06/2019	
Managerial staff	2744	2674	2.62
Specialists	1547	1533	0.91
Workers	1313	1153	13.88
<b>Group average</b>	<b>1259</b>	<b>1229</b>	<b>2.44</b>

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

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

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

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

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

Employees of the companies of the Group are guaranteed the right to participate in activities of trade unions. The companies have a trade union committee, which defends its members' labour, economic,

and social rights and interests, right to employment, social guarantees, takes care of the professional qualification improvement, builds up professional ethics, and works towards increasing the wages and other income of food industry workers.

### **35. 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**

### **36. Related-party transactions**

Interested-person/related-party transactions are disclosed in Note 7 to the Consolidated Financial Statements of the Company for 6 months 2020.

In the period of 6 months 2020, there are no related-party transactions concluded at unusual market conditions and (or) non-attributable to the Company's business nature, and (or) having made significant influence on the Company, its finance, assets or obligations.

### **37. 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.





**A SET OF OPERATIONAL RESULTS AND  
INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS  
OF ROKISKIO SURIS AB  
FOR FIRST SIX MONTHS 2020**

**AB „ROKIŠKIO SŪRIS“**

**CONSOLIDATED AND PARENT COMPANY'S**

**FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2020**

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

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

**38. Consolidated Balance sheet**

	June 30, 2020	December 31, 2019	June 30, 2019
<b>PROPERTY</b>			
Long-term tangible assets	57,315	58,750	60,853
Intangible assets	40	44	9
Held-to-maturity investments	-	-	-
Other non-current receivables and loans granted	3,064	3,500	5,079
	<u>60,419</u>	<u>62,294</u>	<u>65,941</u>
<b>Current assets</b>			
Inventories	64,486	59,519	67,610
Receivables and advance payments	34,296	37,941	34,786
Loans granted	6,040	4,777	3,915
Prepaid income tax	844	1,549	1,452
Cash and cash equivalents	3,358	2,988	2,232
	<u>109,024</u>	<u>106,774</u>	<u>109,995</u>
<b>Total assets</b>	<b><u>169,443</u></b>	<b><u>169,068</u></b>	<b><u>175,936</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shares	10,402	10,402	10,402
Share premium	18,073	18,073	18,073
Reserve for acquisition of treasury shares	10,850	10,850	10,850
Treasury shares	(2,251)	(2,251)	(2,108)
Other reserves	14,427	15,138	16,572
Retained earnings	77,903	78,559	71,453
	<u>129,404</u>	<u>130,771</u>	<u>125,242</u>
<b>Non-current liabilities</b>			
Deferred income tax liability	1,358	1,525	1,145
Non-current provisions	683	683	683
Deferred income	2,322	2,562	1,709
	<u>4,363</u>	<u>4,770</u>	<u>3,537</u>
<b>Current liabilities</b>			
Trade and other payables	18,329	16,900	18,482
Tax liabilities	-	-	-
Deferred income	519	519	2,665
Current provisions	684	684	404
Borrowings	16,144	15,424	25,606
	<u>35,676</u>	<u>33,527</u>	<u>47,157</u>
<b>Total equity and liabilities</b>	<b><u>169,443</u></b>	<b><u>169,068</u></b>	<b><u>175,936</u></b>

**AB „ROKIŠKIO SŪRIS“**

**CONSOLIDATED AND PARENT COMPANY'S  
FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2020**

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

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

### 39. Consolidated Statement of comprehensive income

	<b>January - June</b>	
	<b>2020</b>	<b>2019</b>
Sales	102,796	89,168
Cost of sales	(92,414)	(81,919)
<b>Gross profit</b>	10,382	7,249
Selling and marketing expenses	(7,858)	(9,140)
<b>Operating profit (loss)</b>	2,524	(1,891)
Finance costs	(65)	(57)
<b>Profit before tax</b>	2,459	(1,948)
Income tax	(325)	378
<b>Operating activity income (loss)</b>	2,134	(1,570)
<b>Net profit (loss)</b>	2,134	(1,570)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	2,134	(1,570)

**AB „ROKIŠKIO SŪRIS“  
CONSOLIDATED AND PARENT COMPANY’S  
FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2020**

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

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

## 40. Consolidated cash flow statement

	January-June	
	2020	2019
<b>Operating activities</b>		
Profit before tax and minority interest	2,459	(1,570)
<i>Corrections:</i>		
– depreciation	4,691	4,683
– amortisation (negative prestige not included)	5	2
– write-off of property, plant and equipment and intangible assets	1	-
– loss on disposal of property, plant and equipment	(20)	-
– interest expense	65	117
– interest income	(123)	(286)
– net unrealized currency exchange profit	(36)	(26)
– amortization of government grants received	(240)	(179)
– inventory write-down to net realizable value	-	649
<i>Circulating capital changes:</i>		
- inventories	(4,966)	(14,392)
- amounts payable	1,428	(237)
- amounts receivable and prepayments	3,309	(1,990)
Cash flows from operating activities	6,573	(13,229)
Interest paid	65	(117)
Income tax paid	-	-
Net cash generated from operating activities	6,638	(13,346)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(3,110)	(6,679)
Purchase of intangible assets	(1)	-
Loans granted to farmers and employees	(167)	(258)
Proceeds from sale of property, plant and equipment	40	165
Other loans granted	(540)	-
Repayments of loans granted to farmers and employees	-	10,730
Interest received	123	286
Other loan repayments received	168	708
Government grants received	-	-
Net cash generated from investing activities	(3,487)	4,952
<b>Financing activities</b>		
Loans received	720	11,514
Repayments of borrowings	-	-
Dividends paid	(3,501)	(3,507)
Net cash generated from financing activities	(2,781)	8,007
<b>Net increase in cash and cash equivalents</b>	370	(387)
Cash and cash equivalents at the beginning of the period	2,988	2,619
<b>Cash and cash equivalents at the end of the period</b>	3,358	2,232

**AB „ROKIŠKIO SŪRIS“  
 CONSOLIDATED AND PARENT COMPANY’S  
 FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2020**

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

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

## 41. Consolidated Own Capital Change Statement

	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
<b>Balance at December 31<sup>st</sup> 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) of the year						(1,570)	(1,570)
Decrease in share capital / cancellation of treasury shares							
Dividends relating to 2018						(3,506)	(3,506)
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(819)	819	
<b>Balance at June 30<sup>st</sup> 2019</b>	<b>10,402</b>	<b>18,073</b>	<b>10,850</b>	<b>(2,108)</b>	<b>16,572</b>	<b>71,454</b>	<b>125,243</b>
<b>Comprehensive income</b>							
Profit (loss) of the year						5,671	5,671
Acquisition of treasury shares				(143)			(143)
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(1,434)	1,434	
<b>Balance at December 31<sup>st</sup> 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>
<b>Comprehensive income</b>							
Profit (loss) of the year						2,134	2,134
Transfer to reserves							
Dividends relating to 2019						(3,501)	(3,501)
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)					(711)	711	
<b>Balance at June 30<sup>st</sup> 2020</b>	<b>10,402</b>	<b>18,073</b>	<b>10,850</b>	<b>(2,251)</b>	<b>14,427</b>	<b>77,903</b>	<b>129,404</b>

**AB „ROKISKIO SŪRIS“  
CONSOLIDATED AND PARENT COMPANY’S  
FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2020**

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

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

## **42. Commentary on the Report**

### **1. General information**

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

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

The Consolidated Group (hereinafter – the Group) consists of the Company and four subsidiaries. (2019: Company and four subsidiaries). The subsidiaries that comprise consolidated Group are indicated below:

	<b>Group’s share (%) as at 30 June</b>	
<b>Subsidiaries</b>	<b>2020</b>	<b>2019</b>
UAB Rokiskio pienas	100.00	100.00
UAB Rokiskio pieno gamyba	100.00	100.00
SIA Jekabpils Piena Kombinats	100.00	100.00
SIA Kaunata*	60.00	60.00

\* These subsidiaries were not consolidated due to their insignificance.

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

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

As of 30<sup>st</sup> June 2020, the average number of the Group’s employees was equal to 1,396 (compared to 1,454 employees as at 30<sup>st</sup> June 2019).

### **2. Accounting Principles**

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

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

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

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent



assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

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

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

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

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

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

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

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

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

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

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

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Held-to-

maturity financial assets are initially recorded at fair value. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method less any recognised impairment losses which reflect irrecoverable amounts.

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

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

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

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

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

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

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

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

Profit is taxable at a rate of 15 per cent (2019: 15 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

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

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

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

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

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

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

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

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

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

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

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

The Company's management believes the values of property, plant and equipment adjusted under these methods as of 30 June 2020 and 2019 approximated the fair value.

### 3. Financial risk management

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

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

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

The Group's interest rate risk arises from interest-bearing loans and borrowings. Borrowings with variable interest rates expose the Group to cash flow interest rate risk. Borrowings with fixed interest rates expose the Group to fair value interest rate risk. In 2020 and 2019, loans granted by the Group with fixed interest rate were denominated in the euros. In 2020 and 2019, the Group's borrowings were with variable interest rate and they were denominated in the euros.

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

As at 30 June 2020, the Company's and the Group's all cash balances were held at banks that had external credit ratings from 'A+' to 'BBB', as set by the rating agency Fitch Ratings (30 June 2019: from 'A+' to 'BBB').

The table below summarises the Group's credit risk exposures relating to on-balance sheet items. Maximum exposure to credit risk before collateral held or other credit enhancements as at 30 June:

	2020 06 30	2019 06 30
Cash and cash equivalents at banks	3,358	2,232
Trade receivables	30,603	31,205
Loans granted	8,740	8,187
	42,701	41,624

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.

	2020 06 30		2019 06 30	
	Credit limit	Amount receivable	Credit limit	Amount receivable
Customer A	3,800	3,613	4,345	2,551
Customer B	4,000	2,704	2,028	1,832
Customer C	4,500	2,532	3,500	2,966
Customer D	4,345	2,508	3,000	1,656
Customer E	2,500	2,389	1,500	1,328

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to

maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

	2020 06 30	2019 06 30
Borrowings	16,144	25,606
Less: cash and cash equivalents	(3,358)	(2,232)
Net debt	12,786	23,374
Shareholders' equity	129,404	125,242
Total capital	142,190	148,616

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than EUR 40 thousand (the authorised share capital of a private company must not be less than EUR 2.5 thousand) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 30 June 2020 and 30 June 2019, the Company and its subsidiaries registered in Lithuania complied with these requirements.

#### 4. Information on segments

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

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

- Fresh milk products
- Cheese and other dairy products.

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

##### *Geographical information*

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

	2020 06 30	2019 06 30
Lithuania	40,518	37,867
European Union member states	40,445	45,287
Near East	13,292	354
North America	5,489	2,209
Far East	2,400	1,567
Other countries	652	1,884
Total	102,796	89,168

The breakdown of the Group's revenue by category:

	2020 06 30	2019 06 30
Product Sales	102,257	88,351
Provided services	539	817
<b>Total</b>	<b>102,796</b>	<b>89,168</b>

## 5. Long-term tangible assets

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

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

## 6. Inventories

As at 30<sup>st</sup> June 2020, the Group's inventories were made of:

	2020 06 30	2019 06 30
Raw materials	2,195	1,999
Work in progress	9,813	7,972
Finished products	51,539	56,688
Other inventories	939	951
<b>Total</b>	<b>64,486</b>	<b>67,610</b>

## 7. Related-party transactions

Main shareholders of Company:

	2020 06 30	2019 06 30
Mr Antanas Trumpa (Chairman of the Board of the Company)	19.76%	19.46%
„Pieno pramonės investicijų valdymas” UAB (established in Lithuania) *	27.21%	27.21%
SIA „RSU Holding“ (established in Latvia) *	24.96%	24.96%
Fonterra (Europe) Coöperatie U.A	10.00%	10.00%
Dalius Trumpa (Managing manager)	0.23%	0.23%
Other shareholders (legal entities and natural persons )	15.44%	15.89%
Rokiškio sūris AB (treasury shares)	2.40%	2.25%

\* *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 82.16% (2019 06 30: 81.86%) of the Company's share capital and votes\*.*



Members of the Board of Directors of Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA, Fonterra (Europe) Coöperatie U.A., and Rokiškio Sūris AB and their family members are treated as related parties.

Certain cooperative societies engaged in the production of milk are treated as related parties of the Company because the Company can exercise a significant influence over daily activities of these cooperative societies through close family members of its directors and certain employees.

The following transactions were carried out with related parties:

	2020 06 30	2019 06 30
Purchase of raw milk from other related parties	995	480
Purchase of non-current assets	-	-
Purchases of services	36	38
Sales of production and other inventories	5,797	6,260
Interest charges on credit facility	6	6

Seeking to disclose more accurately the internal turnovers for Rokiškio Sūris AB and Rokiškio Pienas and for Rokiškio Pieno Gamyba UAB, the Group's management decided that all purchases of raw materials used for the manufacturing of products exported by Rokiškio Sūris AB should be made at zero price, and all sales of products produced by Rokiškio Pienas UAB and by Rokiškio Pieno Gamyba UAB should be treated as sales of services, i.e. excluding the value of raw material. Purchases and sales of milk, property plant & equipment and inventory is organised at arm's length conditions between related parties.

Year-end balances arising from transactions with related parties:

	2020 06 30	2019 06 30
Non-interest bearing loans granted to directors (and their family members)	15	20
Loan receivable from Dzūkijos Pienas KB	298	298
Loan payable to Fonterra (Europe) Coöperatie U.A.	2,932	3,161
Trade payables to other related parties	83	53
Trade receivables from other related parties	2,655	1,963

Based on Resolution No 9 of the shareholder of Rokiškio Pieno Gamyba UAB made on 30 April 2020 (Item No 4 of the Agenda), it was decided to approve the proposed appropriation of profit (loss) for 2019 for Rokiškio Pieno Gamyba UAB and allocate EUR 2,649,388 for the payment of dividends. Dividends were paid out to Rokiškio Sūris AB in May 2020.

## 8. Financial ratios

The Group's financial ratios:	2020 06 30	2019 06 30	2018 06 30
Revenue (EUR thousand)	102,796	89,168	102,202
EBITDA (EUR thousand)	7,220	2,793	206
EBITDA margin (%)	7.02	3.13	0.20
Operations profit (EUR thousand)	2,524	(1,891)	(4,285)
Margin of operations profit (%)	2.46	(2.12)	(4.19)
Profit per share (EUR)	0,06	(0,04)	(0,10)
Number of shares (units)	35,867,970	35,867,970	35,867,970

## **9. Information on the audit**

The audit according to the International Accounting Standards will be made for the full year 2020 by audit company UAB PricewaterhouseCoopers.

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

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.

## **11. Impact of COVID-19 virus on the Group's performance**

### **Scope of activity**

At the date of the semi-annual financial statements, there were no significant disruptions in the company's main raw material (milk) and other procurement chain. Milk processing volumes did not change significantly. Also, none of the ongoing projects were suspended due to COVID-19.

Sales volumes are highly dependent on the ability to transport goods both inside and outside the EU, as well as restrictions imposed by various governments on COVID-19.

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

### **Liquidity**

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

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 half-year 2020 financial statements. The impact, if any, will be included in the Group's financial statements in 2020.