

AB "ŽEMAITIJOS PIENAS"

Company code 180240752, Sedos Str. 35, Telšiai, Lithuania

CONSOLIDATED SEMI-ANNUAL REPORT FOR 2020



**AB "ŽEMAITIJOS PIENAS" CONSOLIDATED SEMI-ANNUAL REPORT FOR
2020**



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I. GENERAL INFORMATION

Reporting period for which the report is developed

Consolidated semi-annual report are developed and submitted for January-June 2020. Moreover, the report contains significant facts and data obtained after the end of the reporting period.

This document refers to AB "Žemaitijos pienas" (hereinafter referred to as the Company or Issuer), ABF "Šilutės Rambynas" (hereinafter referred to as the Group Company or Associated Company), and in cases when facts on both Companies are described and/or specified, the Companies shall refer to as the Companies of the Group.

Brief history of the Company

The beginning of AB "Žemaitijos Pienas" dates to 1924, when Telšiai dairy plant of high capacity was incorporated. In the end of 1984 Telšiai dairy plant activity moved to new premises and operated until opening and privatization of Telšiai cheese plant which was one of the largest in the Baltic States. AB "Žemaitijos pienas" was registered in the Register of Legal Entities on 23 June 1993 in Telšiai District Board and on 16 October 1998 it was re-registered in the Ministry of Agriculture of the Republic of Lithuania.

Upon the decision of the General Meeting of Shareholders of 1 May 2004, it was reorganized by way of division, separating a part of assets, rights and liabilities, and establishing AB "Žemaitijos pieno investicija". Upon the decision of the General Meeting of Shareholders of 18 December 2019, the Company was reorganized by merging the Public Limited Liability Company "Baltijos mineralinių vandenų kompanija", which after the merging on 10 January 2020 was deregistered from the Register of Legal Entities.

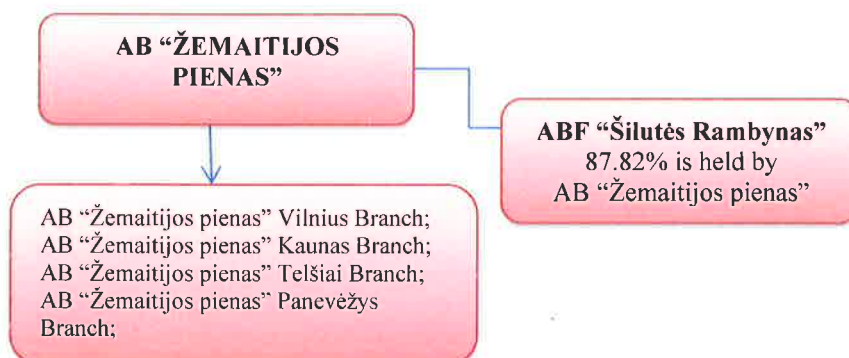
Data on the Company

AB "ŽEMAITIJOS PIENAS"

Name	AB ŽEMAITIJOS PIENAS
Legal form	Public Limited Liability Company
Company code	180240752
VAT number	LT802407515
Authorised capital	EUR 14 028 750
Office address	Sedos Str. 35, Telšiai, Lithuania
Telephone	+ 370 444 22201
Fax	+ 370 444 74897
E-mail	info@zpienas.lt
WEB	www.zpienas.lt
Stock trading code	ZMP1L
ISIN number	LT0000121865
LEI number	5299005U9E85Y55OHK45

Data on AB "Žemaitijos pienas" are collected and stored in the State Enterprise Centre of Registers.

Structure of the Group



Data of AB "Žemaitijos pienas" branches:

- Vilnius Branch, identification number 123809154, address: Algirdo Str. 40/13, Vilnius
- Kaunas Branch, identification number 134853981, address: Europos Ave 36, Kaunas
- Telšiai Branch, identification number 110893017, address: Sedos Str. 35, Telšiai
- Panevėžys Branch, identification number 148133399, address: J. Janonio Str. 9, Panevėžys

Branches of the Company fulfil the functions related to sale of goods (dairy products) within the established territory of the branch, as well as take other actions or fulfil instructions of the Company.

The Company has no incorporated representative offices.

ABF "ŠILUTĖS RAMBYNAS"	
Legal form	Public Limited Liability Company (Firm)
Company code	277141670
VAT number	LT714167015
Authorised capital	EUR 2 493 028.50
Office address	Klaipėdos Str. 3, Šilutė, Lithuania
Telephone	+ 370 441 77442
Fax	+ 370 441 77443
E-mail	info@rambynas.lt

Basic activity of ABF "Šilutės Rambynas" is the production and sale of fermented cheese and cheese products, as well as the production and sale of pasteurized cream, pasteurized whey and concentrated whey (NACE: C 10.5. Manufacture of dairy products; C 10.51. Operation of dairies and cheese making). Furthermore, the Company provides transportation and storage services, services related to servicing of milk buying-up points and other services.

ABF "Šilutės Rambynas" has no incorporated branches and representative offices.

Basic objectives and nature of economic activities

The Companies of the Group pursue economic and commercial activities (production, trade, provision of services, etc.) in order to get benefit for themselves and their shareholders. The objectives of the activity are the organisation and pursuing of the activities provided for in the Articles of Association to earn income and profit, satisfy the property interests of shareholders and the interests of employees.

Basic activity of AB "Žemaitijos pienas" is the development, production (NACE: C 10.5. Manufacture of dairy products; C 10.51. Operation of dairies and cheese making), and sales at Lithuanian and foreign markets of dairy products (fermented cheese and cheese products, pre-packaged cheese and cheese products, processed cheese and cheese products, cream, cream cheese, butter, dairy spreads, mixed spreads, milk fat, pasteurised cream, buttermilk, whey, dried milk products, fresh dairy products (milk, cream, curd, cheese products, yoghurt, desserts, curd cheese, glazed curd cheese, and fermented dairy products)).

According to the ICB (Industry Classification Benchmark) widely used global company activity classification standard, AB "Žemaitijos pienas" refers to the companies - everyday consumer goods - food, beverages and tobacco.

II. INFORMATION OF SALE OF SECURITIES BY THE ISSUER AT THE REGULATED MARKET

Securities (shares) of AB "Žemaitijos pienas"

On 16 July 2004 the Company concluded a Contract with AB "Šiaulių bankas", under which management of securities accounts of the Company was delegated to AB "Šiaulių bankas" as of 23 July 2004.

The register (accounting) of securities of ABF "Šilutės Rambynas" is administered by AB "Šiaulių bankas" under the contract as of 16 July 2004.

SHARES OF AB "ŽEMAITIJOS PIENAS"

ISIN number	LT0000121865
Abbreviation/Symbol	ZMP1L
List/segment	Baltic Secondary List
Nominal value	EUR 0.29
Securities	Ordinary registered shares
Issued number (pcs.)	48 375 000
Listed issued number (pcs.)	48 375 000
Listing start date	1997.10.13
Shares listed in the secondary list	1997.10.13
Total number of voting rights granted by the shares	48 375 000
Number of shares held by the Company	3 416 763

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Only the shares issued by the Company are quoted on the secondary list of "NASDAQ OMX Vilnius" (hereinafter referred to as Vilnius Stock Exchange) (symbol: ZMP1L). Securities of AB "Žemaitijos pienas" were first listed at Vilnius Stock Exchange on 13 October 1997. ISIN number of the securities: LT0000121865.

Below one can find the schedule of sales of the Company's securities at the public exchange, from which it can be seen that from 1 January 2020 until 30 June 2020 the price of the shares changed slightly (decreased), the change at the end of the reporting period is (- 1.11%)¹. Turnover of sales of the Company's shares in the first half of 2020 amounted to EUR 123,065.92, 71 520 shares were transferred in concluded transactions, the average (weighted) price per share is EUR 1 728. Capitalization of AB "Žemaitijos pienas" shares on 30 June 2020 was 83.205 million.

During the reporting period, the sales volumes of shares and their price dynamics are demonstrated in the diagram (see below).



Dynamics of the price of shares at NASDAQ Vilnius, first half of 2020

Opening price, EUR 02/01/2020	Maximum price of a share, EUR 07/02/2020	Minimum price of a share, EUR 12/03/2020	Closing price, EUR 30/06/2020
1.80	1.84	1.45	1.78

Securities of the Issuer have not been sold at other stock exchanges and other organised regulated markets.

¹ <https://www.nasdaqbaltic.com/statistics/lt/instrument/LT0000121865/trading>

SHARES OF ABF "ŠILUTĖS RAMBYNAS"	
ISIN number	LT LT0000109217 LT 0000118945 LT 0000125668
Nominal value	EUR 2.90
Securities	Ordinary registered shares
Issued number (pcs.)	859 665
Listed issued number (pcs.)	Non-listed
Total number of voting rights granted by the shares	859 665
Number of shares held by the Company	0

Shares of ABF "Šilutės Rambynas" have not been sold at Vilnius Stock Exchange and other organised regulated markets.

AB "Žemaitijos pienas" holds 87.82% of ordinary registered shares of ABF "Šilutės Rambynas" (disposes both property and non-property rights without any restrictions). ABF "Šilutės Rambynas" does not hold shares of AB "Žemaitijos pienas". Both Companies do not hold shares of each other neither based on orders nor on other contractual bases.

Dividends

The Ordinary General Meeting of Shareholders of AB "Žemaitijos Pienas" of 9 April 2020 decided to allocate part of the profit to employee bonuses in the amount of EUR 1 000 000 and annual bonuses of raw material suppliers in the amount of EUR 1 350 000 and did not pay dividends to the shareholders. The shareholders of ABF "Šilutės Rambynas" also did not pay dividends, and the shareholders of both Companies decided not to pay bonuses.

Authorised capital

As of 30 June 2020 the authorised capital of AB "Žemaitijos pienas" consisted of:

Class, type of shares	Number of shares (pcs.)	Nominal value (EUR)	Total nominal value (EUR)	Share of the authorised capital (%)
Ordinary registered shares	48 375 000	0.29	14 028 750	100

All shares of the Company are fully paid up and were not the subject to restrictions on stock reassignment (in so far as the Issuer knows) over the course of the reporting period. The Issuer is

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unaware of any individual agreements between the shareholders, which may result in restrictions on stock reassignment and (or) voting rights. According to the data available to the Company there are no shareholders who would have special control rights.

As of 30 June 2020, the authorised capital of ABF "Šilutės Rambynas" consisted of:

Class, type of shares	Number of shares (pcs.)	Nominal value (EUR)	Total nominal value (EUR)	Share of the authorised capital (%)
Ordinary registered shares ¹	859 665	2.90	2 493 028.50	100

All ABF "Šilutės Rambynas" shares are fully paid up and are subject to no restrictions on stock reassignment (in so far as the Issuer knows). The Issuer is also unaware of any individual agreements between the shareholders, which may result in restrictions on stock reassignment and (or) voting rights. According to the Company's knowledge there are no shareholders who would have special control rights.

Acquisition and disposal of own shares

During the period from 1 January 2000 until 30 June 2020 the Company acquired the following number of own shares through the official quotation market of NASDAQ OMX Vilnius Stock Exchange.

No	Abbreviation	Purchased	Min purchase	Start	End	Offered Price ¹	Number	Turnover	Transf. (%)	Currency
1.	ZMP1LTO2	1 176 70	1	2010.12.20	2011.01.18	10 1.7	10	17	100	LTL
2.	ZMP1LTO3	1 000 00	1	2011.08.22	2011.09.20	- 1.8	-	-	-	LTL
3.	ZMP1LTO4	1 360 000	1	2012.11.02	2012.12.14	3 777 532 2.2	1 360 000	2 992 000	36	LTL
4.	ZMP1LTO5	1 000 00	1	2013.03.25	2013.03.28	710 611 2.2	710 611	1 563 344.2	100	LTL
5.	ZMP1LOS	2 766 79	1	2016.07.04	2016.08.02	- 0.67	-	-	-	EUR
6.	ZMP1LOS1	742 857	1	2018.06.12	2018.06.25	62 223 1.75	62 223	108 890.25	100	EUR
7.	ZMP1LOS2	742 857	1	2018.07.09	2018.07.23	34 827 1.75	34 827	60 947.25	100	EUR
8.	ZMP1LOS3	742 857	1	2018.08.20	2018.09.03	59 557 1.75	59 557	104 224.75	100	EUR
9.	ZMP1LOS4	540 540	1	2019.05.06	2019.05.27	89 596 1.85	89 596	165 752.6	100	EUR
10.	ZMP1LOS5	300 000	1	2019.06.04	2019.06.11	23 963 1.8	23 963	43 133.4	100	EUR
11.	ZMP1LOS6	1 100 00	1	2019.06.18	2019.06.25	1 075 976 1.85	1 075 976	1 990 555.6	100	EUR

As of 9 April 2020, the General Meeting of Shareholders adopted a decision to allocate a reserve for the acquisition of own shares, as well as established the conditions for the purchase of shares. During the reporting period, the Board of the Company did not make any decisions regarding the purchase of own shares. At the end of this period, the Company held 3 416 763 of own shares, which makes up 7.06 per cent of all listed shares of AB "Žemaitijos pienas" at the NASDAQ OMX Vilnius Stock Exchange.

The shareholders of AB "Žemaitijos pienas" have set the main objectives of the share purchase - (i) to ensure the possibility for the shareholders to sell the shares in order to increase, maintain and / or stabilize the liquidity of the Company's shares; (ii) increase, maintain and / or stabilize the market price of the Company's shares; (iii) have the ability to allocate its own shares to stimulate employees of the Company, so that they would contribute to the Company's performance, and to sell their shares to employees of the Company other than employees who are members of the Board or Supervisory Board of the Company or employees who are Shareholders of the Company; (iv) have the opportunity to use own shares in possible exchange processes when the Company acquires shares of other companies or sells them; (v) hold a reserve of own shares which, if necessary, could be used for other specified purposes (or one or more of them) upon decision of the Board of the Company.

During the reporting period, the Company did not dispose its own shares, did not enter into any other transactions, for example, the shares have not been pledged or otherwise restricted, their rights are not the subject to any other limitations or restrictions, there are no disputes or claims regarding these shares.

ABF "Šilutės Rambynas" did not purchase own shares, it also does not hold own shares on other basis.

III. REVIEW OF ECONOMIC ACTIVITY OF THE GROUP OF COMPANIES, RISKS AND PERSPECTIVES

Product safety and international recognition

Both Companies of the Group operate in the food industry segment, therefore one of the main goals of the Companies of the Group is high-quality and safe products. This goal is achieved not only by their own efforts, but also with the help of third parties - specialists - experts (auditors), who as independent specialists are best able to evaluate the produced dairy products and give a message to the Companies and the market.

In the first half of 2020, the products were assessed in accordance with various requirements of international food safety and quality management standards and compliance with them.

1. In March 2020 AB "Žemaitijos pienas" was audited by Universal Pictures for the use of a private label;
2. In April 2020 the auditors of UAB "Bureau Veritas" performed a remote audit of all processes of AB "Žemaitijos pienas" in accordance with the ISO 22000 "Food Safety Management System. Requirements for any organization in the food production chain" + ISO / TS 22002-1 "Food Safety Essentials. Part 1: Food production and additional requirements under FSSC 22000".
3. In June 2020 AB "Žemaitijos pienas" unit for productions of fresh dairy products was audited by the retail chain Lidl.

Audit conclusion: the Company meets the requirements of the certified standards, moreover, the audits were performed without prior agreement of the audit date and plan. AB "Žemaitijos pienas" has complied with the requirements of the above-mentioned international food safety standards, which are recognized by the International Food Safety Initiative (GFSI).

Investments and ongoing investment projects

In the first half of 2020 AB "Žemaitijos pienas" continued to invest in the renewal and modernisation of equipment of individual production units in order to optimise production processes, ensure the efficiency and quality of management of risk factors related to food safety.

The main goal of the investment remains to increase competitiveness of the Company, improve the measures to solve environmental problems, product quality and working conditions and safety of employees.

Investment tendencies were focused on automation of production processes, quality improvement and logistics. The investments were also aimed at improving occupational safety, technical level of equipment, considering difficult workplaces, reduction of pollution discharged into wastewater and efficient use of energy costs. The aim was also to ensure that the equipment and technological processes would meet customer expectations and that the final high-quality product would be safe for a Buyer.

Products and trademarks

The vision is continued to be followed - to represent the culture of Žemaitija region not only in Lithuania, but also in the world by creating delicious and unique products. The mission is to continuously create added value for the Companies of the Group, its shareholders and a Buyer. Marketing is an integral part of a successful business, therefore in 2020 the employees of the Companies of the Group paid great attention to it.

The priority of AB "Žemaitijos pienas" is to produce only high-quality, healthy and safe products that would become a standard of exceptional taste for even the most experienced consumers, thus developing the consumer's habit of choosing goods only with the "Žemaitijos pienas" trademark. The constant goal is never to disappoint the customer's expectations, to look for new markets, establishing not only with excellent products, services and other development, but also to attract such specialists who would professionally represent the interests of the Company in cooperation with customers and market partners. Continuously create added value for a Buyer and Companies of the Group by retaining existing Customers and attracting new ones, ensuring the highest level of product quality from the field to the shelf.

In accordance with the chosen strategy and the implementation of the set tasks, in the first half of 2020 the Company won awards and was evaluated not only in Lithuania, but also abroad.

The products of AB "Žemaitijos pienas" are among the winners of the competition "The Most Popular Product 2019" organised by the Lithuanian Association of Trade Enterprises (LP[A]), in which the most popular products are selected after evaluating the choice of the main retailers of the country: glazed curd cheese "Magija Vanilla", 45 g; hard cheese – "Džiugas mix picai" grated, 250 g; cheese strings "Pik-Nik", 140 g; semi-fat curd "Žemaitijos", 9 per cent, 1 kg; butter – "Žemaitijos", 82 per cent, 200 g, and cream – "Žemaitijos", 36 per cent, 400 g.

In the DLG QUALITY TEST free and independent product evaluation organised by the German expert organisation DLG (Deutsche Landwirtschafts-Gesellschaft) in June 2020, hard cheese "Džiugas Gourmet" matured for 36 months, 180 g, and organic hard cheese "Džiugas vaikams" packed in pieces, 40 g, were evaluated with the highest quality points and even awarded two gold medals. DLG research centres are impartial and use self-assessment applying advanced technologies in the knowledge and test system. Consumers are provided with reliable information. Only the best are awarded - the DLG test centre tests tens of thousands of products made in Germany and other countries. The DLG Award label has a high level of trust between manufacturers and consumers, not only in Germany but worldwide.

A social campaign "You are finishing the second grade - you can swim", during which the second form schoolchildren from all over the Telšiai region are taught to swim and not get lost in the water, has been running for nine years already. The campaign is organised by the initiator of this original idea, AB "Žemaitijos pienas", as well as Telšiai District Municipality and Telšiai Ateities Basic

School. Since the start of the campaign, 3 597 schoolchildren have learned to swim in the school pool.

Moreover, in summer 2020 AB "Žemaitijos pienas" implemented a project in children's summer camps in the Baltic States. 53 educational programmes were organized in camps in the Baltic States, where about 10 thousand children rested. During the educational programmes, the children were introduced to the products produced by AB "Žemaitijos pieno", their values and benefits. Children had the opportunity to virtually visit the production of hard cheese "Džiugas", fresh cheese strings "Pik-Nik" and curd cheese "Magija" glazed with natural chocolate. During the camps, the children tested their knowledge about the products produced by AB "Žemaitijos pienas" in a witty knowledge test.

Babies born prematurely in Lithuania are cared within the framework of the first Lithuanian support project "Ankstukai". The initiative builds a strong community of benefactors and constantly achieves goals that are vital to premature babies. "DOBILAS" trademark of AB "Žemaitijos pienas" joins the list of benefactors by donating to a social project for three years in a row.

The Company is constantly improving, so it can provide consumers with ever new products. In the first half of 2020 new organic drinking yogurt Dobilas, 330 g, of AB "Žemaitijos pienas" presented to the Consumers a unique line of fresh dairy products "Saulutė" - for those who want to get extra vitamin D all year round.

Many years of experience and unique recipes today allow to provide the Consumers with a wide range of products of excellent taste and high quality.

Outcomes of financial activities of the Companies of the Group

The Company selects the main Standard financial parameters used by many companies when analysing financial data. Main financial indices reflecting activities of the Group and Company in the first half of 2019-2020 are as follow:

Financial indices	Grup		Company	
	First half of 2020	First half of 2019	First half of 2020	First half of 2019
Turnover, thousands EUR	88.417	87.709	88.089	87.302
Gross profitability, %	22.57	19.78	22.89	20.21
Net profitability, %	6.77	4.87	7.52	7.70
EBITDA, thousands EUR	8.756	7.042	9.267	9.316
EBITDA profitability, %	9.90	8.03	10.52	10.67
ROE profitability, %	6.45	5.35	7.76	9.32
ROA profitability, %	4.68	3.77	5.49	6.14
Current Ratio	4.04	2.97	3.67	2.30
Quick Ratio	2.19	1.18	1.99	0.92
Debt-to-Equity Ratio	0.38	0.42	0.41	0.52
Debt Ratio	0.27	0.30	0.29	0.34
Total investment to non-current assets, thousands EUR	903	5.107	662	3.424

The formulas for calculation of the above-mentioned parameters and their description are provided on pages 18-19 of Chapter **Outcomes of Activities of the Companies of the Group** of the Annual Report for 2019 m.

Operating expenses of the Company in the first half of 2020 (EUR 13.65 million) accounted for 15.49% of the turnover, and in the first half of 2019 (EUR 12.5 million) accounted for 14.34% of the turnover. Operating expenses of the Group in the first half of 2020 (EUR 14.06 million) accounted for 15.9% of the turnover, when in the first half of 2019 (EUR 12.8 million) they accounted for 14.58% of the turnover. The increase in operating expenses has the largest impact on the increase in sales expenses. All other indicators did not change much, i.e. did not deteriorate compared to the first half of 2019 and the year.

Comparison of amounts and prices of raw milk purchased by AB "Žemaitijos pienas" in the first half of 2019 and the first half of 2020²

Purchase of raw milk (converted to basic fat content *)	First half of 2020	First half of 2019	Difference between the first half of 2019 and the first half of 2020, %
Amount of purchased milk, thousands tons	185	198	-6.57
Milk purchase price, EUR/t	243	251	-3.19

AB "Žemaitijos Pienas" has been paying farmers a competitive price for high quality milk production for many years. Average amount of natural milk purchased in the first half of 2020 – 151 thousand tons, i.e. -5.63 per cent less comparing to the first half of 2019 (in the first half of 2019 - 160 thousand tons). Average amount of purchased natural milk in the first half of 2020 is 298 EUR/t, i.e. – 4.18 per cent less comparing to the first half of 2019 (in the first half of 2019 the price of purchased natural milk was 311 EUR/t).

Due to the declared global pandemic, closure of schools, kindergartens, public catering and other institutions, rapidly suspended consumption, and at the same time suspension of the demand for dairy products in export markets, AB "Žemaitijos pienas" in the first half of 2020 reduced milk purchase prices.

AB "Šilutės Rambynas" does not directly buy raw milk, AB "Žemaitijos pienas" sells raw milk to it.

Overview of activities, condition and development

In the first half of 2020, the sales of AB "Žemaitijos Pienas" amounted to 88 million Euros (EUR 88.089 thousand Euros). That is 0.9 per cent more than in the first half of 2019 (first half of 2019 sales amounted to 87.302 thousand Euros).

AB "Žemaitijos Pienas" receives the largest share of its revenue from Lithuanian market, which accounts for more than half of total revenue (in the first half of 2020 – 52.76 per cents, in the first half of 2019 – 52.12 per cents); in other Baltic States and CIS countries revenue accounts for 16.52 per cents (in the first half of 2019 – 15.91 per cents); in other European Countries – 23.18 per cents

² * The milk purchased is converted into a basic fat and protein content, using a specific coefficient.

(in the first half of 2019 – 24.99 per cents) and in other countries – 7.55 per cents (in the first half of 2019 - 6.98 per cents) of total revenue. Exporting countries with the highest turnover in the first half of 2020 are Poland, Latvia, USA, Germany.

Table 1. Geographic breakdown of sales of AB "Žemaitijos pienas", in thousand Euros.

Row No	Geographic breakdown of sales, thousand Euros	Firts half of 2020	Percentage from total revenue in the first half of 2020	Firts half of 2019	Percentage from total revenue in the first half of 2019
1	Lithuania	46.472	52.76%	45.503	52.12%
2	Other Baltic States and CIS Countries	14.548	16.52%	13.889	15.91%
3	Other European Countries	20.416	23.18%	21.814	24.99%
4	Other	6.653	7.55%	6.096	6.98%
5	Total	88.089	100%	87.302	100%

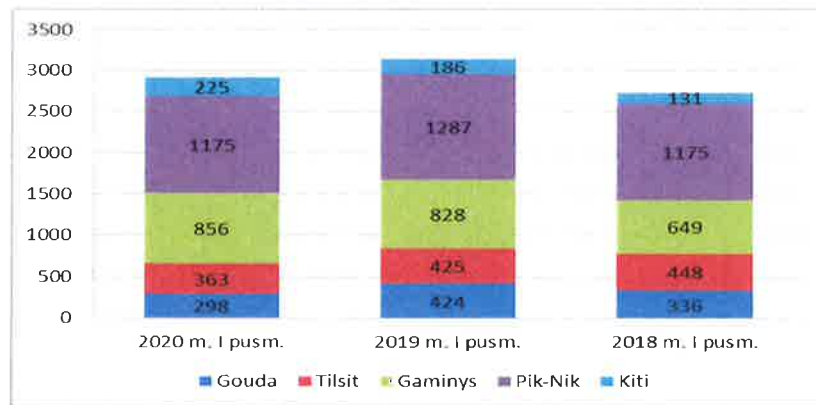
Table 2. Breakdown of products sold by AB "Žemaitijos pienas" into types of products, in thousand Euros.

Row No	Breakdown of sales into types of products, thousand Euros	Firts half of 2020	Percentage from total revenue in the first half of 2020	Firts half of 2019	Percentage from total revenue in the first half of 2019
1	Fermented and processed cheese	37.702	42.80%	36.151	41.41%
2	Fresh milk products	31.397	35.64%	29.312	33.58%
3	Butter and mixed fat spreads	7.136	8.10%	6.624	7.59%
4	Dry milk products	7.648	8.68%	7.250	8.30%
5	Other	4.206	4.78%	7.964	9.12%
6	Total	88.089	100%	87.302	100%

Sales of ABF "Šilutės Rambynas"

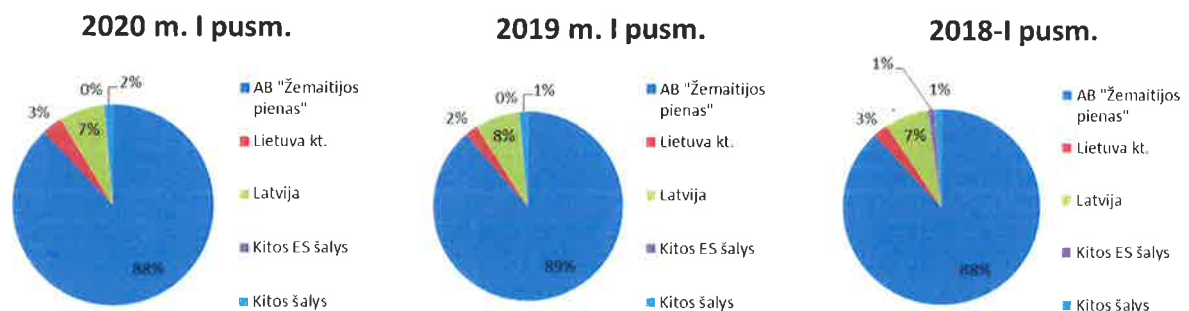
The Company specializes in the production of cheese. Production volumes in 2018 - first half of 2020 (in tonnes) are demonstrated in the histogram below.

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During the first half of 2020, 2917 tons of cheese were produced, or 233 t (7.4 per cent) less compared to the first half of 2019. The decrease in production was predetermined by lower demand for production due to decreased consumption (the impact of "Covid 19"). Production of fermented cheeses ("Gouda" and "Tilsit") decreased to 661 t, while 849 tons were produced in the first half of 2019 (decrease by 22.1 per cents). The production of fermented cheese products increased by 3.4 per cents from 828 to 856 tonnes, production of cheese strings decreased by 8.7 per cents and production of other types of cheese increased by 21.0 per cents.

Most of the products produced in the Company are sold through the parent company AB "Žemaitijos Pienas". The structure of sales by markets is graphically represented:



During the first half of 2020 products were sold for 13.512 thousand Euros or 8.2 per cent less compared to the same period in 2019, when sales amounted to 14.722 thousand Euros. Production demand decrease and fall of prices.

Types of risks, their factors and uncertainties, risk management

Financial and other risks, as well as their management, security means, other financial aspects are disclosed in Chapter 29 "Financial Risk Management" of the Explanatory Note of the Annual Audited Financial Statements and on pages 17-18 of the Annual Auditor's Report, it is also described in details in Consolidated Management Report of AB "Žemaitijos pienas" for 2019 (Chapter "Key Risk Factors and Risk Management"). There were no essential changes in the first half of 2020, except for a worldwide pandemic (COVID -19).

The Company and other companies of the Group are insured by general civil liability for pursued activities and produced product, coverage is valid worldwide. The Management of the Company or authorized employees shall be responsible for risk management.

COVID – 19 IMPACT. When on 16 March 2020 the Government of the Republic of Lithuania has announced quarantine throughout the country, and the Company's Management has taken all necessary preventive measures to manage the crisis caused by COVID-19: all procedures / instructions recommended by the Government have been prepared; as a matter of urgency,

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employees were provided with protective equipment, other preventive measures were taken; supplemented and revised emergency plan of the Company, etc. In addition to all recommended preventive measures, the Company's production employees were provided with free meals to avoid additional risks and contacts, and it was possible to enter the Company's territory without meeting other shift employees.

Even in risky circumstances, the Companies of the Group operated as usual. Many of the administration employees worked remotely. Employees of the Export Department, without access to supervised markets, went on vacation or worked remotely, as did many administrative employees. The Management of the Company and the Group tried to save all jobs, there was no downtime.

As a result of the COVID-19 outbreak in many countries, the Company's exports decreased, but Lithuanian networks generated higher sales during the pandemic. Economists analyse this phenomenon of Lithuanian networks, but the consumer cart consists of basic (cheaper / everyday) products. Sales of premium products decreased. During the quarantine, e-trade was significantly strengthened, therefore the Company opened its e-shop, as residents, avoiding contacts, ordered goods at home.

Exports also decreased due to the strong support of local producers in some EU countries, which made foreign trade chains to avoid importing food. During the pandemic, the reviews and introductions of new products were stopped, the list of suppliers was and is being narrowed, and the range of existing premium products was substantially reduced. The Management of the Company and the Group tried to adapt their capabilities by organising activities in such a way as to ensure business continuity under crisis conditions.

Currency fluctuations had a negative impact on exports of products to the countries that have a local currency. If this situation were to continue, prices would rise. However, the networks do not yet dare to raise prices, because the shopping cart has been shrinking / poor and negative public opinion - a sensitive topic. During the pandemic, with the closure of restaurants, cafes, schools and kindergartens, the receivables of these institutions increased at that time, but after the end of the quarantine, all overdue debts were repaid.

The Company and the Group do not anticipate liquidity or credit risk problems. The Company and the Group assess major customers based on their current and expected future economic condition. The Company is taking all possible measures to strengthen payment control. At the time of preparation of the financial statements, settlements were made in the usual way.

Whereas raw milk is the main raw material for the products produced, the Management of the Company has taken every effort to ensure that raw milk is paid to farmers on time, without breaching payment deadlines. The Company has a sufficient borrowing limit to ensure current solvency. The negative impact of COVID-19 on results of operations, cash flows and financial condition is not expected, therefore all conditions and liabilities provided in the agreements with banks will be fulfilled. There is a constant cooperation with the banks without any changes.

Considering that the negative impact of COVID-19 on operating and cash flows has not been identified, the Management of the Company and the Group believes that there are no indications of impairment of non-current assets and can therefore ensure business continuity in an unfavourable situation.

The Management of the Company and the Group sought opportunities to take advantage of various assistance and support measures offered by the Government of the Republic of Lithuania and the European Union. The Company has taken advantage of the following support programs:

- *Private storage of cheese.* Order No. 3D-357 of the Minister of Agriculture of the Republic of Lithuania of 11 May 2020 "On Support for Private Storage of Cheese in Lithuania" sets 978 tons of cheese: "Rokiškio sūris" - 364 t; "Žemaitijos pienas" - 455 t; "Vilkiškių pieninė" - 159 t. The support for cheese is EUR 15.57 per ton for the fixed costs of the product stored and EUR 0.40 per ton per day of storage of the product stored. Storage period for cheese - 60-180 days.

- *Private butter storage.* Support for private butter storage – EUR 9.83 per ton for the fixed costs of the product stored and EUR 0.43 per ton per day of storage. Storage period of the aforementioned products – 90–180 days.

The Management of the Company and the Group believes that the main risk that could arise in future is a significant number of the employees of the Company and the Group infected with COVID-19, which would result in the cessation of partial or total production. This would lead to lower incomes, profits, loss of farmers and customers. The Company and the Group still operate in an enhanced security mode, the temperature of employees is constantly measured, any meetings are restricted, guests have no access to the territory, and the flow of employees in the canteen and other gathering places is restricted. The premises are disinfected daily, employees are provided with protective equipment and disinfectant liquid. IT employees prepare e-systems if they must return to remote work again.

Business plans and forecasts of the Companies of the Group

In 2020 the Group of Companies continues to achieve the key objective - to sell the products of the Group companies directly to the shelves of strategic foreign trade networks with their own brands.

The Company still seeks to use the opportunities for quick development in the competitive environment. Long-term goals of the Group of Companies are to become and be a strong, technically modern, and reliable company attractive to investors. To find and maintain the most profitable markets for our products in the European Union, the Baltic and other countries of the world by giving priority to the closest markets, as well as to the markets of Germany, France and England. To make maximum possible use of the existing production capacities, in addition, the consumer market studies are carried out continually, the consumer demand for new products is taken into account, tastings are carried out, and dairy products are perfected and new products. One more goal is to become as close as possible to a consumer by providing and selling the products directly to a customer.

The essential current objectives and plans of the Company are as follow:

- To purchase milk in accordance with market conditions but not at a higher price than that paid for raw milk by other market participants in Lithuania and purchase high-quality milk only;
- To increase sales at the prices favourable to the Company;
- To focus on the sales of higher value-added products on export markets.

The lack of skilled labour forces the Company to focus on human resources, so special attention is paid to team building, development of competence and qualification, formation of special skills, revision, and improvement of motivation systems.

Regularly changing and dynamic market of the sale of products and the purchase of raw milk, as well as other factors, force the Group of Companies to refrain from publishing the turnover and profit forecasts for the upcoming activity period.

Information of research and development activities of the Company

The Company and its subsidiary (jointly or separately) continuously make investments and seek ways to ensure continuous growth of income and improvement of activity effectiveness.

The goal of the companies is to ensure production and supply of products complying with the highest possible quality standards and creating maximum possible added value, which is why the Group continuously cooperates with scientists from Lithuanian University of Health Sciences, Vilnius University, Centre for Physical Sciences and Technology under Kaunas University of Technology as well as experts from Lithuania and abroad. The Company carries out laboratory tests in laboratories of National Food and Veterinary Risk Institute, Eurofins, Hamilton, KTU MI, LSMU Veterinary Academy and other laboratories, improving recipes, strengthening product individuality, and creating new products. Uninterruptible tests are mainly oriented to improvement of available product cart.

In order to achieve higher standards, application of more advanced management methods, and development of innovative vision of both the production technology and business management as

well as individual Company management and work processes Company specialist continuously train, attend practical trainings and exhibitions abroad, and cooperate with the largest suppliers while horizontally integrating best production practices in the Company's own production processes and logistics as well as implementing improvement initiatives with suppliers' production processes and products.

Activities of the Companies of the Group in the field of environmental protection

AB "Žemaitijos Pienas", a company that produces and sells dairy products, which, in accordance with the criteria laid down in the Regulations for the issue, amendment and revocation of Integrated Pollution Prevention and Control Permits, refers to companies that use the equipment subject to a special permit for the performance of its activities in accordance with the above rules. Still in 2006 the Company received an Integrated Pollution Prevention and Control Permit, which is not limited in time, but is the subject to adjustment due to changes. The Company does not have a negative impact on the environment, which should be mitigated by immediate measures, however, the Company constantly monitors its performance indicators, plans and implements the latest technologies that would reduce production and operating costs and energy costs, and improve the Company's environmental condition in every way.

The Company aims to maximize the use of natural resources by various means. As we know, natural resources determine the economic development of countries. Countries that conserve natural wealth have much greater opportunities to develop production, trade and the social sphere. The Company is well aware that its activities can cause significant damage to the environment, and only the complex use of economic, legal, technical, and biological tools can guarantee the rational use of natural resources now and in the future, so environmental impacts are controlled by harmonized monitoring programs. As the Company expands or upgrades its facilities and technology, an environmental impact assessment is carried out to ensure that the Company's development does not exceed the permissible environmental norms, as well as the production wastewater, the quality of biofuels and other factors that may affect the surrounding environment. The Company is constantly updating its fleet to reduce air pollution from mobile sources. To ensure the reduction of pollution from stationary pollution sources, the Company uses the best available production methods.

The waste is managed in accordance with the established environmental requirements, through the through the environmental electronic data collection system GPAIS (waste product package information system). Moreover, the Company provides (forms) quarterly waste accounting reports and shipped exported waste package accounting reports. Within the territory, hazardous and non-hazardous waste is stored and handled in a way that does not adversely affect the environment; Waste is shipped to waste recycling and timely disposal companies. AB "Žemaitijos Pienas" carries out sorting of packaging at the place of waste generation, presses it and prepares it for recycling. It also separates packaging waste for recycling but is suitable for energy recovery and systematically transmits this waste to collectors and processors.

During the first half of 2020 the Company implemented other investments planned for 2020-2021 aimed at production development, raising of automation level, increase of occupational safety, ensuring of technical level and environmental requirement.

In order to reduce emission of gases contributing to the greenhouse effect AB "Žemaitijos pienas" has assumed the initiative and either completely eliminated equipment relying on Freon gas for its processes or obtained equipment that uses a more environmentally friendly type of this gas.

The Company is constantly improving its management structure for environmental issues. It was believed that all employees and their managers should contribute to the reduction of energy costs, pollution reduction, therefore from 2018 it will be necessary to reduce emissions. Environmental responsibility is not the sole responsibility of one person, one office ecologist-engineer. At the same time, the Company started measuring wastewater pollution in each unit separately, which also allowed controlling, analysing and carrying out preventive work to prevent the discharge of polluting wastewater into the wastewater, at the same time allowed to improve the overall communication between the units, to see where more investment or organizational measures are needed to solve the problems.

The company is actively implementing and promoting the use of renewable resources. AB "Žemaitijos Pienas" has a 10MW biofuel boiler house, which uses renewable energy resources - wood chips (SM2) instead of natural gas. In the first half of 2020 AB "Žemaitijos Pienas" consumed 606.082 m³ of gas; i.e. 12.29 per cent more than in the first half of the previous year. In the first half of 2020 the Company consumed 2.127,980 t of biofuel, it means that comparing to 2019 biofuel consumption decreased by 9.87 per cent.

The company, being socially responsible and caring for the environment and preserving it, buys electricity from renewable energy sources. In the first half of 2020 AB "Žemaitijos pienas" consumed 9.962,860 kWh of electricity, which means that compared to the first half of 2019 electricity consumption decreased by 2.14 per cents. Considering indirect energy consumption data, the major part of the energy used in the first half of 2020 was used for storage of finished products, i.e. 5355.880 kWh.

In the first half of 2020, AB "Žemaitijos pienas" consumed 427,284 m³ of water, which is 5.34% more than in the first half of 2019. The Company respects and complies with the laws of the Republic of Lithuania related to environmental protection, pays all mandatory pollution taxes on due time. When selecting suppliers, AB "Žemaitijos pienas" considers how they apply environmental protection strategies, whether they comply with environmental requirements and requires guarantees that the transferred waste will be properly managed.

In future, AB "Žemaitijos pienas" will continue to take every effort to become an increasingly environmentally friendly company. It is expected to be able to use more energy from renewable sources in its activities and to reduce emissions into the environment.

Aspects on management of employees and human resources of the Companies of the Group

The main assets of the Company are its employees, the most important link in achieving goals of the Company. The Company's personnel policy is focused on the formation of teamwork, continuous process and professional development, optimal use of work resources, development of competent employees and the formation of the Company's culture that creates greater added value and improvement of internal communication.

There has been an increase in the number of highly qualified employees, but there is still lack of highly qualified employees. These problems are solved by creating and developing long-term relationships with employees, adapting them, educating, promoting professional development. Opportunities are created for employees to deepen and improve their knowledge and skills, to improve their qualifications by participating in various seminars and courses. Employees are taught foreign languages in courses organised by the Company, the above-mentioned trainings are also carried out in other forms of learning and development.

During the reporting period, the focus was on several areas of training: improving the qualifications of employees to ensure compliance with the quality of work requirements, as well as training on disinfection and protection against COVID. To ensure the rotation and multi-function of employees, employees are additionally trained, and a reserve of managerial rotation is prepared.

AB "Žemaitijos pienas"

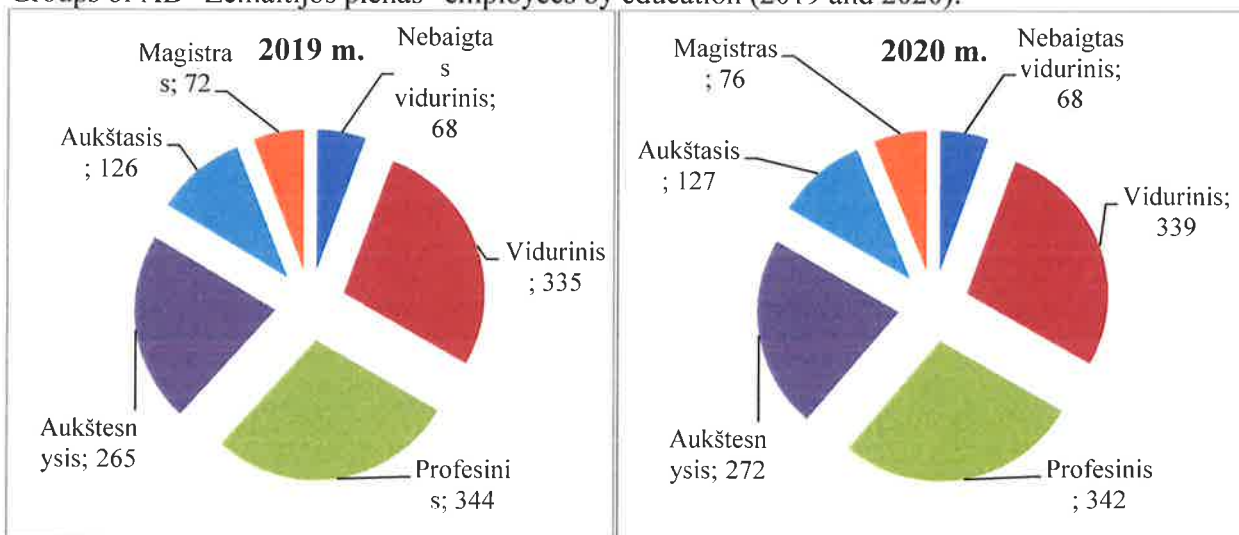
According to the data available by 30 June 2020, AB "Žemaitijos pienas" had 1289 (65 of which were pupils and students working temporarily during the summer and this figure is not included in the statistics).

According to the data available by 31 December 2019, AB "Žemaitijos pienas" had 1210 employees. According to the data available by 31 December 2018, AB "Žemaitijos pienas" had 1185 employees. Comparing to the previous year the number of employees slightly increased.

Groups of AB "Žemaitijos pienas" employees by education (2018, 2019, 2020):

Number of employees	31/12/2018	31/12/2019	30/06/2020
With Master's Degree	43	72	76
With University Degree	178	126	127
With College Degree	226	265	272
With Vocational Education	293	344	342
With Secondary Education	367	335	339
With unfinished Secondary Education	78	68	68

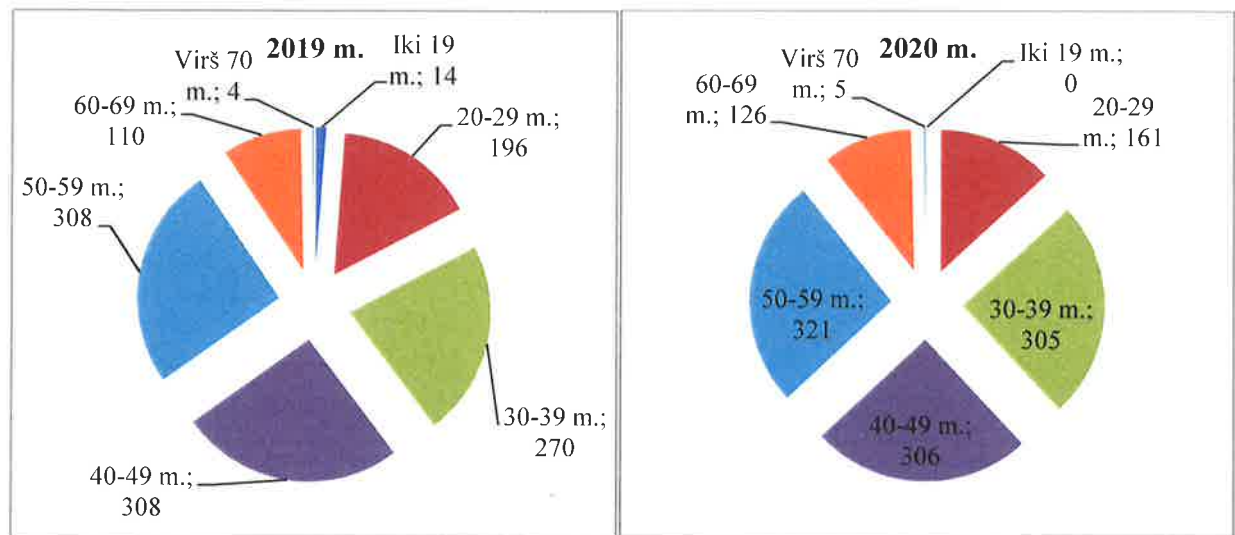
Groups of AB "Žemaitijos pienas" employees by education (2019 and 2020):



Number of AB "Žemaitijos pienas" employees by their corresponding groups and their average wages in EUR for corresponding employee work groups make up:

Number of employees by groups	31/12/2018		31/12/2019		30/06/2020	
	Number of employees	Average wage, EUR	Number of employees	Average wage, EUR	Number of employees	Average wage
Managers	9	7180	9	7429	9	5442
Specialists	258	1917	288	2246	307	2296
Workers	918	926	913	1194	908	1216
Total:	1185		1210		1224	

Number of employees by age groups in 2019 and 2020:



Rights and obligations of AB "Žemaitijos pienas" employees are provided for in their Job Descriptions. Employment Contracts outline no special rights or obligations of employees, and the Company does not have a Collective Agreement, but there is a Labour Board formed.

ABF "Šilutės Rambynas"

In the end of the reporting period the Company had 182 employees, their number, compared to the same period in 2019, decreased by 13 employees (6.7 per cents). Changes of groups of employees by education are provided in the Table below:

Education of employees	30/06/2020	30/06/2019	30/06/2018
With Master's Degree	9	8	7
With University Degree	26	25	22
With College Degree	24	26	27
With Vocational Education	64	70	65
With Secondary Education	43	44	46
With unfinished Secondary Education	16	22	20
Total:	182	195	187

The average wage in the first half of 2020 was 1500 EUR per month, or 2.2 per cent less than in 2019. Changes in wages by employee groups are given in the Table below:

Darbuotojų skaičius pagal darbuotojų grupes	2020.06.30		2019.06.30		2018.06.30	
	Darbuotojų skaičius	Vidutinis darbo užmokestis, Eur/mėn.	Darbuotojų skaičius	Vidutinis darbo užmokestis, Eur/mėn.	Darbuotojų skaičius	Vidutinis dar užmokestis, Eur/mėn.
Vadovai	7	2978	7	3332	7	2792
Specialistai	28	1781	30	1906	30	1263
Darbininkai	147	1376	158	1382	150	974
Iš viso:	182	1500	195	1533	187	1089

The Company of the Group seeks to develop and maintain long-term relationships with its employees, especially when the labour market is not satisfying - the lack of highly qualified employees. Therefore, employees are constantly encouraged to develop in the professional field. The Company employees could improve their knowledge and skills in seminars and courses. There are training programs that train and certify specialists, production workers, technicians, operators, locksmiths, brigades, masters, and masters.

IV. ASPECTS OF COMPANY MANAGEMENT

Information related to AB "Žemaitijos pienas" management

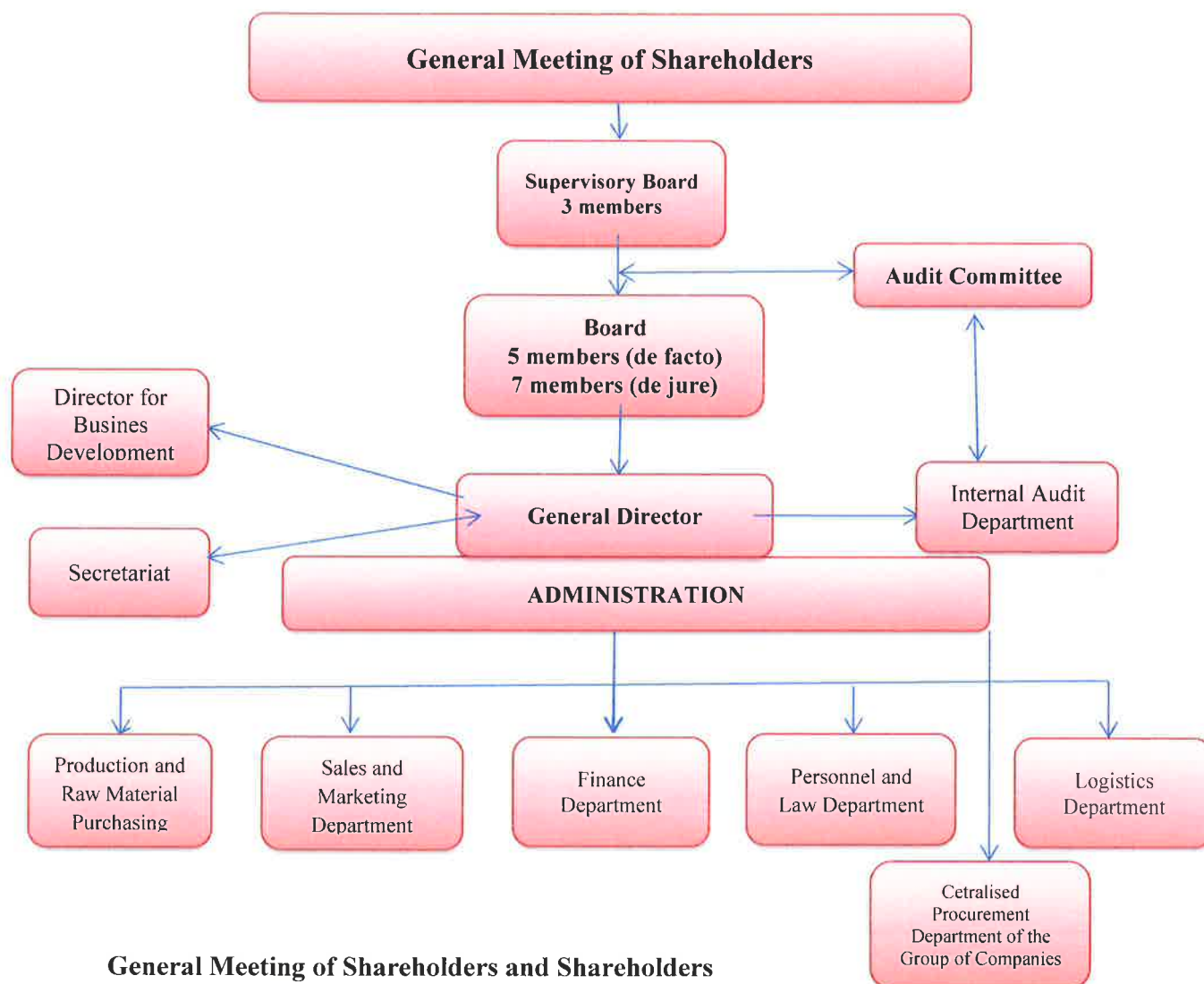
In its activities, the Company follows the Law on Companies and the Law on Securities, the Articles of Association of the Company and other legal acts of the Republic of Lithuania. The competence of the General Meeting of Shareholders and other bodies, the rights of shareholders and their exercising are defined in the Law on Companies and the Articles of Association of the Company.

The bodies of the Company are the General Meeting of Shareholders, the Supervisory Board, the Board and the sole management body - the Manager of the Company (General Director), as well as the Administration of the Company subordinated to the Manager of the Company. The Company has the following departments: (i) finance, (ii) personnel and law, (iii) logistics, (iv) production and raw material purchasing, and (v) sales and marketing. The Company has formed an audit committee.

The Meeting of Shareholders of 9 April 2020 approved the remuneration policy of the Manager of AB "Žemaitijos pienas", members of the Board and members of the Supervisory Board³.

Management and organisational structure of the Company:

³ <https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=933978&messageId=1176575>



General Meeting of Shareholders and Shareholders

The General Meeting of Shareholders is the body that makes the most significant decisions in the Company. The competence, convocation procedure, rights and obligations of the General Meeting of Shareholders do not differ significantly from the competence, convocation procedure and rights and obligations of the General Meeting of Shareholders provided for in the Law on Companies of the Republic of Lithuania and other legal acts, Articles of Association of the Company.

During the first half of 2020 the structure of shareholder of the Company did not change substantially. Major shareholders retained the same share packages, except that the share of votes of persons acting together changed due to changes in legal regulations. As the shares of AB "Žemaitijos pienas" are sold on the stock exchange, the number of shareholders is constantly changing. Considering the data received from the intermediary of public trading in securities, by 30 June 2020 there were 2 852 shareholders (natural and legal persons) of the Company. In the beginning of the year, there were 2 863 shareholders, so the number of shareholders decreased slightly during the reporting period. The persons owning more than 5% of authorised capital and votes of AB "Žemaitijos pienas"⁴:

⁴ *A. Pažemeckas and D. Pažemeckienė hold 14 024 581 shares (votes) by the right of joint property of the spouses. **D. Pažemeckienė holds 14 014 581 shares by the right of personal property and it is considered that D. Pažemeckienė together with her spouse holds 28 039 162 shares or 57.96 per cents (total) of shares (votes).

Shareholder	Number of shares held by the right of ownership, pcs.	Part of authorised capital held by the right of ownership, %	Part of votes held by the right of ownership, %	Part of votes together associated per %
Pažemeckas Algirdas*	14 024 581	28.99	28.99	28.99
Pažemeckienė Danutė**	14 014 581 (28 039 162)	57.96	57.96	57.96
AB "Klaipėdos pienas", company code 240026930, Šilutės pl. 33, 91107 Klaipėda	2 901 844	6.00	6.00	6.00
UAB "Baltic Holding", company code 302688114, office address Vilhelmo Borbomo Str. 9-4, Klaipėda	4 713 018	9.74	9.74	9.74
Romusas Jarulaitis	1 870 430	3.86	3.86	6.56
Regina Jarulaitienė	1 303 740	2.70	2.70	6.56
Gecienė Dalia	475 160	0.98	0.98	0.98
Pažemeckas Robertas	2 540	0.01	0.01	0.01
Other shareholders	9 079 106	18.77	18.77	18.77
TOTAL	48 375 000	100	100	100

AB "Žemaitijos pienas", the largest shareholder of ABF "Šilutės Rambynas", owns 87.82 per cent of shares, the rest part of shares is owned by minor shareholders, most of whom are the producers of raw milk. The total number of shareholders is 602. ABF "Šilutės Rambynas" is not the subject to any restrictions on the management and use of shares. ABF "Šilutės Rambynas" does not hold any significant share packages in other entities, either directly or indirectly.

Supervisory Board of the Company

*Supervisory Board of the Company*⁵ is a collegial supervisory body, that supervises the activities of the Company and is headed by its Chairman. The Supervisory Board of the Company consists of 3 members, elected by the General Meeting of Shareholders for the term of four years. The Articles of Association of the Company provide that the number of terms of office of a member of the Supervisory Board is not limited. By 30 June 2020 the Supervisory Board was independent, i.e. two (2) members of the Supervisory Board (i) are not employed by the Company; (ii) not related to the major shareholders of the Company; (iii) are not related with any relationship that may or may not affect the independence or impartiality of the members of the Supervisory Board, except for one (1) member. Specific aspects related to the Supervisory Board and its activities are reviewed in the Report on Compliance with the Corporate Governance Code⁶.

It should be noted that no special rules governing the election and replacement of members of the Supervisory Board of the Company apply. The election of members is not the subject to special policies related to age, gender, education, professional experience and the characteristics that would best suit the interests of the Group and shareholders are assessed. Specific business authorisations are assigned to each member of the Supervisory Board according to separate areas of the Company's activity. The work procedure of the Supervisory Board is regulated by the Rules of Procedure of the Supervisory Board.

Name, Surname	Office in the Issuer	Number of shares held and part of authorised capital, %	Job, office	Education	Independence criteria
Romusas Jarulaitis	Chairman of the Supervisory Board since 10/04/2019	1 870 430 pcs. or 3.86	AB "Žemaitijos pienas" Export Manager	Kaunas Technological University. Technical Engineer	Employment relation in the Company/dependent
Gražina Norkevičienė	Chairman of the Supervisory Board since 10/04/2019	No	Pensioner	Kaunas Polytechnic Institute, Technologist and Engineer for Milk and Dairy Product.	Independent
Virginija Vaitkuvienė	Chairman of the Supervisory Board since 10/04/2019	No	Pensioner	Kaunas Polytechnic Institute, Technologist and Engineer for Milk and Dairy Product.	Independent

The members of the Supervisory Board pursue and supervise the following areas of the Company's activity.

⁵ Members of the Supervisory Board (candidates) declared before their appointment (as a member of the body) that their position in the Company would not cause a conflict of interest, the candidate undertook to act in the interests and for the benefit of the Company;

⁶ <https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=933978&messageId=1176575>

Member of the Board	Supervised area
1. Gražina Norkevičienė	1.1. Quality parameters in production processes; 1.2. Tasting supervision; 1.3. Companies providing raw milk research services supervision / control;
2. Romusas Jarulaitis	2.1. Product sales; 2.2. Purchase of raw milk; 2.3. Company finances;
3. Virginija Vaitkuvienė	3.1. Production processes; Development of new products;

During the reporting period (first half of 2020), the Company (Issuer) accrued EUR 9 000 to the members of the Supervisory Board of the Company under activity contracts, averaged EUR 4 500 per member of the Supervisory Board and accrued EUR 48 592 wages to the employees per half a year.

Board of the Company

This collegial management body, which represents the shareholders of the Company for the period between their meetings and makes decisions on the most important issues related to economic activity of the Company; the Board of the Company does not perform supervisory functions, these functions are performed by the Supervisory Board. The members of the Board have the powers provided for by laws, the Articles of Association of the Company, and the Rules of Procedure of the Board adopted by it. All members of the Board are responsible for certain assigned areas of the Company's business. The Board currently has five "de facto" members (6 members until 10 January 2020).

The members of the Board are elected by the Supervisory Board for a maximum of four years. Their term of office is unlimited. It should be noted that no special rules governing the election of members of the Board of the Company and their replacement are applied, the Company follows the provisions of the Law on Companies and the Articles of Association of the Company. The election of members is not the subject to special policies related to age, gender, education, professional experience, and the characteristics that would best suit the interests of the Group and shareholders are assessed. The activities of the Board are managed by the Chairman, who is elected by the Board from among its members. Certain aspects related to the Board of the Company and its activities are reviewed in the Report on Compliance with the Corporate Governance Code.

Below one can find the data about the members of the Board of AB "Žemaitijos pienas".

Name, Surname	Office in the Issuer	Number of shares held and part of authorised capital, %	Job, office	Education	Independence criteria
Robertas Pažemeckas	Chairman of the Board, Chief Executive Officer From 12/04/2018 until 12/04/2022	2 540 pcs. or 0.01 per cent	AB "Žemaitijos pienas" Chief Executive Officer	Vilnius University, Master of Law	Works in the Con Administration
Marius Dromantas	Member of the Board From 12/04/2018 until 12/04/2022	No	AB "Žemaitijos pienas" Logistics Director	(i) Kaunas Technological University (Bachelor of Transport Engineering); (ii) Vilnius Gediminas Technical University (Master of Transport Engineering)	Works in the Con Administration
Dalia Gecienė	Member of the Board From 12/04/2018 until 12/04/2022	475 160 pcs., or 0.98 per cent	AB "Žemaitijos pienas" Senior Accounting Officer	Kaunas Polytechnic Institute (KTU), Economical Engineer	Works in the Cor Administration
Jurgita Petrauskienė	Member of the Board From 18/04/2019 until 12/04/2022	No	AB "Žemaitijos pienas" Sales Manager	Kaunas Technological University – Bachelor of Management and Business Administration	Works in the Cor Administration
Jolita Gedgaudienė	Member of the Board From 12/04/2018 until 12/04/2022	No	AB "Žemaitijos pienas" Marketing Manager	(i) Vilnius Gediminas Technical University (Bachelor of Mechanical Engineering); (ii) Vilnius Gediminas Technical University (Master of Management and Business Administration)	Works in the Cor Administration

The members of the Board of the Company perform not only general and statutory functions, but also special delegated - individual functions directly related to the activities of the Companies, among others, some of the functions are aimed at prevention in order to avoid various negative effects. The distribution of the operational functions of the members of the Board is presented below.

Member of the Board	Supervised area
1. Dalia Gecienė	1.1. Finances 1.2. Audits of Estonian and all EU branches and rep offices
2. Robertas Pažemeckas	2.1. Procurements 2.2. Personnel and Law
3. Marius Dromantas	3.1. Logistics
4. Jurgita Petrauskienė	4.1. Sales (Export, Baltic States)
5. Jolita Gedgaudienė	5.1. Marketing (Export, Baltic States)

The Company accrued EUR 184 730 in salary to the members of the Board working under Employment Contracts, which is on average EUR 36 946 per member of the Board.

Data on the Company Administration

The Company Administration consists of - the General Director, Production Director, Logistics Director, Technical Manager, Sales Manager, Marketing Manager, Purchasing Manager, Personnel and Law Director, Chief Accounting Officer, other personnel performing administrative or related functions. The Company Administration is headed by the General Director. Directors / Managers implement the goals and tasks set by the Company's management bodies, perform functions in accordance with the powers assigned to them and manage subordinate employees.

Name, Surname	Office	Start of work in the Company	Education	Number of held shares, pcs.	Part of authorised capital and votes, %
Robertas Pažemeckas	General Director	26/08/2002	Higher University	2540	0.01/0.01
Marius Dromantas	Logistics Director	01/12/2003	Higher University	-	-
Nijolė Penkovskienė	Head of Sales Department	03/07/2017	Higher University	-	-
Monika Jasiulionienė	Production Director	10/08/2020	Higher University	-	-
Robertas Pavelskis	Technical Manager	02/08/1993	Higher University	-	-
Jurgita Petrauskienė	Sales Manager	29/08/2005	Higher University	-	-
Jolita Gedgaudienė	Marketing Manager	19/09/2005	Higher University	-	-
Dalia Gecienė	Senior Accounting Officer	29/07/1986	Higher University	475 160	0.98/0.98

The Company accrued EUR 293 854 in salary to the Directors / Managers of the Administration, EUR 32 650 per head of the administration.

Audit Committee of the Company

AB "Žemaitijos pienas" have the Audit Committee, which consists of three members:

Name, Surname	Office in the Audit Committee	Independence criteria	Accrued salary for 2020, tax included, EUR	Beginning/ End of the term
Angelė Taraškevičienė	Chairlady of the Audit Committee	Independent	-	24/10/2017 / 24/10/2021
Zina Sakalauskienė	Member of the Audit Committee	Independent	-	24/10/2017 / 24/10/2021
Sigita Leonavičienė	Member of the Audit Committee	-	-	24/10/2017 / 24/10/2021

The amount of EUR 5,000 was accrued to the members of the Audit Committee.

Other data are related to the activities of AB "Žemaitijos pienas"

No guarantee or bond, assets or other property right were provided to the members of the Board and Supervisory Board, Manager of the Company, Senior Accounting Officer/Senior Financial Analyst, and members of the Audit Committee during the reporting period. The members of the Board and Supervisory Board, Manager of the Company, Senior Accounting Officer/Senior Financial Analyst and members of the Audit Committee do not have significant financial liabilities to the company (issuer), and the company (issuer) does not have any liabilities to these persons.

The Issuer did not provide members of the Board and Supervisory Board and other agents with guarantees and bonds and/or other securities (Manager of the Company, Senior Accounting Officer/Senior Financial Analyst and members of the Audit Committee) during the first half of 2020. The Issuer did not provide loans to these persons.

Bodies of ABF "Šilutės Rambynas" and management aspects

The bodies of ABF "Šilutės Rambynas" are the General Meeting of Shareholders, the Board and the sole management body - the Manager of the Company (General Director), as well as the employees of the Company Administration subordinate to the Manager of the Company.

Name, Surname	Office in the Issuer	Number of held shares, pcs./per cent	Beginning of the term	End of the term	Activity, current office in the Company	Education
Algirdas Bladžinauskas	Chairman of the Board	No	30/04/2018	30/04/2023	General Director	Lithuanian Academy of Agriculture (Master of Agricultural Agronom
Irena Baltrušaitienė	Member of the Board	No	30/04/2018	30/04/2023	Pensioner	Kaunas Polytechnic Institute (Master of Milk and Milk Products Technology
Linus Puskunigis	Member of the Board	2076 pcs. or 0.24 per cent	30/04/2018	30/04/2023	Chief Accountant	Lithuanian Academy of Agriculture (Master of Economics and Organisation)
Robertas Pavelskis	Member of the Board	No	30/04/2018	30/04/2023	AB "Žemaitijos pienas" Technical Manager	Kaunas Academy of Agriculture
Renata Rupšienė	Member of the Board	50 pcs.	29/04/2014	29/04/2018	ABF "Šilutės Rambynas" Production Director	Kaunas University of Technology (Master of Chemical Engineering)

Manager and Administration of ABF "Šilutės Rambynas"

The Manager of the Company (General Director) - Algirdas Bladžinauskas, Chief Accountant is Linas Puskunigis (see data on these persons in the table above). It should be noted that no special rules governing the election and replacement of the Company's manager are applied, in performing these actions the Company follows the provisions of the Law on Companies, the provisions of Articles of Association of the Company, and other legal acts. No benefits were paid to the members of the Board of the Company during the reporting period.

When electing the members of the bodies, ABF "Šilutės Rambynas" assessed professional experience and abilities, personal qualities, various other features of the candidate, and the candidate filled in a declaration of conflict of interest. The Company does not apply policies that relate to a person's age, gender, and etc. The Company believes that this system allows to select the best members to the Company bodies.

IV. OTHER INFORMATION

Transactions with associated parties

Transactions of associated parties during the first half of the current financial year that have a material effect on the financial position or performance of the company and / or group of companies during that period, including the amounts of those transactions, are reported in Comment 18 of the Explanatory Note for the first half of 2020.

Judicial disputes

Currently, AB "Žemaitijos pienas" has several significant court proceedings in courts of general and specialised jurisdiction. At the time of submitting this notification, the civil dispute with the Public Institution "Pakuočių tvarkymo organizacija" regarding award of EUR 96 020 losses in favour of AB "Žemaitijos pienas" (for waste management periods of 2013-2015) has not been finished.

Several cases are still pending in the administrative courts - (i) a dispute with the Supervisory Authority of the Bank of Lithuania over the economic sanctions of EUR 158.000 applied and (ii) litigation of administrative nature in which AB "Žemaitijos pienas" is involved in the case as a third party regarding declaration of a part of issued and destroyed certificates of the Public Institution "Pakuočių tvarkymo organizacija", confirming waste management, null and void. The amount of this case is EUR 96 020.

Both the afore-mentioned disputes and their outcome, as well as several insignificant legal claims initiated on behalf of AB "Žemaitijos Pienas", and their final results will have no impact on the financial results of the Group companies.

Regulated information published by the Company

During the reporting period, the Company submitted 10 notices via the information system of the Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) (on the website), three notices were published after the reporting period. All facts (events) are stored in the Central Regulated Information Database⁷, as well as this information is available on the Company's website www.zpienas.lt.

Public notices shall be published in accordance with the procedure established by legal acts and submitted in the electronic publication of the Manager of the Register of Legal Entities. Notices on convocation of the General Meeting of Shareholders and other material events are published in accordance with the procedure established by the Law on Securities in the Central Regulated Information Database www.crib.lt and on the Company's website www.zpienas.lt. The most important events of the reporting period were published in the first half of 2020.

⁷ http://www.nasdaqbaltic.com/market/?pg=news&issuer=ZMP&start_d=1&start_m=1&start_y=1996

Date	The most important notices of the reporting period
09/04/2020	Decisions of the Ordinary General Meeting of AB "Žemaitijos pienas" Shareholders
04/03/2020	Change of the place of the General Meeting of Shareholders of AB "Žemaitijos pienas" and submission of an alternative decision to the General Meeting of Shareholders
16/03/2020	Convocation of the Ordinary General Meeting of Shareholders of AB "Žemaitijos pienas"
16/03/2020	Impact of COVID -19 (current and potential) on the business of AB "Žemaitijos pienas"
28/02/2020	Unaudited performance results of AB "Žemaitijos pienas" Group in 2019
10/01/2020	Deregistration of AB "Baltijos mineralinių vandenų kompanija" from the Register of Legal Entities
10/01/2020	Dismissal of a member of the Board of AB "Žemaitijos pienas";
The most important post-reporting notices	
04/08/2020	Notice of intention to repurchase own shares

Information related to the Corporate Governance Code of the Companies

During the reporting period there were no significant changes related to compliance with the Corporate Governance Code of the Companies.

The most important post-reporting events

From 5 August until 12 August 2020 the Company purchased 65 788 shares through the Nasdaq Vilnius Stock Exchange. After this repurchase of own shares, AB "Žemaitijos pienas" owns 3 482 551 shares or 7.2 per cent own share package.

From 2020 August 31 until 2020 September 08 the Company carried out a repurchase through the Nasdaq Vilnius Stock Exchange, no shares were purchased during the repurchase of own shares.

General director



Robertas Pažemeckas

Senior accountant



Dalia Gecienė