



TO: The Lithuanian Securities Commission  
Konstitucijos pr. 23  
Vilnius

31<sup>st</sup> August 2011

### ENDORSEMENT BY THE RESPONSIBLE PERSONS

Pursuing Article 22 of the Law on Securities of the Republic of Lithuania and in accordance with the rules of preparation and submission of periodical and supplementary information approved by the Securities Commission of the Republic of Lithuania, we, the undersigned – the Chief Executive Officer Antanas Trumpa and the Chief Financial Officer Antanas Kavaliauskas – approve that the six month consolidated interim report of „Rokiškio sūris“ for the year 2011, shows fair review of the business development and operations.

*Attached:* Six month consolidated interim report of „Rokiškio sūris“ for the year 2011.

Chief Executive Officer

Antanas Trumpa

Chief Financial Officer

Antanas Kavaliauskas





**CONSOLIDATED INTERIM REPORT OF AB  
“ROKIŠKIO SŪRIS“  
FOR THE SIX MONTH PERIOD  
OF THE YEAR 2011**

*(Prepared in accordance with the rules of preparation and submission of periodical and supplementary information approved by the Securities Commission of the Republic of Lithuania)*

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## 1. Reporting term of the prepared report

The consolidated annual report is prepared for the first half year 2011.

## 2. Key information of the issuer

Name of the issuer: Joint stock company "Rokiskio suris".

Legal base: joint stock company.

Address – Pramones str. 3, LT 42150 Rokiskis, Republic of Lithuania.

Telephone: +370 458 55 200, fax +370 458 55 300.

E-mail address: [rokiskio.suris@rokiskio.com](mailto:rokiskio.suris@rokiskio.com)

Website: [www.rokiskio.com](http://www.rokiskio.com)

Date and place of registration: Registered in on 28<sup>th</sup> February 1992 by the Authorities of Rokiskis region.

Re-registered in on 28<sup>th</sup> November 1995 by the Ministry of Economy of the Republic of Lithuania.

Company code 173057512.

Manager of legal persons registry – State company “Registru centras”.

The authorized capital of AB ”Rokiskio suris” equals to LTL 35 867 970.

Number of shares: 35 867 970. Nominal value per share equals to LTL 1 (one litas).

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

The consolidated group (hereinafter the “Group”) consists of the Company AB “Rokiskio suris“, two branches, four subsidiaries and one joint venture (in 2010: two branches, four subsidiaries, and one joint venture). The following tables introduce the subsidiaries and branches which are included in the consolidated report:

	Operating as at June 30th	
	2011	2010
<b>Branches</b>		
Utenos pienas	Yes	Yes
Ukmergės pieninė	Yes	Yes

	Group's share (%) as at June 30th	
	2011	2010
<b>Subsidiaries</b>		
UAB „Rokiškio pienas“	100,00	100,00
UAB „Skirpstas“	-	100,00
KB „Žalmargė“	100,00	100,00
SIA „Jekabpils Piena Kombinats“	100,00	50,05
SIA „Kaunata“ *	60,00	-
<b>Joint venture</b>		
UAB „Pieno upės“	50,00	50,00

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

Within 2010, the company UAB „Batėnai“ was sold. As of March 31<sup>st</sup> 2011, the company UAB „Skirpstas“ was liquidated. On 31<sup>st</sup> May, the company acquired 49,95% of the authorized capital of dairy company SIA „Jekabpils piena kombinats“.

All above subsidiaries, the joint venture and branches are incorporated in Lithuania, except for SIA „Jekabpils Piena Kombinats” and SIA „Kaunata” which are incorporated in Latvia. SIA „Kaunata“ was acquired on May 11<sup>th</sup>, 2010 m. AB „Rokiškio sūris” acquired 40 per cent shares for LTL 353 000 whilst UAB „Rokiškio pienas“ acquired 20 per cent of the shares for LTL 176 000.

**Subsidiaries of AB “Rokiškio sūris“:**

UAB „Rokiskio pienas“ legal address: Pramonės g. 8, LT - 28216 Utena. Company code: 300561844. AB „Rokiškio sūris“ happens to be its founder and the only shareholder having 100 per cent of shares.

Dairy cooperative „Žalmargė“ legal address: Kalnalaukio g.1, Širvintos. Company code: 178301073.

Latvian company SIA Jekabpils piena kombinats (company code 45402008851), legal address: Akmenu iela 1, Jekabpils, Latvija LV-5201.

Latvian company SIA Kaunata (company code 240300369, legal address Rogs, Kaunata pag., Rezeknes nov., Latvia)

**Joint venture:**

UAB „Pieno upės“ legal address: Sandėlių g. 9, Kaunas. Company code: 135027862.

**Branches of AB “Rokiskio sūris”**

AB „Rokiškio sūris“ subsidiary Utenos pienas (Company code: 110856741, Pramonės g. 8, LT-28216 Utena);

AB „Rokiškio sūris“ subsidiary Ukmergės pieninė (Company code: 182848454, Kauno g. 51, LT-20119, Ukmergė).

## **4. Characterization of the issuer's basic business**

Basic business of the group of “Rokiškio sūris“:

- ◆ Dairying and cheese production (EVRK 10.51);

Basic business of AB „Rokiškio sūris“ is production and sales of fermented cheese, whey products, and skim milk powder.

Subsidiaries:

Basic business of UAB „Rokiškio pienas“ production and sales of fresh dairy products (fluid milk, kefir, sour milk, butter, curds, fresh cheese, sour cream, chocolate coated curds dessert, desserts).

Basic business of KB „Žalmargė“ is purchase of raw milk.

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

Basic business of SIA Kaunata – purchase of raw milk.

Joint venture:

Basic business of UAB „Pieno upės“ is purchase of raw milk.

Branches of AB “Rokiškio sūris”

Basic business of AB „Rokiškio sūris“ subsidiary Utenos pienas and AB „Rokiškio sūris“ subsidiary Ukmergės pieninė is purchase of raw milk.

## 5. Contracts with financial brokers

On 24<sup>th</sup> December 2003, AB „Rokiškio sūris“ made a contract with UAB FMĮ „Baltijos vertybiniai popieriai“ (Gedimino pr.60, Vilnius) regarding administration of shareholders of AB „Rokiškio sūris“. On 15<sup>th</sup> January 2007, the financial company changed its name into UAB FMĮ „Orion securities“ (A.Tumėno str. 4 , LT-01109 Vilnius).

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

35 867 970 ordinary registered shares of AB “Rokiškio sūris” whose nominal value per share is LTL 1 (one litas), (symbol RSU1L; ISIN code – LT0000100372) and total nominal value equals to LTL 35 867 970, are admitted to the Main List of NASDAQ OMX Vilnius Baltic Stock Exchange.

## 7. Authorized capital of the issuer

As at 30<sup>th</sup> June 2011, the Authorized capital of AB “Rokiškio sūris“:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share of authorized capital (%)
1	2	3	4	5
Ordinary registered shares	35 867 970	1	35 867 970	100,00

All shares of AB „Rokiškio sūris“ are paid-up , and they are not subject to any limitations of transference.

## 8. Shareholders

Total number of shareholders (as at 30.06.2011– 5.767 shareholders.

**The shareholders having or owning over 5 percent of the issuer's authorized capital (as at 30.06.2011):**

Name, surname Name of company	Address	Proprietary rights			With associated persons	
		Number of shares	Capital share %	Votes %	Capital share %	Number of shares
<b>UAB "Pieno pramonės investicijų valdymas"</b>	Pramonės g. 3, Rokiškis Lietuva	13 322 647	37,14	37,14	61,43	61,43
<b>Antanas Trumpa</b>	Sodų 41a, Rokiškis Lietuva	6 578 370	18,34	18,34	61,43	61,43
<b>Skandinaviska Enskilda Banken AB clients</b>	Sergels Torg 2, 10640 Stockholm, Sweden	5 133 182	14,31	14,31	-	-
<b>Swedbank clients</b>	Liivalaia 8, Tallinn Estonia	2 599 500	7,25	7,25	-	-

## 9. Information on purchase of issuer's own shares

The company has not got any shares in treasure at the reporting period.

## 10. Operations of the issuer, plans and forecast

The consolidated non-audited net profit of the group of AB „Rokiškio sūris“ within 6 months 2011 was equal to LTL 9,675 million. The net profitability made 3,05 per cent.

The improved results of this year six month period compared to the same period of last year, were caused by the increased sales quantities and prices. Mainly, whole profit is received from the exports.

AB “Rokiškio sūris“ is one of the largest and most modern dairy production companies in Lithuania. The sales are widely spread including the export to East and West markets as well as a range of fresh dairy products sold on the local market and neighbourhood countries.

In 2010, the group's sales reached LTL 554 million, which consisted of LTL 202 million on the local market and LTL 352 million on the export markets.

Also, the group includes other products into its export product portfolio such as butter, cream, milk powders and by-products after cheese production – WPC and lactose.

During the six month period of 2011, the group sold 112,065 thousand tons of fermented cheese, 6,647 thousand tons of lactose, 0,599 thousand tons of milk powders, 2,669 thousand tons of whey protein concentrate, 1,298 thousand tons of butter, and 2,377 thousand tons of cream.

Another important direction of the group's production is fresh dairy production and sales in Lithuania. As from 1<sup>st</sup> January 2007, this activity is carried out by UAB „Rokiškio Pienas“. The Group's sales on the local market makes a quarter of total sales on the market.

The group's activities in the local market has changed tremendously – now the group's politics is to create added value products, the sales are promoted via strong brands and new product development, innovative market actions. The company's marketing function is strengthening every year.

The group's targets in the local market are to concentrate beside the portfolio of strongest products and maintain not less than 25% market share. Up to now the tasks are being implemented successfully. The company's sales on the local market are directed to the sales through supermarket nets whose share in the company's sales is increasing and now it is over 80 % from the total sales in the local market.

### Sales markets in 2010 and six months 2011

Countries	Sold			
	2010		2011 / 01 - 06	
	thousand Lt	%	thousand Lt	%
Lithuania	201 784	36,44	117 032	36,95
EU	259 351	46,83	145 885	46,05
Other countries	92 625	16,73	53 863	17,00
<b>TOTAL</b>	<b>553 760</b>	<b>100</b>	<b>316 780</b>	<b>100</b>

In 2011, the Group expects to invest around 11 million litas.

The investments will be used to complete the modernization of dairy production such as milk product tanks, cleaning station, cheese packaging, labeling machine, ventilation system, sanitary maintenance equipment, internal transport etc. as per contracts of the support programme KPP 2007-2013, as well as completion of other works in progress in order to ensure stabile and uninterrupted use of current machines and creation of new products.

The essential target of the estimated investments is to continue effective use of the acquired equipment, and to modernize and improve the technological procedures. It is provided that firstly the newly acquired equipment should meet the customer demand for finished product. It is aimed that the equipment would ensure safety, quality and variability of production complying with the changing market demand.

The long term targets of the Group are to create a balanced market and to ensure that the market is safe for the company's products in the long term, as well as to maintain the stabile, harmonized wasteless production program, and to retain steady relationships with milk producers.



## 11. Environment protection

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

Within the reporting period, AB „Rokiškio sūris“ implemented successfully the targets and tasks provided by the Environment Protection Program 2010. The company employs four such programs. It was not identified any unwelcome facts.

Within the first quarter 2011, the company processed 6 per cent more of raw material, consequently the use of resources has changed also.

Consumption of energy resources in the first half year 2011 compared to 2010, per 1 ton of raw material:

Thermal power	Electricity	Water	Waste effluent
Decreased by 3,8 %	Increased by 3,7 %	Decreased by 4,7 %	Increased by 10 %

During the first half year 2011 it was consumed the following amount of water 329.620 m<sup>3</sup>, 62% of which was extracted from the company's fresh water bores. 8 % of the underground water amount was used the cleaned whey water.

The whey from production procedure is fully processed. Nanofiltration, ultrafiltration and reverse osmosis are used in the processing technology. The water extracted from whey (“cow water”) complies with the environmental requirements. 29 % of the cleaned water is used second time. Effectiveness of cleaning equals to 98 % in terms of BDS<sub>7</sub>.

The discharged amount of pollutants in terms of BDS<sub>7</sub> amounts to 0,01 kg/ ton of raw material, i.e. by 85% less than in the same period of 2009. A small part of waste effluent (1%) is treated by the municipality waste water treatment plant UAB „Rokiškio vandenys“.

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

The highly polluted waste is used for biogas production (in metantank), and then the biogas is used for the production of power. During the first quarter 2011 it was produced 215.025 m<sup>3</sup> of biogas and 175.762 kWh of the „green“ power. This makes 38,6% less compared to the same period last year. In 2011, the internal waste water treatment plant was renovated and some waste was sent for treatment by the municipality water treatment plant UAB „Rokiškio vandenys“, which made 10,3% of total waste. The amount of discharged waste is 0,52 kg per ton of raw material in accordance with BDS<sub>7</sub>.

AB „Rokiškio sūris“ exploits 304 vehicles. 18% of which complies with the requirements set by Euro 4 or 5, 19% complies with Euro 3, and 14% with Euro 2 and 1. The average age of the used vehicles is 9,7 years. 62% of the vehicles runs on diesel, 4 % on oil gas, and 34% on petrol.

The comprised waste (both hazardous and non-hazardous) is handled by UAB „Rokiškio komunalininkas“. In the first half year 2011, it was 181,5 t of household waste, 0,653 t of hazardous waste, and 2778 t of sludge from waste water treatment plant was used for soil fertilization. It was collected the secondary waste as follows: paper 32 t, plastics 14,9 t, metal 9 t.

On 28<sup>th</sup> December 2009, AB „Rokiškio sūris“ received a Licence for integrated prevention and control of pollution (TIPK), it was corrected on 1<sup>st</sup> July 2011.

## 12. Procedure for amendments of the Articles of association

Pursuing the Articles of Association of AB „Rokiškio sūris“, the Articles may be exclusively changed by the general meeting of shareholders, except the cases provided by the Law on joint stock companies of the Republic of Lithuania. To accept the decision changing the Articles of Association, it is needed 2/3 of votes of total participants in general meeting of shareholders.

## 13. Management bodies of the issuer

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

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

The Board of Directors is a collegial management body comprised of 9 (nine) members. The Board members are elected and recalled by the general shareholders' meeting pursuing the procedure set by the Law on Joint Stock Companies.

The Chief Executive Officer is a one-man management body who organizes everyday activities of the company, discusses and solves the company's long term strategic objectives as well as issues of business plans. Within relationship between the company and other persons, the Chief Executive Officer acts determinatively on behalf of the company.

### Members of the Board of Directors:

(also f 30th June 2011)

**Dalius Trumpa** – Board Chairman (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders). Owns 759 740 ordinary registered shares. i.e. 1,98% of the Authorized capital and 2,12% of votes of AB „Rokiškio sūris“. Education – university degree. Works for the company since 1991. As from 2002 in the capacity of production director. As from 2007 appointed a deputy director. Also the director of UAB Rokiskio pienas from 2007.

Participation in the activities of other companies:

Shareholder of UAB” Pieno pramonės investicijų valdymas”, having 3,91 % of the company's shares and votes;

Chief executive officer of UAB „Rokiškio pienas“, having no shares;

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

**Antanas Kavaliauskas** - Deputy Chairman (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), the Chief Financial Officer of AB „Rokiškio sūris“, having no ownership of AB „Rokiškio sūris“.

Works for the company since 2002 in the capacity of finance director. Education – university degree. In 1997, obtained a master degree of finance management in Kaunas technology university. As from 2002, a certified member of international accountants association ACCA.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas" owning 3,91% of shares of UAB "Pieno pramonės investicijų valdymas".

Board Chairman of Latvian company SIA Jekabpils piena kombinats, having no shares;

Director of Lithuanian dairy association "Pieno centras", having no shares.

**Antanas Trumpa** - Board member (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Chief Executive Officer of AB „Rokiškio sūris“, owning 6 578 370 ordinary registered shares of AB „Rokiškio sūris“, i.e. 17,11% of the authorized capital of AB "Rokiškio sūris" and 18,34% of votes.

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

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas" with 7 546, i.e. 74,86% of the shares and votes of UAB "Pieno pramonės investicijų valdymas".

**Ramūnas Vanagas** - Board member (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Development Director of AB „Rokiškio sūris“, having no ownership of shares of AB „Rokiškio sūris“.

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

Participation in the activities of other companies:

Board member of UAB „Skirpstas“, having no shares.

**Andrius Trumpa** - Board member (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders). Education – university degree. Works in Vilnius Gedimino Technikos University in the capacity of lecturer, owns 298 820 shares, i.e. 0,78% of the Authorized capital and 0,83% votes of AB „Rokiškio sūris“.

He does not participate in the performance and capital of any other companies.

**Jonas Kvedaravičius** – Board member, (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Central services director of AB „Rokiškio sūris“, having 24 630 shares of AB „Rokiškio sūris“, i.e. 0,06 % of the company's authorized capital and 0,07% of votes.

Education – university degree. Works for the company since 1994 in the capacity of the central services director.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas", having 3,91 % of the company's shares and votes;

Director of UAB "Pieno pramonės investicijų valdymas".

**Jonas Kubilius** – Board member, (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Logistics director of AB „Rokiškio sūris“, having 19 930 shares of AB „Rokiškio sūris“, i.e. 0,05 % of the company's authorized capital and 0,06% of votes.

Education – university degree. Works for the company since 1995 in the capacity of the head of transport department. As from 2002 appointed the logistics director.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas", having 3,91 % of the company's shares and votes;

**Evaldas Dikmonas** - Board member, (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Procurement director of AB „Rokiškio sūris“, having 2 165 shares of AB „Rokiškio sūris“, i.e. 0,01 % of the company's authorized capital and votes.

Education – university degree. Works for the company since 2001 in the capacity of the procurement director.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas", having 3,91 % of the company's shares and votes;

Board member of Latvian company SIA Jekabpils piena kombinats, having no shares.

**Darius Norkus** - Board member, (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Sales and Marketing director of AB „Rokiškio sūris“, having no shares of the company.

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

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas", having 3,91 % of the company's shares and votes;

Cadence period of the Board of Directors is 4 years. The cadence ends on 25<sup>th</sup> April 2012.

### **Manager of the Company:**

The Chief Executive Officer is a one-man management body who organizes everyday activities of the company, discusses and solves the company's long term strategic objectives as well as issues of business plans. Within relationship between the company and other persons, the Chief Executive Officer acts determinatively on behalf of the company.

### **Information on the company's manager (director):**

#### **Chief Executive Officer Antanas Trumpa**

For more information see point 13 as per information about the management bodies.

## Information on the company's finance director:

### Chief Financial Officer Antanas Kavaliauskas

For more information about the Chief Financial Officer see point 13 as per information about the management bodies.

## 14. Employees

### Group's structure of AB „Rokiškio sūris“

As at 30<sup>th</sup> June 2011, the number of employees working for the group of AB „Rokiškio sūris“ amounted to 1538 (listed number of employees).

*The table shows average number of employees of Rokiškio sūris group and variation of salaries in six months 2011:*

Average number of employees	2010.12.31	2011.06.30
Total:	1607	1538
incl. Managers	10	10
Specialists	310	308
Workers	1406	1220
<b>Average monthly salary, Lt</b>	<b>2082</b>	<b>2009</b>
managers	4648	5276
specialists	1933	2656
workers	2098	1912

### *Education level of the employees working for Rokiskio suris*

Education	2010.12.31	2011.06.30
University degree	139	132
Special education	753	754
High school	670	611
Unfinished high school	45	41

The company has a practice of a corporate contracting with employees, and also there is work trade union of AB „Rokiškio sūris“.

## 15. Up-to-date information on the publicly announced data

Having decreased the authorized capital of AB „Rokiskio suris“ (in the way of annulment of treasury shares), on March 8<sup>th</sup> 2011 a new wording of the Articles of Association of AB „Rokiškio sūris“ was registered in the Register of Legal Entities.

The company was disposed of its treasury shares (2 576 924 shares) when they were withdrawn. Having annulled the treasury shares and decreased the authorized capital of the company, on March 8<sup>th</sup> 2011 a new wording of the Articles of Association of AB „Rokiškio sūris“ was registered in the Register of Legal Entities. After registration of the new Articles of Association, the Authorized capital of AB „Rokiskio suris“ makes LTL 35 867 970 (thirty five million eight hundred sixty seven thousand nine hundred seventy litas) divided into 35 867 970 (thirty five million eight hundred sixty seven thousand nine hundred seventy) ordinary registered shares at par value of LTL 1 (one) litas.

On May 31st, 2011 AB „Rokiškio sūris“ additionally acquired 49,95 per cent of the shares of Latvian company SIA Jekabpils piena kombinats, consequently the share block was increased up to 100 per cent.

The value of the acquired 49,95 per cent shares makes EUR 416 thousand. The acquisition of these shares would not have any influence on the company's operations and financial situation.

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

All information on the company's material events is presented following Article 28 of the Law on Securities of the Republic of Lithuania.

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

## **16. Information on observance of the Company management codex**

In general, Rokiskio suris AB proceeds with the recommendations provided by the Governance Code approved by NASDAQ OMX Vilnius.

TO: The Lithuanian Securities Commission  
Konstitucijos pr. 23  
Vilnius

31<sup>st</sup> August 2011

### **ENDORSEMENT BY THE RESPONSIBLE PERSONS**

Pursuing Article 22 of the Law on Securities of the Republic of Lithuania and in accordance with the rules of preparation and submission of periodical and supplementary information approved by the Securities Commission of the Republic of Lithuania, we, the undersigned – the Chief Executive Officer Antanas Trumpa and the Chief Financial Officer Antanas Kavaliauskas – approve that the six month consolidated financial interim statements of „Rokiškio sūris“ for the year 2011, are formed in accordance with the applicable accounting standards, they are true and show fair assets, obligations, financial state, profit (loss) and cash flows of the Company and total consolidated group.

*Attached:* Six month consolidated financial interim report of „Rokiškio sūris“ for the year 2011.

Chief Executive Officer



Antanas Trumpa

Chief Financial Officer



Antanas Kavaliauskas





**CONSOLIDATED FINANCIAL INTERIM  
STATEMENTS OF AB “ROKIŠKIO SŪRIS“  
FOR SIX MONTH PERIOD  
OF THE YEAR 2011**

*(Prepared in accordance with the rules of preparation and submission of periodical and supplementary information approved by the Securities Commission of the Republic of Lithuania)*



**AB „ROKIŠKIO SŪRIS“  
CONSOLIDATED AND PARENT COMPANY'S  
FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2011**

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

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

**Consolidated Balance sheet**

	June 30th,2011	December 31st, 2011	June 30th, 2010
<b>PROPERTY</b>			
Long-term tangible assets	84 388	88 476	97 602
Intangible assets (with prestige)	1 424	492	418
Other receivables in a year	33 070	25 017	19 576
	118 882	113 985	117 596
<b>Current assets</b>			
Inventories	68 063	62 586	44 633
Receivables and advance payments	101 905	91 233	67 729
Short-term investments	24 859	35 332	31 736
Cash and cash equivalents	35 249	19 524	57 748
	230 076	208 675	201 846
<b>Total assets</b>	<b>348 958</b>	<b>322 660</b>	<b>319 442</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shares	35 868	38 445	38 445
Share premium	41 473	41 473	41 473
Reserve for acquisition of treasury shares	20 287	29 188	29 188
Treasury shares	-	(11 478)	-
Other reserves	7 433	7 433	7 433
Retained earnings	95 127	89 123	67 230
	200 188	194 184	183 769
<b>Minority share</b>	-	450	675
<b>Non-current liabilities</b>			
Non-current liabilities	-	103	-
Deferred income	5 374	5 385	6 561
	5 374	5 488	6 561
<b>Current liabilities</b>			
Trade and other payables	71 369	54 940	60 528
Income tax liabilities	6 632	4 995	2 778
Deferred income	1 621	2 806	3 522
Provisions	1 650	824	824
Financial debts	62 124	58 973	60 785
	143 396	122 538	128 437
<b>Total equity and liabilities</b>	<b>348 958</b>	<b>322 660</b>	<b>319 442</b>

**AB „ROKIŠKIO SŪRIS“  
CONSOLIDATED AND PARENT COMPANY’S  
FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2011**

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

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

**Statement of comprehensive income**

	January - June		April - June	
	2011	2010	2011	2010
Sales	316 780	227 770	166 422	127 207
Cost of sales	(281 129)	(200 606)	(145 608)	(108 773)
<b>Gross profit</b>	35 651	27 164	20 814	18 434
Selling and marketing expenses	(25 009)	(24 167)	(11 239)	(13 084)
<b>Operating profit (loss)</b>	10 642	2 997	9 575	5 350
Finance costs	670	905	1 005	(102)
<b>Profit before tax</b>	11 312	3 902	10 580	5 248
Income tax (accumulation)	(1 721)	(1 371)	(1 721)	(1 204)
<b>Operating activity income (loss)</b>	9 591	2 531	8 859	4 044
Minority interests	84	161	2	145
<b>Net profit (loss)</b>	9 675	2 692	8 861	4 189
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	9 675	2 692	8 861	4 189

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

**Consolidated cash flow statement**

	<b>January - June</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating activities</b>		
Profit before tax and minority interest	11 312	3 902
<i>Corrections:</i>		
– depreciation	12 136	13 337
– depreciation (negative prestige not included)	51	121
– written off long-term tangible assets	18	11
– loss in long-term tangible asset sales	(26)	-
– interest expenses	540	579
– interest income	(1 002)	(280)
– net unrealized currency exchange profit	(81)	(53)
– export subsidies received	-	(371)
– depreciation of long-term tangible asset support	(1 632)	(1 502)
<i>Circulating capital changes:</i>		
- inventories	(5 477)	(14 411)
- payables	12 961	9 190
- receivables and advance payments	(10 408)	(9 294)
Cash flows generated from operating activities	18 392	1 229
Interest paid	(540)	(579)
Income tax paid	-	-
Net cash flows from investing activities	17 852	650
<b>Investing activities</b>		
Purchase of long-term tangible assets	(6 320)	(2 381)
Purchase of intangible assets	(68)	(93)
Loans granted to farmers and employees	(2 163)	(2 599)
Proceeds from long-term tangible asset sales	421	180
Repayments of loans granted to farmers and employees	4 624	2 333
Interest received	1 002	280
Subsidies for long-term tangible assets	730	842
Net cash flows from investing activities	(1 774)	(1 438)
<b>Financing activities</b>		
Acquisition of treasury shares	-	-
Finance lease principal payments	7	-
Loans granted	597 639	233 579
Loan repayments received	(579 487)	(252 781)
Dividends paid	(3 587)	(3 844)
Net cash flows from financing activities	14 572	(23 046)
<b>Net increase in cash and cash equivalents</b>	30 650	(23 834)
Cash and cash equivalents at the beginning of the period	4 599	81 582
<b>Cash and cash equivalents at the end of the period</b>	35 249	57 748

**AB „ROKIŠKIO SŪRIS“**  
**CONSOLIDATED AND PARENT COMPANY'S**  
**FINANCIAL STATEMENTS as at 30<sup>th</sup> June 2011**  
 Company code 173057512, address: Pramonės g. 3, LT-42150 Rokiškis, Lithuania  
 (All tabular amounts are in LTL '000 unless otherwise stated)

**Consolidated Own Capital Change Statement (thousand LTL)**

	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total	Minority share	Total
<b>Balance at December 31<sup>st</sup> 2009</b>	38 445	41 473	14 188	-	7 074	83 741	184 921	514	185 435
<b>Dividends relating to 2009</b>						(3 844)	(3 844)		(3 844)
<b>Profit distribution</b>			15 000		359	(15 359)			
<b>Comprehensive income</b>						2 692	2 692	161	2 853
<b>Balance at June 30th 2010</b>	38 445	41 473	29 188	-	7 433	67 230	183 769	675	184 444
<b>Comprehensive income</b>						21 893	21 893	(225)	21 668
<b>Acquisition of treasury shares</b>				(11 478)			(11 478)		(11 478)
<b>Balance at December 31<sup>st</sup> 2010</b>	38 445	41 473	29 188	(11 478)	7 433	89 123	194 184	450	194 634
<b>Dividends relating to 2010</b>						(3 587)	(3 587)		(3 587)
<b>Decrease in share capital / cancellation of treasury shares</b>	(2 577)		(8 901)	11 478					
<b>Acquisition of subsidiaries up to 100 %</b>								(534)	(534)
<b>Comprehensive income</b>						9 591	9 591	84	9 675
<b>Balance at June 30th 2011</b>	35 868	41 473	20 287	-	7 433	95 127	200 188	-	200 188

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

## Commentary on the Report

### 1. General information

The joint stock company “Rokiškio sūris” (hereinafter – the company) is a public listed company incorporated in Rokiskis.

The shares of Rokiškio Sūris AB are traded on the Baltic Main List of the NASDAQ OMX Vilnius (symbol – RSU1L).

The Consolidated Group (hereinafter – the Group) consists of the Company, its two branches, four subsidiaries and one joint venture. (2010: two branches, four subsidiaries and one joint venture). The branches and subsidiaries that comprise consolidated Group are indicated below:

	Operating as at June 30th	
	2011	2010
<b>Branches</b>		
Utenos pienas	Yes	Yes
Ukmergės pieninė	Yes	Yes

	Group’s share (%) as at June 30th	
	2011	2010
<b>Subsidiaries</b>		
UAB „Rokiškio pienas“	100,00	100,00
UAB „Skirpstas“	-	100,00
KB „Žalmargė“	100,00	100,00
SIA „Jekabpils Piena Kombinats“	100,00	50,05
SIA „Kaunata“ *	60,00	-

<b>Joint venture</b>		
UAB „Pieno upės“	50,00	50,00

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

Within 2010, the company UAB „Batėnai“ was sold. As of March 31<sup>st</sup> 2011, the company UAB „Skirpstas“ was liquidated. On 31<sup>st</sup> May, the company acquired 49,95% of the authorized capital of dairy company SIA „Jekabpils piena kombinats“.

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

SIA „Kaunata“ was acquired on May 11<sup>th</sup>, 2010 m. AB „Rokiškio sūris” acquired 40 per cent shares for LTL 353 000 whilst UAB „Rokiškio pienas“ acquired 20 per cent of the shares for LTL 176 000.

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>th</sup> June 2011, the average number of the Group's employees was equal to 1 538 (compared to 1 529 employees as at 30<sup>th</sup> June 2010).

## 2. Accounting Principles

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

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

The preparation of consolidated and parent company's financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

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

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

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

The value of long-term tangible assets is valued at historical cost less accumulated depreciation. Subsequent costs are included into the asset's carrying amount or recognized as separate assets, as appropriate, only when it is likely that in future the Group will receive economic benefits associated

with the item and the cost of the item will be measured accordingly. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they have been incurred.

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

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

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

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

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

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

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

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

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

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid including any attributed incremental external costs is deducted from shareholders' equity as treasury shares until they are sold, reissued, or cancelled. No gain or loss is

recognised in the statement of comprehensive income on the sale, issuance, or cancellation of treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

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

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

Profit is taxable at a rate of 15 per cent (2010: 15 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

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

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

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

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

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

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

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

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

Export subsidies paid by the Government for each exported tone of products meeting certain requirements are included in sales revenue.



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.

### 3. Information on segments

#### *Primary segment – business segments*

The Group's main business segments:

- Fresh dairy products
- Cheese and other dairy products.

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

#### *Secondary segment – geographic segments*

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

	2011 06 30	2010 06 30	Change (%)
Lithuania	117 032	96 469	21,32
European Union countries	145 885	97 589	49,49
Other (including the United States and Japan)	53 863	33 712	59,77
Total	316 780	227 770	39,08

Income analysis according to groups:

	2011 06 30	2010 06 30	Change (%)
Product Sales	316 623	227 110	39,41
Export subsidies	-	303	100,00
Provided services	157	357	-56,02
Total	316 780	227 770	39,08

Following the European Commission's Regulation "Concerning covering export costs of milk and dairy products", starting from 1<sup>st</sup> May 2004 the company has the right to receive subsidies for the cheese exported to the countries determined by the latter Regulation. Export subsidies are paid for

every ton of exported production which is in conformity with the Regulation requirements. Payable export subsidies are reported under trade and other payables.

#### 4. Long-term tangible assets

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

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

#### 5. Other receivables

As at 30<sup>th</sup> June 2011, the Group's receivables was made of:

	2011 06 30	2010 06 30	Change (%)
Long-term loans granted to farmers	1 813	3 887	-53,36
Long-term loans granted to employees	352	103	241,75
Investments	7 431	690	976,96
Loans to other companies	21 847	14 523	50,43
Other	1 627	373	336,19
Total	33 070	19 576	68,93

The repayment terms of loans granted to farmers vary from 2 months to 10 years, whereas the annual interest rate varies from 0 to 10 per cent.

The repayment terms of loans granted to employees vary from 1 to 22 years, whereas the interest rate for them is not calculated.

The company's managing bodies believe that the balance sheet values of long-term receivables are their fair values.

#### 6. Inventories

As at 30<sup>th</sup> June 2010, the Group's inventories were made of:

	2011 06 30	2010 06 30	Change (%)
Raw material	6 972	5 839	19,40
Production in progress	17 495	14 155	23,60
Ready production	37 721	22 215	69,80
Other inventories	5 875	2 424	142,37
Total	68 063	44 633	52,50

## 7. Selling and Other Receivables

As at 30<sup>th</sup> June 2011, the Group's selling and other receivables was made of:

	2011 06 30	2010 06 30	Change (%)
Selling receivables	87 747	56 746	54,63
Receivable export subsidies	-	357	100,00
VAT receivable	4 986	2 953	68,85
Other receivables	1 896	6 802	-72,13
Advance payments and future period expenses	7 276	871	735,36
Total	101 905	67 729	50,46

## 8. Cash and cash equivalents

The money equivalents in Balance sheet and Cash Flow Statement are made of the following:

	2011 06 30	2010 06 30	Change (%)
Bank and cash-register money	16 480	3 358	390,77
Current deposits	18 769	54 390	-65,49
Total	35 249	57 748	-38,96

## 9. Shares capital

Having annulled the treasury shares and decreased the authorized capital of the company, on March 8<sup>th</sup> 2011 a new wording of the Articles of Association of AB „Rokiškio sūris“ was registered in the Register of Legal Entities. After registration of the new Articles of Association, the Authorized capital of AB „Rokiskio suris“ makes LTL 35 867 970 (thirty five million eight hundred sixty seven thousand nine hundred seventy litas) divided into 35 867 970 (thirty five million eight hundred sixty seven thousand nine hundred seventy) ordinary registered shares at par value of LTL 1 (one) litas.

As of June 30<sup>th</sup> 2011, the company does not have any treasury shares.

As at 30<sup>th</sup> June 2011, the total number of the Group's shareholders was 5 767.

## 10. Financial ratios

The Group's financial ratios:

	2011 06 30	2010 06 30	Change (%)
Revenue (LTL thousand)	316 780	227 770	39,08
EBITDA (LTL thousand)	24 039	17 939	34,01
EBITDA margin (%)	7,59	7,88	-3,68
Operations profit (LTL thousand)	10 642	2 997	255,09
Margin of operations profit (%)	3,36	1,32	154,55

Profit per share (LTL)	0,27	0,07	285,71
Number of shares (units)	35 867 970	38 444 894	-6,70

**11. Information on the audit**

The audit according to the International Accounting Standards will be made for the full year 2011 by audit company UAB “PricewaterhouseCoopers”.