

AKCINĖ
BENDROVĖ

STOCK
COMPANY



Sedos g. 35, 87101, Telšiai

LIETUVOS RESPUBLIKA

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AB „DnB NORD“ bankas, banko kodas 40100

įmonės kodas 180240752

To: the Securities Commission of the Republic of Lithuania
Konstitucijos avenue 23
LT – 08105 Vilnius

Confirmation by responsible persons of the company
Žemaitijos pienas AB

August 28, 2009

Telšiai

Referring to the Article 22 of the Law on Securities of the Republic of Lithuania and rules on preparation and submission of periodic and additional information of the Securities Commission of the Republic of Lithuania, we, Robertas Pažemeckas, the Managing Director, and Dalia Gecienė, the Chief Accountant of the company *Žemaitijos pienas AB* hereby do confirm that, to the best of our knowledge, the enclosed Non-Audited Interim Consolidated Financial Statement for the period of six months of the year 2009 of the company *Žemaitijos pienas AB* was prepared in compliance with the International Financial Accountability standards applicable in European Union, corresponds to the reality and correctly represents total consolidated assets, liabilities, financial condition, profits and losses of the company and enterprises incorporated in this group.

ENCLOSURE: the Interim Consolidated Financial Statement for the period of six months of the year 2009 of the company *Žemaitijos pienas AB* (12 pages in total).

Managing Director

Robertas Pažemeckas

Chief Accountant

Dalia Gecienė



AB „ŽEMAITIJOS PIENAS“, company code 180240752, Sedos Str. 35, Telšiai
CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009
(all amounts are in LTL thousand unless otherwise stated)

AB „ŽEMAITIJOS PIENAS“

CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2009

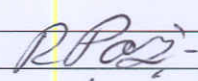
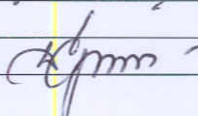
Balance sheets

	Notes	Group As of 30 June 2009	As of 31 December 2008
ASSETS			
Non-current assets			
Intangible assets		150	201
Property, plant and equipment		81.262	88.481
Investment property		-	-
Available – for – sale investments		-	-
Investments into subsidiaries		-	-
Non-current receivables		1.232	1.124
Deferred income tax asset		1.056	1.152
Total non-current assets		83.700	90.958
Current assets			
Inventories	4	38.147	62.989
Prepayments		357	580
Trade receivables		29.363	26.697
Receivables from subsidiaries		-	-
Receivables from other related parties		5.168	3.045
Other receivables		5.159	8.367
Cash and cash equivalents		27.016	9.049
Total current assets		105.210	110.727
Total assets		188.910	201.685

Balance sheets (cont'd)

Notes	Group	
	As of 30 June 2009	As of 31 December 2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Equity attributable to equity holders of the parent		
Share capital	48.375	48.375
Legal reserve	4.838	4.838
Retained earnings	37.385	39.269
	90.598	92.482
Minority interest	2.552	2.552
Total shareholders' equity	93.150	95.034
Non-current liabilities		
Grants received	3.679	4.157
Long-term loans from related parties	25.632	25.632
Financial lease obligations	16.553	13.370
	640	640
Other current liabilities		
Total non-current liabilities	46.504	43.799
Current liabilities		
Current portion of non-current loans	16.179	18.545
Current portion of non-current financial lease obligations	2.477	4.642
Trade payables	19.981	24.333
Payables to subsidiaries	-	-
Payables to other related parties	374	5.118
Income tax payable	2	2
Other current liabilities	10.243	10.212
Total current liabilities	49.256	62.852
Total liabilities and shareholders' equity	188.910	201.685

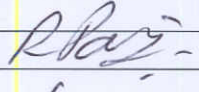
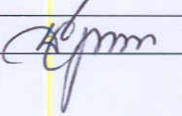
The accompanying notes are an integral part of these financial statements.

Acting Director	Robertas Pažemeckas		22 July 2009
Chief Accountant	Dalia Gecienė		22 July 2009

Income statements

		Group	Group	
		As of 30	As of 30	01 April 2009 - 01 April 2008 -
		June 2009	June 2008	30 June 2009 30 June 2008
Sales	3	186.785	234.906	96.539 121.509
Cost of sales		(156.728)	(206.339)	(82.073) (107.360)
Gross profit		30.057	28.567	14.466 14.149
Operating expenses		(31.199)	(41.897)	(12.460) (21.028)
Other operating income, net		487	3.487	167 2.015
Profit from operations		(655)	(9.843)	2.173 (4.864)
Financial and investment activities		(1.115)	(518)	(413) (126)
Profit before income tax		(1.770)	(10.361)	1.760 (4.990)
Income tax		(114)	-	(12) -
Net profit		(1.884)	(10.361)	1.748 (4.990)

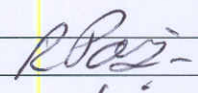
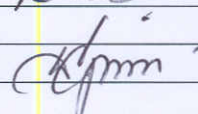
The accompanying notes are an integral part of these financial statements.

Acting Director		Robertas Pažemeckas				22 July 2009
Chief Accountant		Dalia Gecienė				22 July 2009

Statements of changes in equity

Group	Attributable to shareholders of the Company					
	Share capital	Legal reserve	Retained earnings	Total	Minority interest	Total
Balance as of 31 December 2007	48.375	4.838	42.942	96.155	1.037	97.192
Dividends declared	-	-	-	-	-	-
Net profit for six months	-	-	(10.361)	(10.361)	1.679	(8.682)
Balance as of 30 June 2008	48.375	4.838	32.581	85.794	2.716	88.510
Balance as of 31 December 2008	48.375	4.838	39.269	92.482	2.552	95.034
Net profit for the six months	-	-	(1.884)	(1.884)	-	(1.884)
Balance as of 30 June 2009	48.375	4.838	37.385	90.598	2.552	93.150

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

Acting Director		Robertas Pažemeckas				22 July 2009
Chief Accountant		Dalia Gecienė				22 July 2009

Cash flow statements

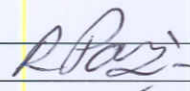
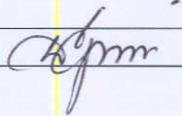
	Group	
	As of 30 June 2009	As of 30 June 2008
Cash flows from (to) operating activities		
Net profit	(1.884)	(10.361)
Adjustments for non-cash items:		
Depreciation and amortization	9.453	7.291
Amortization of grants received	(479)	(663)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(128)	-
Result from financial and investment activities	1.075	2.438
Allowance for receivables	-	(236)
Income tax expenses	-	-
Decrease (increase) values of inventories	5.342	-
Other non-cash (income) expenses	-	-
	13.379	(1.531)
Changes in working capital:		
Decrease in inventories	19.500	(3.717)
(Increase of) Receivables	2.294	3.270
Decrease in prepayments and other current assets	223	(1.679)
Increase in trade payables, payables to related parties and payables to subsidiaries	(4.737)	9.324
Income tax (paid)	-	-
Increase (decrease) in other current liabilities	(8.576)	5.551
Net cash flows from operating activities	22.083	11.218
Cash flows from (to) investing activities		
(Acquisition) of property, plant and equipment and intangible assets	(7.688)	(50.219)
Disposal of property, plant and equipment	5.633	14.218
Proceeds from sales of investments	-	-
Repayment of loans granted	1.352	2.018
Loans (granted)	(450)	(1.742)
Interest received	224	133
Net cash flows (to) investing activities	(929)	(35.592)

(Cont'd on the next page)

Cash flow statements (cont'd)

	Group	
	As of 30 June 2009	As of 30 June 2008
Cash flows from (to) financing activities		
Dividends (paid)	(21)	(6)
Cash, (transferred) during reorganization	-	-
Loans received	-	22.311
(Repayment) of loans	(2.870)	(1.567)
Financial lease (payments)	1.003	2.303
Sponsorship Received	-	1.655
Other revenue from financial activities	-	(265)
Interest (paid)	(1.299)	(1.101)
Net cash flows (to) financial activities	(3.187)	23.330
 Net increase (decrease) in cash and cash equivalents	 17.967	 (1.044)
 Cash and cash equivalents at the beginning of the year	 9.049	 13.053
Cash and cash equivalents at the end of the year	27.016	12.009

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

Acting Director		Robertas Pažemeckas				22 July 2009
Chief Accountant		Dalia Gecienė				22 July 2009

Notes to the financial statements

1. General information

The Company produces dairy products and sells them in the Lithuanian and foreign markets. The Company has a number of wholesale departments with storage facilities and transport means in major Lithuanian towns. The Company's shares are traded on the Current List of the Vilnius Stock Exchange.

As of 30 June 2009 and 2008 the share capital of the Company was LTL 48.375 thousand, which consisted of 48.375.000 ordinary shares with a normal value of LTL 1 each. All the shares of the Company are issued, subscribed and fully paid. Subsidiaries did not hold any shares of the Company as of 31 December 2008 and 30 June 2009, the Company also had no its own shares.

As of 30 June 2009 the Group consisted of AB Žemaitijos pienas and the following subsidiaries (hereinafter referred to as "the Group")

Company	Registration address	Ownership of the Group	Percentage in consolidation	Cost of investment	Profit (loss) for the year	Total equity holding	Main activities
ŽŪK Tarpučių pienas	Klaipėdos Str. 3, Šilutė, Lithuania	10,08%	100%	50	(141)	482	Milk collection services
ŽŪK Sodžiaus pienas	Šilalės Str. 35, Laukuva, Lithuania	15,09%	100%	105	(18)	1305	Milk collection services
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10.878	(1.873)	12.538	Cheese production

According to the Law of Agricultural Cooperatives the ownership of cooperatives should be determined according to the percentages of sales to a certain company, therefore since ŽŪK Tarpučių Pienas and ŽŪK Sodžiaus pienas are performing nearly 100% of their sales to the Company they are considered subsidiaries. ABF „Šilutės Rambynas“ is considered a subsidiary because AB Žemaitijos Pienas controls its activities and controls more than 50% of its shares. As of 30 June 2009, the number of employees of the Group was 1674 (as of 30 June 2008 – 2163). Rambynas“.

Main indicators of the Company's performance:

Sales, thousand LTL	186.785
Gross profit, thousand LTL	30.057
EBITDA, thousand LTL	8.982
Current ratio (at the end of period)	2,14
Book value per share (at the end of period)	1,93

2. Accounting principles

The principal accounting policies adopted in preparing the Group's financial statements for the six months ended 30 June 2009 are as follows:

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2.2. Measurement and presentation currency

The amounts shown in these financial statements are measured in the local currency of the Republic of Lithuania, litas (LTL). Lithuanian litas is pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2.3. Principles of consolidation

The consolidated financial statements of the Group include AB Žemaitijos pienas and the companies under its control. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

A part of equity and net profit, attributable to minority shareholders, are separated from the equity and net profit, attributable to the shareholders of the Company in the consolidated balance sheets under equity caption and consolidated income statements respectively.

The purchase method of accounting is used for acquired businesses.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Intercompany balances and transactions, including unrealized profits and losses, are eliminated on consolidation.

Consolidated financial statements are prepared by using uniform accounting policies for like transactions and other events in similar circumstances.

2.4. Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably. The Company and the Group do not have any intangible assets with indefinite useful life, therefore after initial recognition intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. Amortisation expenses of intangible assets are included into operating expenses.

2.5. Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the asset recognition criteria are met.

Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

Buildings	20 - 40 years
Machinery and equipment	5 years
Vehicles and other equipment	4 - 10 years

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

2.6. Investment property

Investment property of the Group consist of investments in land and buildings that are held to earn rentals, rather than for own use in the ordinary course of business. Investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of 20-40 years.

Transfers to or from investment property are made when and only when there is an evidence of a change in use.

2.7. Inventories

Inventories are valued at the lower of cost or net realizable value, after impairment evaluation for obsolete and slow moving items. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealizable inventory is fully written-off.

2.8. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to know amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits.

2.9. Financial assets and financial liabilities

The Group and the Company recognize financial asset on its balance sheet when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Investments

According to IAS 39 Financial Instruments: Recognition and Measurement financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Receivables and loans granted

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans received

Loan costs are expensed as incurred.

Loans are initially recognized at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortized cost, the difference between net proceeds and redemption value being recognized in the net profit or loss over the period of the loans.

2.10. Financial and operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

2.11. Grants

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognized as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

The balance of unutilized grants is shown in caption "Grants received" on the balance sheet.

2.12. Income tax

Income tax is calculated based on the Lithuanian tax legislation

On the year 2008 the income tax applied to the companies in the Republic of Lithuania is 15%.

2.13. Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of VAT and discounts.

Revenue from sales of goods is recognized when delivery has taken place and transfer of risk and rewards has been completed.

Sales between the Group companies are eliminated in the consolidated income statement.

2.14. Expense recognition

Expenses are recognized on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted as the amount paid or due to be paid, excluding VAT. In those cases when long period of payment is established and the interest is not distinguished, the amount of expenses is estimated by discounting the amount of payment using the market interest rate.

2.15. Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the transaction of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognized in the income statement. Such balances are translated at period-end exchange rates.

2.16. Guarantees

Financial guarantees provided by the Group are initially recognized in the financial statements at fair value, under other liabilities caption, being premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded to the income statement under Impairment expenses caption. The premium received is recognized in the income statement in financial income on a straight-line basis over the life of the guarantee.

Guarantees represent irrevocable assurances that the Group will make payments in the event when a customer cannot meet its obligations to third parties

2.17. Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when separate standard specifically require such offsetting.

3. Segment information

For management purposes the activities of the Group and Company are organized as one major segment – production and selling of the dairy products (primary segment). Financial information on geographical segments (secondary segment) is presented below:

	Group	
	As of 30 June 2009	As of 30 June 2008
Sales		
Lithuania	106.467	127.762
Other Baltic States and CIS countries	37.647	57.117
Other European countries	39.460	47.354
USA	1.055	-
Other	2.156	2.673
	186.785	234.906

4. Inventories

	Group	
	As of 30 June 2009	As of 30 June 2008
Raw materials	11.036	11.411
Finished goods and work in process	26.386	33.772
Goods for resale	726	4.823
	38.148	50.006

5. Loans' repayment terms:

	30 June 2009
2009 m.	16.179
2010 m.	1.158
2011 m.	1.670
2012 m.	22.387
2013 m.	417
2014 m.	
Total	41.811

30 June 2009, outstanding loans of the Group in national and foreign currencies (thous. LTL):

	30 June 2009
Loan currency:	
Euro	7.475
Litas	16.000

6. Subsequent events

Subsequent events was not after was make consolidated financial statements.

ŽEMAITIJOS PIENAS AB
Confirmation by the responsible persons

28 08 2009
Telšiai

Regarding Interim Report for the six months of the year 2009

We, the undersigned, Robertas Pažemeckas, Managing Director of the company *Žemaitijos pienas AB* and Dalia Gecienė, The Chief Financial Officer of the company *Žemaitijos pienas AB*, hereby confirm that to our knowledge the Interim Report for the six months of the year 2009 provides true information regarding *Žemaitijos pienas AB* business development and activity.

Managing Director



R. Paž.

Robertas Pažemeckas

Chief Financial Officer

D. Gecienė

Dalia Gecienė

ŽEMAITIJOS PIENAS AB
Interim Report for the Six Months of 2009

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1. The period covered in the prepared interim report

The report has been prepared for the first six months of 2009 according to the “Procedures for preparation and furnishing the periodical and additional information” approved under the Resolution No. 1K-3 of the Securities Commission of the Republic of Lithuania of 23 February 2007.

2. General information about the Issuer

Issuer's name	Žemaitijos pienas AB
Legal-organizational form	Stock Company
Registration date	23 June 1993
Company Code	180240752
VAT Payer's Code	LT802407515
Authorized Capital	LTL 48,375,000 the authorized capital is divided into 48,375,000 ordinary registered shares, a par value per share being LTL 1.
Address	Sedos st. 35, LT-87101 Telšiai
Telephone	8-444-22201
Fax:	8-444-22201
E-mail	info@zpienas.lt
Internet website	www.zpienas.lt

3. Information regarding Group's enterprises and branches

The subsidiaries run by the Company:

Šilutės Rambynas ABF, Company Code 277141670.

Date and place of registration: 9 December 1992, Klaipėdos St. 3, Town of Šilutė, District of Šilutė

Authorized Capital – LTL 8,596,650, The Company owns 87.82% of shares.

Domicile address - Klaipėdos St.3, Šilutė.

Nature of business – production of ferment cheese.

Tarpučių pienas L ŽŪK, Company Code 1151449845.

Date and place of registration: 5 June 2001, Klaipėdos St. 3, Town of Šilutė, District of Šilutė

Authorized Capital – LTL 496,027, The Company owns 10.08%, i.e. LTL 50,000 of the corporate authorized capital.

Domicile address – Klaipėdos g. 3, Šilutė.

Nature of business – chilling of raw milk.

Sodžiaus pienas L ŽŪK, Company Code 177975514.

Date and place of registration: 13 July 2001, Šilalės St. 35, District of Šilalė, Town of Laukuva

Authorized Capital – LTL 694,570, The Company owns 15.09%, i.e. LTL 105,000 of the corporate authorized capital.

Buveinės adresas – Šilalės St. 35, Laukuva, District of Šilalė

Nature of business – chilling of raw milk.

Žemaitijos pienas AB has 7 branches:

- Vilnius branch, address: Algirdo St. 40/13, Vilnius
- Kaunas branch, address: Kėdainių St. 8A, Kaunas
- Anykščiai branch. address: Vilties St. 4A, Anykščiai
- Alytus branch, address: Putinų St. 23, Alytus
- Klaipėda branch, address: Šilutės St. 33, Klaipėda
- Panevėžys branch, address: J. Janonio St. 9, Panevėžys
- Telšiai branch, address: Sedos St. 35, Telšiai

4. Nature of the Issuer's main business

The main business of the Company *Žemaitijos pienas AB* is a production and sale of dairy products.

5. Information about the agreements with the intermediaries on public trading of securities

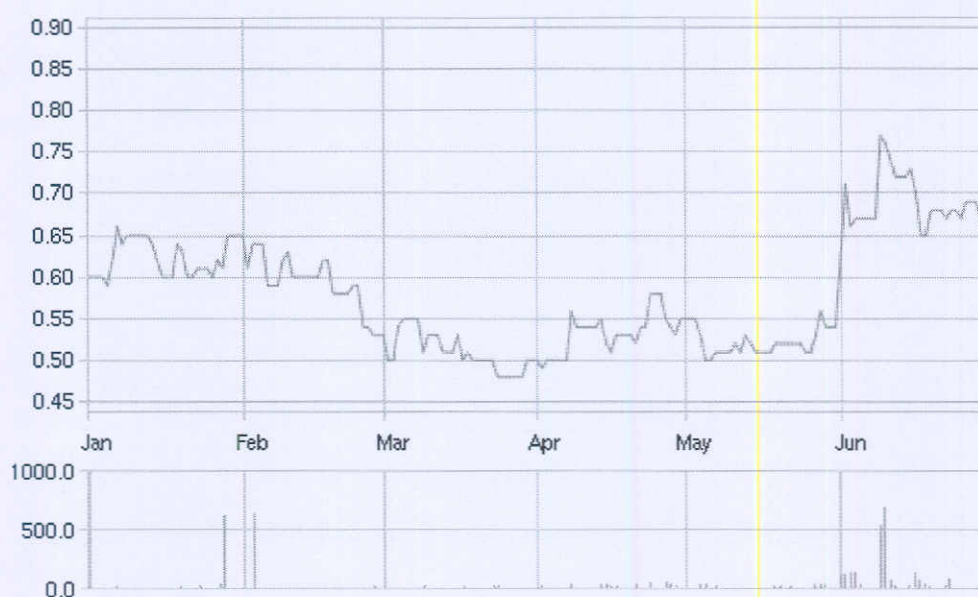
On 16 July 2004 the Company has concluded an agreement with *Šiaulių bankas AB* (address Tilžės St. 149) due to accounting of securities, issued by the company. According to this agreement, *Šiaulių bankas* will be responsible for the Company's securities' accounts starting from 23 July 2004.

6. Data on trading in the shares of the enterprises belonging to the Group in the regulated markets

Only the Company's shares are listed in the additional list of Vilnius Stock Exchange. Securities ISIN code is LT0000121865, the number of shares – 48,375,000.

Hereunder, the transactions of *Žemaitijos pienas AB* at Vilnius Stock Exchange during the period of the first six months of the year 2009 are presented. The graphs are taken from the website of *AB NASDAQ OMX Vilnius*:

http://www.nasdaqomxbaltic.com/market/?start_d=1&start_m=1&start_y=2009&end_d=30&end_m=6&end_y=2009&instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt¤cy=0&date=



7. Authorized Capital

The Authorized Capital of the Company is LTL 48,375,000 Litas. It consists of 48,375,000 ordinary registered shares. A par value of a share is LTL 1.

8. Acquisition of the own shares

During the reported period, no transactions concerning shares owned by the Company, its subsidiaries or the persons authorized by the subsidiaries were made. The company has neither acquired its own shares nor sold them to others during the reported period.

9. Shareholders

On 9 April 2009, the total number of shareholders was 3186, and on 31 December 2008 it was 3 177. All the shares issued provide the owners of the shares with equal rights, laid down in the Law of Stock Companies of the Republic of Lithuania and in The Articles of Association.

The list of the shareholders owning or holding more than 5 % of *Žemaitijos pienas AB* authorized capital and votes is as follows:

No.	Shareholder	Number of shares under ownership	The share of the authorized capital and votes under ownership, %	The share of votes in possession together with associated parties, %
1	PAŽEMECKAS Algirdas	21, 355, 870	44.15	49.55
2	SKANDINAVISKA ENSKILDA BANKEN CLIENTS, Company Code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	3, 841, 690	7.94	7.94
3	<i>Klaipėdos pienas AB</i> , Company Code 240026930, Šilutės road. 33, 91107 Klaipėda	3, 601, 844	7.45	7.45
4	ŠUNOKIENĖ Ona	2, 614, 430	5.4	49.55

There are no restrictions on the transfer of the securities. The shareholders are entitled with interest and non-interest rights as well as to commitments defined in the Law on Stock Companies of the Republic of Lithuania.

Restrictions on voting rights. All the Company's shares giving the right to vote are of equal nominal value; one share gives one vote during the General Meeting.

The shareholders of the Company are entitled to the following interest rights:

- receive a share of Company's profit (dividend);
- receive a share of the Company in the case of liquidation;
- receive free shares in the case the Authorized Capital of the Company is being increased by corporate means, except for the cases defined in the Law;
- in cases when the shareholder is a natural person, he has a right to devise all or part of the shares for a single or several individuals; sell or otherwise transfer all or part of the shares to other individuals, according to the procedures and terms provided in the Law.

The shareholders of the Company are entitled to the following non-interest rights:

- participate in the Meetings;
- vote in the Meetings, according to the voting rights determined by the number of shares in possession;
- receive non-confidential information on economic activity of the Company;
- elect and be elected to the management and supervisory bodies of the Company;

- take any position in the Company, if the Law of Stock Companies or the Articles of Association does not provide otherwise;
- give specific suggestions with respect to the improvement of financial, economic, organizational, etc. activity of the Company;
- appeal against the decisions or actions made in the General Meetings, made by the Supervisory Council, Management Board or the CEO of the Company which are against the Laws of the Republic of Lithuania, The Articles of Association or interest and non-interest rights of the shareholders;

Shareholders, individually or collectively, have a right to claim for the damages and other rights provided in the Laws of the Republic of Lithuania.

An individual is entitled to all the rights and commitments which are provided by the share of the Company's authorized capital and/or voting rights; in the case, when the authorized capital is increased by corporate means – from the day the changes in the Articles of Association related to the increase of the authorized capital and/or of voting rights have been registered; in all other cases – from the day the proprietary rights to the authorized capital of the Company and/or voting rights have emerged..

10. Risk management

The Company is engaged in the activity of producing dairy products out of raw milk. The main factors creating the risk for the company business are possible changes in the markets of raw material, and dairy products. Also some political, legal, social and technological changes directly or indirectly related to the activity of *Žemaitijos pienas AB* are possible with a possible negative impact on the Company's money flows and activity results.

The main raw material of the Company is milk, the amount of which to be sold for processing for European Union's producers of dairy products is restricted by national milk quotas. The restriction of raw material supply can result in the lack of raw material, and increase the price of raw material. These changes could have negative effects on the Company's money flows and activity results.

The business of the Company (especially milk procurement) is an activity which needs a lot of labor force. Increasing price of fuel and increasing wages of employees could have negative effects on the Company's growth potential and activity results.

The Company specializes in the production of fresh dairy products and various kinds of cheese. A major part of its income comes from the sale of these products. Due to these reasons negative changes in the market demand and price of these products could have negative effects on the Company's income, profit and general financial condition. Product price can also be influenced by the competition in the local and international market of dairy products.

11. Information on activity results

The main indicators for the activity of the Group during the first six months of the year 2009, in thousands of LTL:

Financial indicators	Of the Group	
	Six months of the year 2009	2008
Turnover	186,785	471,829
Gross profit	30,057	72,149
Profit before taxes, interests, and depreciation	8,982	15,060
Profit before taxes	(1,770)	(3,889)
Amount of investments in the long-term assets	7,688	31,346

Comparison of the tonnages and prices of the collected raw milk during the first six months of 2009 and in 2008:

Raw milk procured (recalculated into base richness)	Six months of the year 2009	2008
Amount of milk procured, in thousands of tones	148	340
Price for the milk procured, LTL/t	525	752

The distribution of *Žemaitijos pienas AB* products sold in the local and international markets during the first six months of the year 2009 and the year 2008 is as follows, in thousands of Litai:

Product group	Turnover, LTL	
	Six months of the year 2009	2008
Fermented cheese	85,632	225,823
Fresh dairy products	60,391	143,780
Butter and fat mix	14,419	33,829
Dry milk products	4,897	13,194
Ice cream	4,106	15,121
Other	16,019	39,698
Export subsidies	1,321	66
In Total	186,785	471,511

12. Activity plans, development and forecasts

In a long-term perspective, *Žemaitijos pienas AB* expects to become a strong, technically modern, and reliable company attractive for investors; to build a profitable market for its production in European Union and the Baltic States; to retain the highest level of product quality; to fully exploit available production capacity; to systematically accumulate intellectual capital.

The main current goals of the company:

- to procure milk under market conditions but not more expensive than raw milk is purchased by other market players in Lithuania;
- to increase sales at the prices favourable for the company; to focus on the main product portfolio and to retain at least 20 per cent share of the internal market; and in the export markets, to focus on sales of the higher value-added products;
- to strengthen its marketing function and name of the company;
- to reduce production costs and product cost price;
- to abandon economically ineffective production as soon as possible;
- to reduce distribution costs;
- to give incentives for employees only for the final results and achievement of plans set.

As it is hard to predict the economic situation in the State, the corporate group of *Žemaitijos pienas AB* refrains from publishing its turnover and profit forecasts for the year 2009.

13. Environment protection

Žemaitijos pienas AB, a company engaged in production and sale of dairy products, based on the established criteria, is attributed to the Installations group set out in Appendix 1 of the regulations of environmental protection IPPC permit. On December 29, 2006 the company was granted a permit of Integrated Pollution Prevention and Control (IPPC) for an unlimited period of time which due to some changes, however, can be adjusted. The company has no such negative effect on the environment that could require to immediately take necessary actions to reduce it, however company continuously monitors its performance measures, plans and implements investment potentially enabling to reduce costs of production and operation as well energy consumption, and allowing to improve environmental status of the company in every possible way. We are always ready to deal with environmental issues jointly with the general public.

In 2008, company has implemented the integrated quality management and food safety management system that, in the effect, meets requirements of the ISO 9001:2008 and ISO 22000:2005 standards, and further intends to implement the ISO 14000 environment management system.

All the waste and packages are handled based on the established environmental requirements. *Žemaitijos pienas AB* carries out segregation of the secondary raw materials out of the overall waste flow and systematically sends this waste to waste recycling and collecting facilities.

Company continuously undertakes investment projects for the implementation of new modern technologies that allow using energy resources more effectively. On December 19, 2008 the company has submitted an application to National Paying Agency under the Ministry of Agriculture for the support in accordance with the 1st field of activity *Processing and marketing of agricultural products* of the measure *Adding value to agricultural and forestry products* under the *Rural Development Programme for Lithuania for the period 2007–2013*, on the basis of which company intends to acquire 11 new milk-trucks, milk/whey processing and packing equipment and air purifying filter at the total value of 14.2 mln. Litas. This investment in modern milk-trucks

shall reduce a currently high consumption of fuel by obsolete trucks as well as costs of auto repair and technical maintenance, and shall also allow company to save on taxes paid for environmental pollution from the mobile vehicles and result in lower cost price of the raw material being supplied. After implementation of the project, the obsolete equipment will be replaced by the modern one resulting in higher product quality, reduced air pollution by solid particles from the flour packing line and wastewater contamination.

14. The major events during the reported period

In May 2009 *Žemaitijos pienas AB* was granted the ISO 9001 certificate for quality management and ISO 22000 certificate for food safety management systems.

Area of certification – creation, production and sale of dairy products.

More on ISO 9001 and ISO 22000:

ISO 9001 management system certificate shows that the company has a quality management system which ensures effective management of the Company according to the widely-accepted values and objectives.

ISO 22000 food safety management system certificate shows that the company ensures food safety throughout the whole chain of production and supply up to the point of consumption. Companies having the ISO 22000 certificate must give a lot of attention to the process of production and ensure a suitable level of hygiene in order to get safe and quality end product.

15. Issuer's Management Bodies

Issuer's Management Bodies are as follows: General Meeting; Supervisory Council; Management Board; and Chief Executive Officer (Director General).

The Supervisory Council is a collegial management body performing supervisory functions for the Company. The Supervisory Council of the Company consists of 3 (three) members which are elected by the General Meeting for the period of 4 years. The Articles of Association of the Company provide for unlimited number of cadences.

The management Board of the Company is a collegial management body representing the shareholders of the Company during the period between the meeting and making the decision on the most important issues of the Company in the area of economic activity. The procedure of work of the Management Body is established in the Regulation of the Work of the Management Board. Management Board consists of 5 members. The members of the Management Board are elected by the Supervisory Council for the period of four years. The number of cadences is unlimited. The Management Board is run by a Chairman which is elected by the Management Board out of its members.

The Chief Executive Officer of the Company is Director General. In his activity, Director General follows the Articles of Association, decisions of the General Meeting, decisions made by the Management Board, and the Regulation of the Work of Administration.

The Chief Executive Officer of the Company arranges the everyday activity of the Company and performs all the actions required for exercising his functions, implementing the decisions made by the management bodies of the Company, and ensuring the activity of the Company. Director General of the company is directly accountable to and regularly reports to the Management Board.

In their activity, the management bodies of the Company follow the Laws of the Republic of Lithuania, legal acts and the Articles of Association regulating their activity. The provisions in the above-mentioned documents also regulate selection, appointment and dismissal of the members of the management bodies.

16. Members of the collegial bodies

Supervisory Council of the Company

Name	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital, %	Beginning of the cadence	End of the cadence	Start of the service at Žemaitijos pienas
Artūras Kanapienis	Chairman of the Supervisory Council	19 860 0.04	13/10/2007	12/10/2011	05/09/2008 Director General of Žemaitijos pieno investicija AB
Robertas Pažemeckas	Member of the Supervisory Council	-	13/10/2007	12/10/2011	26/08/2002
Romusas Jarulaitis	Member of the Supervisory Council	1 105 510 2.29	13/10/2007	12/10/2011	26/01/1988

Management Board of the Company

Name	Position	Number of shares in possession and the share of the authorized capital in possession, %	Beginning of the cadence	End of the cadence	Start of the service at Žemaitijos pienas
Irena Baltrušaitienė	The Chairwoman of the Management Board, Production Manager	577 130 1.19	30/09/2008	29/09/2012	15/08/1975
Algirdas Bladžinauskas	Member of the Management Board, Sales Manager	-	30/09/2008	29/09/2012	20/08/1996
Dalia Gecienė	Member of the Management Board, Chief Financial Officer	665 160 1.38	30/09/2008	29/09/2012	29/07/1986
Marius Dromantas	Member of the Management Board, Logistics Manager	-	01/06/2009	29/09/2012	01/12/2003
Algirdas Pažemeckas	Member of the Management Board, Director General	21 355 870 44.15	30/09/2008	29/09/2012	26/12/1986

Administration:

Name	Position	Number of shares in possession	Share of the authorized capital in possession, %
Robertas Pažemeckas	Managing Director	-	-
Dalia Gecienė	Chief Financial Officer	665 160	1.38

Amounts of money accrued for the Management Bodies of the Issuer during the reported period

The amount of money accrued for the Management Bodies during the six months of the year 2009 is 562 131 Litas. This amount was allocated as follows: 216 955 Litas for the members of the Supervisory Board, and 345 176 Litas for the members of the Management Board.

No guarantees or sureties have been given to the liabilities of others during the six months of the year 2009.

17. Transactions with the related parties

No agreements have been made one of the parties of which was the Issuer and which would come into force, would change or would be terminated in case the control mechanism of the Issuer changes.

The Issuer has not come into any agreements providing for the compensations for the members of the management bodies or for the workers in case they are dismissed, or fired without any reasonable reason, or their service is terminated due to changes in the control mechanism of the Issuer.

18. Employees

According to the data of 30 June 2009, the number of employees in the Group's enterprises was 1674. Comparing to the data of 31/12/2008, the number of employees has reduced by 8.98%. This reduction was determined by the current economic changes.

	30/06/2009	31/12/2008
Average number of employees	1674	1839

Grouping of the personnel according to the educational background:

Number of employees	30/06/2009	31/12/2008
Personnel having a university degree	190	225
Personnel having a higher education degree	400	413
Personnel having vocational education	414	440
Personnel having secondary education	610	583
Personnel having uncompleted secondary education	60	178

Average monthly salaries before taxes for the separate groups of employees are as follows:

Employee group	First six months of the year 2009		31/12/2008	
	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, Lt
Managing staff	6	13.608	6	15.709
Specialists	222	2.759	218	2.978
Workers	1446	1.706	1615	1.972

By its Human Resource Policy, the Company seeks to create and develop long-term relationships with its employees. During the period from March 2006 until May 2008, an extensive employee training program "Development of general abilities and skills of Žemaitijos pienas AB employees" funded by the EU structural funds have been executed. Thus the employees were given an opportunity to improve their skills. Training programmes have been prepared for the following groups of workers: production workers, production machinery operators, production operators, production machinist-operators, and production supervisors.

19. Data on the publicly announced information

06/02/2009 Regarding the information announced in the media.

The information announced in the daily Verslo Žinios on February 5, 2009 indicating that in the previous and the current year Žemaitijos Pienas AB reduced its volume of production by 15 percent and stopped cheese export to Italy is false.

The company affirms that the announced information does not correspond to the real situation, since Žemaitijos Pienas AB has neither reduced the volume of production nor stopped export to Italy.

13/02/2009 Regarding reduction of investments.

In 2009, Žemaitijos Pienas is planning to invest around LTL 14 million in the production development by obtaining part of the financial resources from the EU Structural Funds. This amount will make up around 50 per cent of the previously planned investments. Such changes have resulted from the global economic crisis.

27/02/2009 Interim information of the 12 months of 2008

We provide financial information regarding 12 months of 2008

Attachment: AB Žemaitijos pienas Unaudited Interim Financial Statements of 2008

16/03/2009 Regarding the general meeting of shareholders

On the initiative of and following the decision of the company board Žemaitijos pienas AB, company code 180240752, calls for an ordinary general meeting of shareholders, which will take place at the company's location in Sedos g. 35,

Telšiai at 3 p.m. on 17 April 2009.

The registration shall begin on 17 April 2009 at 2 p.m. and last till 2.45 p.m.

The beginning of the meeting is scheduled for 3 p.m.

The meeting shall take place at the company's location in Sedos g. 35, Telšiai.

The day of the meeting record is 10 April 2009.

Agenda of the meeting:

1. Annual report of the company;
2. Company auditor's report;
3. Approval of the company's financial accountability for the year 2008;
4. Distribution of the company's profit (loss) in the year 2008;
5. Selection of the audit company and setting the payment terms;
6. Other issues.

17/03/2009 Corrected: the registration day of the meeting.

On the initiative of and following the decision of the company board Žemaitijos pienas AB, company code 180240752, calls for an ordinary general meeting of shareholders, which will take place at the company's location in Sedos g. 35,

Telšiai at 3 p.m. on 17 April 2009.

The registration shall begin on 17 April 2009 at 2 p.m. and last till 2.45 p.m.

The beginning of the meeting is scheduled for 3 p.m.

The meeting shall take place at the company's location in Sedos g. 35, Telšiai.

The registration day of the meeting is 09 April 2009.

Agenda of the meeting:

1. Annual report of the company;
2. Company auditor's report;
3. Approval of the company's financial accountability for the year 2008;
4. Distribution of the company's profit (loss) in the year 2008;
5. Selection of the audit company and setting the payment terms;
6. Other issues.

06/04/2009 Notifications on transactions concluded by managers

Notifications on transactions concluded by managers of the companies.

09/04/2009 Draft Resolutions of the General Shareholder Meeting to be held on 17.04.2009

JOINT STOCK COMPANY ŽEMAITIJOS PIENAS

BOARD RESOLUTION

No 1, March 25, 2009

Telsiai

According to the Joint Stock Companies Act of the Republic of Lithuania, Article 34, the Board of the company decides to address General Meeting the following issues:

1. Approving the Annual Report of the company
2. Hearing the conclusion of company auditors
3. Approving Consolidated Annual Financial Statements 2008
4. Approving the following assignment of profit (loss):
5. Obliging the Board to choose auditing company for auditing consolidated financial statements of 2009 and conclude an agreement on auditing services.
6. Electing and approving members of AB Žemaitijos pienas Auditing Committee.
7. Instituting the Auditing Committee and approving its Activity Guidelines (as attached 3 pages).

20/04/2009 Summon of the ordinary 2009-04-17 general meeting of shareholders of AB Žemaitijos Pienas.

Resolutions of the ordinary General Meeting of Shareholders of Žemaitijos Pienas AB held on 17th April 2009:

1. Approving the Annual Report of the company

2. Hearing the conclusion of company auditors
3. Approving Consolidated Annual Financial Statements 2008
4. Approving the following assignment of profit (loss):
 1. Retained earnings (loss) at the beginning of financial year reported 42 660
 2. Net income (loss) of financial year reported (4 805)
 3. Transfers from reserves 0
 4. Shareholders contribution against losses (if the shareholders decide to cover all or part of the loss) 0
 5. Total distributed earnings (loss) 37 855
 6. Profit allocation to compulsory reserve 0
 7. Profit allocation to compulsory reserve in order to purchase its own shares 0
 8. Profit allocation to other reserves 0
 9. Profit allocation to be paid as dividends 0
 10. Profit allocation to be paid as annual payouts (tantiemes) to board and council members, bonuses to employees and for other purposes 0
 11. Retained earnings (loss) carried forward to next financial year 37 855
5. Obliging the Board to choose auditing company for auditing consolidated financial statements of 2009 and conclude an agreement on auditing services.
6. Do not establish committee of auditing.

20/04/2009 AB Žemaitijos pienas annual information.

1. Independent auditor's report, consolidated annual report, financial statements.
2. Information about compliance with corporate governance code.
3. Acknowledgement of authorised representatives.

22/04/2009 Explanation regarding the Announced Loss

After the audit, loss of AB Žemaitijos pienas group decreased from 4.6 million litas of the announced one to 3.7 million litas the audited one. The difference appeared because of the fixed assets of ABF Silutes rambynas were recalculated under the real value.

29/04/2009 Elected Chairman of the Management

28-04-2009 Management of the Žemaitijos pienas AB elected Algirdas Pažemeckas of the Chairman Management.

2009-05-04/05/2009 AB Žemaitijos pienas 1st Quarter 2009 Preliminary Results

During the 1st quarter 2009 unaudited consolidated sales revenue amounted to 90.25 million litas (26.14 million euros) and this is 20.42 percent less than the same quarter last year. Unaudited consolidated loss reached 3.6 million litas (1.04 million euros) whereas the same time last year it was 5.4 million litas (1.56 million euros).

29/05/2009 Consolidated financial interim report of Žemaitijos pienas for three months 2009

Consolidated financial interim report of Žemaitijos pienas for three months 2009

Please find attached consolidated financial interim report of AB Žemaitijos pienas for three month period for the year 2009.

01/06/2009 Resolutions adopted at the meeting the Supervisory Board of Žemaitijos pienas

Resolution: To recall the member of the Romusas Jarulaitis and to elect the new member of the Board Marius Dromantas.

23/06/2009 Regarding delisting of the shares of AB „Žemaitijos pienas“
Managing bodies of AB „Žemaitijos pienas“ decided not to discuss the question about elimination of company's shares from trading in NASDAQ OMX Vilnius exchange.

31/07-2009 Activity results of AB „Žemaitijos pienas“ Group for the first half-year of 2009
Preliminary unaudited Result for the 1st half-year of 2009

The preliminary consolidated sales figures of AB „Žemaitijos pienas“ Group for the first half-year of 2009 amounts to 186,8 million LTL (54,1 million EUR), i.e. 20,5 % less than during the same period last year. Lower sales have been influenced by declined milk product market prices.

The consolidated unaudited loss for the first half-year of 2009 was 1,9 million LTL (0,55 million EUR). In 2008 consolidated loss for the first half-year was 10,4 millions LTL (3,01 million EUR).

12/08/2009 Regarding supplement to the annual announcement for the year 2008

The Management Board and the Top - Management of the company Žemaitijos pienas AB discussed and approved the additional information to be provided under the consolidated annual announcement for the year that ended on December 31, 2008 that has been submitted incomplete or has not submitted at all.

14/08/2009 About acquisition of shares

AB "Žemaitijos pienas" acquired 32 per cent of shares of SIA "Muizas piens", which is registered in the Republic of Latvia and implements wholesale and retail trade, by purchase - sales agreement.

17/08/2009 Meeting of the shareholders

On the initiative and by the decision of Public Limited Liability Company AB

“Žemaitijos pienas“, the extraordinary General Meeting of the company AB

“Žemaitijos pienas“, company code 180240752, registered office at Sedos g. 35, Telšiai, shall be convened on 15 September 2009 at 3 p.m.

Registration takes place on 15 September 2009 from 2:00 p.m. to 2:45 p.m., the Meeting starts at 3 p.m. The Meeting shall take place in the Company's office at the address Sedos g. 35, Telšiai.

The shareholders' registration day shall be the 8th of September 2009. Only those persons, who are the shareholders at the end of shareholders' registration day, shall have the right to participate and vote in the General Meeting.

Agenda of the Meeting:

1. Selection of the audit company for performance of audit of annual financial reports and establishment of conditions of payment for audit services;

2. Other issues.

Document drafts related with the issues of the agenda may be accessed in the Company's office. Every shareholder shall have the right to express his will about any issues of the agenda of the Meeting in writing within the terms determined in the Law on Companies of the Republic of Lithuania.

Persons who shall participate in the Meeting and who have the right to vote shall have to present the document proving his personal identity. Those shareholders who are not able to participate in the Meeting personally shall have the right to authorize another person to represent his interests, following the procedure specified in legislative acts. The authorization has to comply with requirements for the form and contents as prescribed by legislative acts.

The shareholder may vote in writing by filling in the general ballot. The filled in general ballot may be handed to the Company by post, electronic means, or directly in the Secretary's Office of

the Company's Office provided that the security of such information is guaranteed and shareholder's identity is possible to verify.

Other information is available at our website <http://www.zpienas.lt/>

Following the procedure defined in the Articles of Association of the Company and normative acts of the Republic of Lithuania, *Žemaitijos pienas AB* has informed the Securities Commission and Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) about all the relevant stock events. The notifications have been published in the Central Regulated Information Base and in the website of the Company www.zpienas.lt. The notifications about the summons to the General Meetings have been additionally published in the newspaper *Valstiečių laikraštis*. Information about other transactions by the top management has been published on the websites of Vilnius Stock Exchange and the Securities Commission.

20. Procedure of amending the Articles of Association

In its activity, the company *Žemaitijos pienas AB* follows the laws of the Republic of Lithuania, Decisions of the Government of the Republic of Lithuania, other legal acts regulating the activity of enterprises, and The Articles of Association.

The Articles of Association of *Žemaitijos pienas AB* may be amended following the procedure defined in the legal acts of the Republic of Lithuania.

21. Information about the compliance with the Corporate Governance Code

The company obeys most of the rules of the Corporate Governance Code. The Bodies of the Company include General Meeting, Supervisory Council consisting of 3 members and elected for 4 years cadence, Management Board consisting of 5 members and elected by the Supervisory Council for the period of 4 years, and the Chief Executive Officer. Information on how the Company follows the specific articles of the Corporate Governance Code is provided together with the Annual Report for the year 2008. This information is also provided in the webpage of the company www.zpienas.lt.

Chief Executive Officer



Robertas Pažemeckas