

ŽEMAITIJOS PIENAS AB

Independent Auditor's Report,
Consolidated Annual Report,
Financial Reporting Package,
and Consolidated Financial Reporting Package
for the year ended 31 December 2009

I. GENERAL INFORMATION ABOUT THE ISSUER

1. Reporting Period of the Compiled Report

Consolidated annual report is drawn up for the financial year 2009.

2. Issuer and its Contact Information

| | |
|-------------------------------|--|
| Name | Žemaitijos Pienas, AB |
| Legal and organisational form | Public limited liability company |
| Registration | Public limited liability company is registered on 23 June 1993 |
| Registration number | 180240752 |
| VAT number | LT802407515 |
| Authorised capital | LTL 48,375,000, divided into 48,375,000 common registered shares with a nominal value LTL 1 each |
| Address | Sedos str. 35, LT-87101 Telšiai |
| Telephone | +370-444-22201 |
| Fax | +370-444-74897 |
| Electronic mail | info@zpienas.lt |
| Internet website | www.zpienas.lt |

3. Character of the Issuer's Main Operations

The main operations of Žemaitijos Pienas, AB (hereinafter – the Company) are production and realisation of dairy products on the Lithuanian and foreign markets.

4. Data on Trade on the Markets Regulated by the Issuer's Securities

From 13 October 1997, the common registered shares of Žemaitijos Pienas, AB are registered in the Current List of Vilnius Stock Exchange. Shares issued by the company are quoted in the Secondary List of Vilnius Stock Exchange.

Type of share – common registered shares;

Number of shares – 48,375,000;

Total nominal value – LTL 48,375,000;

VP ISIN code LT0000121865;
VSE symbol – ZMP1L.

5. Information on the Agreements with the Intermediaries of Public Trading in Securities

On 16 July 2004, the company has concluded the agreement with Šiaulių Bank, AB, address: Tilžės str. 149, Šiauliai, in accordance with which, starting with 23 July 2004, the management of the securities account of the securities issued by the company are transferred to Šiaulių Bank, AB.

6. Data on the Trade in Shares on the Markets Regulated by the Companies Constituting the Group

48,375,000 common registered shares of Žemaitijos Pienas, AB are registered in the Secondary List of NASDAQ OMX Vilnius (VSE symbol ZMP1L). Nominal value of one share is 1 (one) litas.

Trade on other exchanges and other organisations have not been carried out. The following are the share transaction carried out by Žemaitijos Pienas, AB on the NASDAQ OMX Stock Exchange in Vilnius:

| Reporting period | | Price (LTL) | | | Turnover (LTL) | | | Last session date | Total turnover | |
|------------------|------------|-------------|--------|--------------|----------------|-----|--------------|-------------------|----------------|--------------|
| from | until | max | min | last session | max | min | last session | | (units) | (LTL) |
| 01.01.2006 | 31.03.2006 | 20.90* | 18.15* | 20.40* | 388,131.30 | 0 | 20,455.00 | 31.03.2006 | 70,621* | 1,355,512.31 |
| 01.04.2006 | 30.06.2006 | 21.10* | 18.02* | 19.50* | 469,989.34 | 0 | 3,878.20 | 30.06.2006 | 72,122* | 1,487,329.26 |
| 01.07.2006 | 30.09.2006 | 19.20* | 18.20* | 18.36* | 211,179.95 | 0 | 12,961.92 | 29.09.2006 | 32,366* | 603,870.82 |
| 01.10.2006 | 31.12.2006 | 27.00* | 18.00* | 24.98* | 994,131.52 | 0 | 21,424.46 | 29.12.2006 | 126,904* | 2,811,010.07 |
| 01.01.2007 | 31.03.2007 | 25.80* | 21.50* | 24.45* | 1,551,091.80 | 0 | 9,882.00 | 30.03.2007 | 244,198* | 6,149,153.28 |
| 01.04.2007 | 30.06.2007 | 24.48* | 20.50* | 22.50* | 123,109.00 | 0 | 28,445.90 | 29.06.2007 | 45,575* | 980,996.61 |
| 01.07.2007 | 30.09.2007 | 26.36* | 20.50* | 25.00* | 2,896,764.09 | 0 | 27,177.20 | 28.09.2007 | 412,115* | 8,577,471.35 |
| 01.10.2007 | 31.12.2007 | 25.20* | 22.50* | 22.70* | 135,087.25 | 0 | 44,258.33 | 28.12.2007 | 39,781* | 950,569.12 |
| 01.01.2008 | 24.03.2008 | 26.01* | 20.80* | 22.30* | 253,915.34 | 0 | 8,205.00 | 04.03.2008 | 94,225* | 2,151,710.39 |
| 25.03.2008 | 31.03.2008 | 2.40 | 2.22 | 2.22 | 18,390.64 | 0 | 2,950.00 | 31.03.2008 | 18,579 | 42,168.66 |
| 01.04.2008 | 30.06.2008 | 2.21 | 1.60 | 1.73 | 88,536.31 | 0 | 1,881.00 | 30.06.2008 | 348,876 | 627,384.43 |
| 01.07.2008 | 30.09.2008 | 1.70 | 1.24 | 1.24 | 56,815.40 | 0 | 1,004.00 | 30.09.2008 | 272,759 | 419,727.24 |
| 01.10.2008 | 31.12.2008 | 1.25 | 0.50 | 0.60 | 74,821.50 | 0 | 461.00 | 29.12.2008 | 905,477 | 725,090.79 |
| 01.01.2009 | 31.03.2009 | 0.66 | 0.48 | 0.50 | 627,365.70 | 0 | 875.00 | 31.03.2009 | 2,470,477 | 1,474,090.09 |
| 01.04.2009 | 30.06.2009 | 0.82 | 0.49 | 0.67 | 686,402.16 | 0 | 19,159.56 | 30.06.2009 | 4,226,779 | 2,828,899.35 |
| 01.07.2009 | 30.09.2009 | 1.32 | 0.63 | 1.06 | 543,585.51 | 0 | 18,110.62 | 30.09.2009 | 5,114,462 | 4,576,203.11 |
| 01.10.2009 | 31.12.2009 | 1.19 | 0.92 | 1.05 | 303,011.29 | 0 | 23,996.10 | 30.12.2009 | 2,461,791 | 2,646,416.65 |

The share price and turnover graph of Žemaitijos Pienas, AB in 2009. The graph is taken from the NASDAQ OMX Vilnius website:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt¤cy=0&date=&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=12&end_y=2009



7. Issuer's Authorised Capital

On 31 December 2009, the authorized capital of Žemaitijos Pienas, AB constituted of:

| Type of share | Number of shares (unites) | Nominal value (LTL) | Total nominal value (LTL) | Authorised capital value (%) |
|--------------------------|---------------------------|---------------------|---------------------------|------------------------------|
| Common registered shares | 48,375,000 | 1 | 48,375,000 | 100 |

All the shares are fully paid and no disposal restrictions on securities are applicable.

8. Objective Overview of the Company's Condition, Performance of Operations and Development

Žemaitijos Pienas, AB is one of the largest and most modern milk processing companies in Lithuania.

Žemaitijos Pienas, AB was established in 1924. In the same year Telšiai Dairy began its operations, the capacity of which was considered to be rather high. At the end of the year 1984 Telšiai Dairy began its operations in the new facilities and was active until the opening of the largest in the Baltic area Telšiai cheese factory and its privatization in 1993. On 16 October 1998, Žemaitijos Pienas, AB registered on 23 June 1993 with Telšiai District Administration, was reregistered with the Ministry of Economy of the Republic of Lithuania (hereinafter – RL).

Work experience gained throughout the years and the unique formulas today allow offering a wide variety of products with great taste and high quality.

The variety of the products has widened and their quality has improved by means of consultations with the best European and American companies, focusing on the implementation of the new technologies and using Bactocath the advanced membrane technology of milk purification. The Company produces fresh dairy products, butter, fermented and processed cheeses and dried milk products.

The production of the Company is highly evaluated by the consumers in Lithuania and abroad. Products of Žemaitijos Pienas, AB are exported to the countries of the European Union, Baltic States, Russia, Belarus, USA, Israel, Croatia, etc. High quality is revealed not only through the popularity of the products, but also through various awards received at the national and international exhibitions.

Most of the products manufactured by Žemaitijos Pienas, AB correspond not only to the European, but also to the international standards. The Company was awarded golden medals and diplomas at the international exhibitions.

On average the Company annually processes 257 thousand tons of raw milk, 2,500 tons of organic milk, produces 7,573 tons of fermented cheese, 3,785 tons of butter, 2,121 tons of skimmed milk powder, 5,313 tons of whey powder, 819 tons of organic milk, 184 tons of organic yoghurt (natural and with additives), etc.

In 2006, the State Food and Veterinary Service of the RL by Order No. B1-800 of 13.12.2006 of the Service Director concerning the Veterinary Approval of Subjects Managing Animal Products has pronounced invalid Order No. 4-104 of 20.07.1995 concerning Allocation of Veterinary Supervision Numbers and approved the conformity of Žemaitijos Pienas, AB to the regulation requirements, the production of dairy products of Žemaitijos Pienas, AB and issued the confirmation number 78-01 P.

In 2006, the German accreditation institution DAR performed the audit of the Žemaitijos Pienas, AB laboratory to verify its conformity to DIN EN ISO/IEC 17025:2000 requirements and have confirmed the conformity by granting DAR accreditation certificate with the registration number DAP-PL-3977.00.

In 2007, the Company began producing organic products. EKOAGROS, VšĮ confirmed that Žemaitijos Pienas, AB is in conformity with requirements of Council Regulation (EEC) No. 2092/91 and Ecological Agriculture Regulations. The licensed production of organic products includes organic cheese 45% fat (dry matter), organic milk 2.5% fat, organic yoghurt (Certificate No. SER-K-07-00010, registration No. 060670P).

9. Description of the Main Types of Risks and Uncertainties Faced by the Company

The Company's operations involve milk processing. The main factors constituting the Company's business risk are potential changes in the raw materials and product markets, as well as any possible political, legal, social and technological changes, which are directly or indirectly related to the business of Žemaitijos Pienas, AB, and which can affect the Company's cash flows and operation results.

The main raw material used in the Company is milk, the sale amount for processing to the European Union manufacturers of which is restricted by the national milk quotas. The restriction on supply of the raw materials can cause shortage of the raw materials and the drop in the prices of raw materials. These changes can have a negative effect on the Company's cash flows and operation results.

The Company's business (in particular milk gathering and transfer) is the operations requiring high volume of labour force. Changing price of fuel and increase of employee wages can have a negative effect on the Company's growth potential and operation results.

The Company specialises in the manufacturing of fresh dairy products and cheese. The largest part of its revenue consists of the gain received from trading in these products. Due to that negative changes in demand of the fresh dairy products and cheese and price changes on the market can affect the Company's revenue, profit and general financial state. Negative price of products can affect competition on the local and international dairy product market.

10. Analysis of the Financial and Non-financial Operations, Information Related to the Environmental and Personnel Issues

The main financial indicators reflecting the operations of the Group and the Company in 2009, in thousands of litas:

| Financial indicator | According to the International Accounting Standards | | | |
|--|---|---------|---------|---------|
| | 2009 | | 2008 | |
| | Group | Company | Group | Company |
| Turnover | 372,825 | 371,190 | 471,829 | 471,511 |
| General profit | 69,804 | 67,944 | 72,149 | 70,164 |
| Profit before tax, interest and amortisation | 34,068 | 33,337 | 15,060 | 12,797 |
| Profit before tax | 14,297 | 15,017 | (3,889) | (5,123) |
| Amount of investment into fixed assets | 16,883 | 16,677 | 31,343 | 28,794 |

Comparison of tonnage and prices of raw milk purchasing in 2009 and 2008:

| Raw milk purchasing (calculated as basic fat content) | 2009 | 2008 |
|---|------|------|
| Amount of purchased milk, in thousands of tons | 311 | 340 |
| Purchase price of milk, LTL/t | 531 | 752 |

257 thousand of tons (2009) and 280 thousand of tons (2008) of natural milk have been purchased.

The following is the distribution according to the type of products of Žemaitijos Pienas, AB sold in Lithuania and exported in 2009 and 2008, expressed in thousands of litas:

| Product group name | Turnover in thousands of litas | | Difference in % between 2009 and 2008 |
|-----------------------------------|--------------------------------|----------------|--|
| | 2009 | 2008 | |
| Fermented cheese | 159,282 | 225,823 | -29.5% |
| Fresh dairy products | 118,174 | 143,780 | -17.8% |
| Butter and dairy fat based spread | 32,871 | 33,829 | -2.8% |
| Dry milk products | 17,889 | 13,194 | 35.6% |
| Ice-cream | 4,312 | 15,121 | -71.5% |
| Other | 35,712 | 39,698 | -10 % |
| Export subsidies | 2,950 | 66 | |
| Total | 371,190 | 471,511 | -21.3% |

Group sales according to the geographic segments (secondary segments) in 2009 and 2008, expressed in thousands of litas:

| Sales according to the geographical segments | 2009 m. | 2008 m. |
|--|----------------|----------------|
| Lithuania | 210,457 | 252,900 |
| Other Baltic States and CIS states | 74,846 | 119,153 |
| Other European countries | 73,041 | 94,476 |
| USA | 2,295 | 148 |
| Other | 12,186 | 5,152 |
| Total | 372,825 | 471,829 |

Environmental Protection

According to the established criteria, Žemaitijos Pienas, AB, the company producing and trading in dairy products, is assigned to the category of Installations indicated in Annex 1 of the IPPC regulations on the environmental protection permits. On 29 December 2006, the Company was issued an integrated pollution prevention and control permit with an unlimited validity with a possibility of correction due to any changes. The Company does not cause any negative effects on the environment, for the elimination of which immediate measures should be taken, however, the Company is keeping a close watch of its operation indicators, planning and implementing investments, which would allow to decrease the production and operation costs, as well as energy consumption, and which would improve the Company's environmental state in all possible ways. We are always ready to solve the environmental protection problems together with the society.

In 2008, the Company has implemented the integrated quality management and food safety management system, which generally complies with the requirements of ISO 9001:2008 and ISO 22000:2005 standards and is planning to implement the Environmental Management System ISO 14000.

Telšių Vandenys, UAB is supplying part of the drinking water of Žemaitijos Pienas, AB, another part is extracted from the private deep water bores. Natural resources are being utilized sparingly. Vilniaus Hidrogeologija, UAB is carrying out the underground water monitoring programme. Purification of industrial wastewater is not carried out directly by Žemaitijos Pienas, AB, but with the use of the Telšiai purification plant. Rainwater run-off on the Company's territory is gathered in the closed network sewer and directed into the oil trap, where it is being purified in the primary purification installation (oil and mud trap) and then released into the city rainwater sewer networks. In order to improve purification of rainwater, the oil and mud trap was reconstructed by installing the sawdust and shavings filter at the end of the trap. After reconstruction the efficiency of the trap has increased. Rainwater run-off is purified to comply with the requirements of maximum permissible level of pollution. After the primary purification in the oil and mud trap the rainwater run-off is released into the city rainwater sewer networks, which then run into a nameless river of the Tausalas river basin. Wastewater and water (effect on the surface water) monitoring is regularly carried out on the industrial wastewater and rainwater run-off.

The least atmosphere polluting fuel – natural gas – is used in the private boiler room. In 2009, the Company consumed 5.4 mln m³ of natural gas. The Company produces steam, hot and heating water itself.

In 2009, the registered air pollution sources have emitted 98,260 tons of pollution. In 2009, the vehicles consumed 2,206 tons of fuel. In 2009, the Company has purchased 11 new milk tank trucks, which comply with Euro IV technical and safety requirements for safe tracks. Effect on the environment is monitored according to the coordinated ambient air monitoring programmes for the period of 2008-2012. Waste and packaging is managed in accordance with the established environmental requirements. Žemaitijos Pienas, AB carries out secondary waste separation from the general waste flow and

systematically transfers it to the collectors and recyclers of this waste. On the territory the hazardous and non-hazardous waste is stored and managed in such a way as to ensure absence of negative effect on the environment, while the separation and storage areas are adequately marked. Waste is transferred to the waste elimination company without delays.

The Company possesses the scenarios of potential accidents, their cause and elimination plans, ammonia compression type refrigeration systems, gas storage, chemical storage as a hazardous object, danger identification, risk analysis and assessment with regard to safety.

The Company is known to cause no extensive negative effect on the environment. The Company applies the Best Available Techniques in its operations and seeks to achieve the most economic comparative indicators of operations.

Main environmental indicators of 2009:

Amount (expressed in tons) of pollution emitted into the ambient air per one ton of raw materials – 0.0005;

Electricity consumption kW per one ton of raw materials – 90;

Thermal energy consumption Nm³ per one ton of raw materials – 30.85;

Amount of wastewater expressed in tons per one ton of raw materials – 2.60;

Fuel consumption expressed in tons per one ton of raw materials – 0.01;

Taxes for rainwater run-off pollution expressed in litas per one ton of raw materials – 0.0065;

Taxes for air pollution – LTL 93,475

The company is continuously carrying out investment projects, in the course of which it implements new advanced technologies allowing a more efficient consumption of the energy resources. On 19 December 2008, the Company presented an application for support to the National Paying Agency under the Ministry of Economy in accordance with the first field on operation Processing and Marketing of Agricultural Products of measure Processing of Agricultural Products and Increased Added Value of the Lithuanian Rural Development Programme 2007-2013, according to which it is expected to acquire milk/whey processing and packing equipment, air purification filter and has already acquired 11 new milk tank trucks for the total amount of 14.2 mln litas. Investments into modern milk tank trucks helped to reduce the high expenditure on fuel, vehicle repair and technical maintenance of the worn out milk tank trucks and cost of the delivered raw milk, and to save on taxes for the environment pollution from the mobile vehicles. Having implemented the remaining part of the project by replacing the worn out equipment with the modern one, the quality of foodstuffs will improve, ambient air contamination with hard particles coming from the powder packing line and wastewater pollution will decrease.

By implementing the Human Resources Policy the Company is seeking to create and develop long-term relationship with the employees. Company employees have an opportunity to improve their knowledge and skills. The following programmes have been prepared: for production workers, for production machinists, for production operators, for production operator/locksmith, for production foremen and for sales employees.

Professional Training

| Completed trainings | Number of employees trained in 2009 |
|---|-------------------------------------|
| New production employees | 5 |
| Production employees on basics of ISO and BRC standards. | 89 |
| Russian federal standard | 47 |
| Employee representatives of safety and health | 12 |
| Unqualified employees of other divisions (utilities, canteen) | 25 |
| Qualified employees of other divisions (customer service department) | 13 |
| Sensual product evaluation course | 38 |
| Occupational safety days | 27 |
| Raw material purchasing managers | 22 |
| Employees in charge of drawing up the documents on the quality management system of the integrated marketing communication system (QMSIMCS) | 24 |
| Internal auditor training | 13 |
| Participated in the external seminars and courses | 30 |
| Obtained qualification certificates | 4 |
| Qualification improvement courses (internal) | 8 |
| Internal training and attestation of the qualified employees and foremen | 13 |
| Training for new equipment operation | 11 |
| Total | 499 |

11. References and Supplementary Information on the Data Presented in the Annual Financial Report

The data presented in the compendium of annual financial reports and the interpretative statement are rather comprehensive and additional explanation shall not be provided.

12. Number of All the Acquired and Available Own Shares, Their Nominal Value, and the Part of the Authorises Capital which They Constitute

During the reporting period the Company has not acquired or disposed of any own shares.

13. Number of the Acquired and Disposed Own Shares during the Reporting Period, Their Nominal Value, and the Part of the Authorises Capital which They Constitute

During the reporting period the Company has not acquired or disposed of any own shares.

14. Information on the Payment for the Own Shares If They Were Acquired or Disposed of for a Certain Fee

During the reporting period the Company has not acquired or disposed of any own shares.

15. Reasons for Acquisition of Own Shares during the Reporting Period

During the reporting period the Company has not acquired or disposed of any own shares.

16. Information on the Company's Branches and Agencies

On 31 December 2009, the Group consisted of Žemaitijos Pienas, AB and its daughter companies. The following are the daughter companies managed by Žemaitijos Pienas, AB:

ŽEMAITIJOS PIENAS, AB

Registration number 180240752, Sedos str. 35, Telšiai, Lithuania

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Tarpučių Pienas, ŽŪK, registration number 151449845.

Authorised capital – LTL 496,027, of which 10,08 % belong to the Company.

Registered office address – Klaipėdos str. 3, Šilutė.

Nature of operations – Raw milk cooling.

Sodžiaus Pienas, ŽŪK (in the process of dissolution) registration number 177975514.

(Date of registration of the legal status “in the process of dissolution” with the State Enterprise Centre of Registers is 10.07.2009; Date of general members meeting protocol on the Dissolution of the Cooperative is 04.05.2009).

Authorised capital – LTL 694,570, of which 15.12 % belong to the Company.

Registered office address – Šilalės str. 35, Laukuva, Šilalė District.

Nature of operations – Raw milk cooling.

Šilutės Rambynas, ABF, registration number 277141670.

Authorised capital – LTL 8,596,650, of which 87.82 % belong to the Company.

Registered office address – Klaipėdos str.3, Šilutė.

Nature of operations – Production of fermented cheese.

Pursuant to the Law on Agricultural Enterprises, property of the companies is determined according to the percentage of sales with a certain company, therefore Tarpučių Pienas, ŽŪK and Sodžiaus Pienas, ŽŪK are considered to be daughter companies, since their sales to the Company constitute almost 100 percent. Šilutės Rambynas, ABF is considered to be a daughter company because Žemaitijos Pienas, AB controls more than 50 percent of the shares.

Žemaitijos Pienas, AB has 7 wholesale divisions with the warehouses and transportation means in some of the largest cities of Lithuania:

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

17. Important Events, which Took Place from the End of the Last Financial Year

On 20 July 1995, pursuant to Order No. 4-104 of the State Food and Veterinary Service of the Republic of Lithuania, Žemaitijos Pienas, AB, as a company, which was found to be in compliance with the veterinary requirements, was granted a veterinary supervision number LT 78-01 P.

On 15 January 1998, by the decision of the European Commission Žemaitijos Pienas, AB was acknowledged as an equitable importer of dairy products to the EU countries.

On 12 December 2006, pursuant to Order No. B1-800 of the State Food and Veterinary Service of the Republic of Lithuania conformity of Žemaitijos Pienas, AB to the new requirements of EU Hygiene Regulations has been confirmed and it was granted a veterinary confirmation number 78-01 P

One of the largest milk processing companies Žemaitijos Pienas, AB continues investing into quality. On 30 April 2009, the company was awarded the ISO 9001 Quality Management and ISO 22000 Food Safety Management System certificates. The same certificates were awarded to the company Šilutės Rambynas, which is part of the Group of companies.

Certified operations – development, production and trade in dairy products.

ISO 9001 – management system certificate shows that the Company has implemented the quality management system, which ensures efficient company management as it comes to the internationally recognized values and aims.

ISO 22000 – food safety management system certificate shows that the company guarantees safety in the entire chain of manufacturing and supply up to the consumption. The companies possessing the ISO 22000 certificate are obliged to pay special attention to the manufacturing of products and implementation of good environmental, hygiene and manufacturing practices seeking to ensure safety and high quality of an end product.

EKOAGROS, VšĮ recertified the production of organic products of Žemaitijos Pienas, AB. The following was recertified:

Organic cheese 45% fat (dry matter)

Organic milk 2.5% fat

Organic yoghurt 2.5% fat

Organic yoghurt with strawberries 2.0% fat

Organic yoghurt with lemon and ginger 2.0% fat

Organic yoghurt with cherries 2.0% fat

Organic half-fat curd 9% fat

07.03.2009 certificate No. SER-K-09-00023, registration No. 060670P.

EKOAGROS, VšĮ certified production of Žemaitijos Pienas, AB organic yoghurt 2.4% fat.

23.12.2009 certificate No. SER-K-09-02907, registration No. 060670P.

Hard half-fat fermented cheese 40% fat (dry matter) 7 COLLINE certified at the Kaliningrad Centre of Certification

Coated dessert JUMS 24% fat (dry matter) certified at the Kaliningrad Centre of Certification.

The Company manufactures newly certified cream for the Ukrainian market.

The term of validity of the existing certificates was extended by the Kaliningrad Centre of Certification and Metrology and the Belarusian Centre of Certification BELGIM.

The auditors from the international certification institute Bureau Veritas Certifikation performed the 1st supervision audit of the integrated food safety and quality management system of Žemaitijos Pienas, AB (pursuant to the requirements of ISO 22000:2006 and ISO 9001: 2008). No inconsistencies were detected.

The auditors from the international certification institute Bureau Veritas Certifikation performed the audit of the cheese and butter production, and the processed and packed cheese production of Žemaitijos Pienas, AB pursuant to the BRC (Global Food Standard Issue 5 (British Retail Consortium)) requirements.

Žemaitijos Pienas, AB successfully passed the audit of the Federal Veterinary and Phytosanitary Supervision Service of Russia.

Žemaitijos Pienas, AB successfully passed the audit performed by the specialists of the Belarusian and Ukrainian Veterinary Service.

Žemaitijos Pienas, AB successfully passed the audit performed by the auditors of the US Army Veterinary Service.

XI Russian Agricultural Exhibition "Golden Autumn". Žemaitijos Pienas, AB received a diploma for participation in the exhibition (9-12 October, Moscow).

Competition "Choose the Best Food Product" organized by the Lithuanian National Consumer Federation. The product of Žemaitijos Pienas, AB cheese Džiugas was granted the "Choose the Best Food Product" label (16.10.2009, Vilnius).

Competition "Choose the Best Food Product" organized by the Lithuanian National Consumer Federation. The product of Žemaitijos Pienas, AB yoghurt MAGIJA STOP E (with pineapple and grapefruit) was granted the "Choose the Best Food Product" label (16.10.2009, Vilnius).

Competition "Choose the Best Food Product" organized by the Lithuanian National Consumer Federation. The product of Šilutės Rambynas, AB-F string cheese sticks PIK-NIK (with herbs) was granted the "Choose the Best Food Product" label (16.10.2009, Vilnius).

18. Plans and Forecast of the Company Operations

The long-term objectives of Žemaitijos Pienas, AB are to become a strong, technically advanced, reliable company attractive for the investors, to create a profitable market for its products in the European Union and the Baltic States, to maintain the highest quality of the products, to utilise the manufacturing capacities to the fullest and to systematically accumulate the intellectual capital.

Main current objectives of the Company:

- to purchase milk according to the market conditions, but not for a price higher than that paid for raw milk by other market participants in Lithuania;
- to increase sales at the prices favourable to the Company. To focus on the main baskets of the strongest products and to sustain at least 20% of the internal market. To focus on the sale of products with higher added value on the export market;
- to consolidate the marketing function and the company's name;
- to decrease manufacturing expenditure and cost of the products;
- to withdraw from the economically unbeneficial production as soon as possible;
- to decrease the distribution costs;
- to provide incentives to the employees only for the end result and for the performance of the plans they have committed themselves to.

Due to the difficulties in forecasting economic situation in the country the group of Žemaitijos Pienas, AB shall refrain from announcing the forecast for the turnover and profit for the year 2010.

19. Information on the Company Research and Development Activities

The Company continuously makes investments and searches for ways to ensure sustainable growth and more efficient operations.

20. How the Company uses the financial instruments, which is important when evaluating the company assets, equity capital, obligations, financial state, etc., the company reveals the

objectives of the financial risk management, the applicable main group hedging instruments of the estimated transaction groups, to which the accounting for hedge transaction is applicable

The information on the financial risk of the issuer is presented in the interpretative statement of the compendium of Annual Financial Reports.

II. OTHER INFORMATION ABOUT THE ISSUER

21. Structure of the Issuer's Authorised Capital

The authorised capital in the amount of LTL 48,375,000 is registered in the Register of Legal Entities. It is divided into 48,375,000 common registered shares with the nominal value of LTL 1 each. On 31 December 2009 the authorised capital of Žemaitijos Pienas, AB consisted of:

| Type of shares | Number of shares (units) | Nominal value (LTL) | Total nominal value (LTL) | Part of the authorised capital (%) |
|--------------------------|--------------------------|---------------------|---------------------------|------------------------------------|
| Common registered shares | 48,375,000 | 1 | 48,375,000 | 100 |

All the shares are fully paid and no disposal restrictions on securities are applicable.

22. All Restrictions on the Disposal of Securities

No restrictions on the disposal of securities are applicable.

23. Shareholders

On 31 December 2009 the Company accounts for 3,442 shareholders in total. All the issued shares grant their holders equal rights, which are provided in the Law on Stock Corporations of the Republic of Lithuania (hereinafter the RL Law on Stock Corporations) and the Company's Articles of Association.

The following are the shareholders, who in accordance with the property right possess or control more than 5 percent of the authorised capital and votes of Žemaitijos Pienas, AB:

| Sr. No. | Shareholder | Number of shares possessed in accordance with the property right | The percentage of the authorised capital and votes possessed in accordance with the property right, % | Percentage of votes possessed together with the related parties, % |
|---------|--|--|---|--|
| 1 | Algirdas Pažemeckas | 21,355,870 | 44.15 | 50.40 |
| 2 | SKANDINAVISKA ENSKILDA BANKEN CLIENTS, code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN | 4,811,238 | 9.95 | 9.95 |

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| | | | | |
|---|---|-----------|------|------|
| 3 | Klaipėdos Pienas, AB, registration number 240026930, Šilutės rd, 33, 91107 Klaipėda | 3,601,844 | 7.45 | 7.45 |
| 4 | Ona Šunokienė | 2,614,430 | 5.4 | 5.4 |

There are no restrictions on the disposal of securities. The shareholders have property and non-property rights and duties established by the RL Law on Stock Corporations and the Company's Articles of Association.

Restrictions on the Voting Rights. All the Company shares granting the right of vote have the same nominal value and each share represented at the general shareholders' meeting carries one vote.

24. Rights of the Shareholders

The Company shareholders have the following property rights:

to receive part of the Company's profit (dividend); to received part of the dissolved Company's assets; to received shares free of charge if the authorised capital is increased at the expense of the Company with the exception of cases established by the law; if a shareholder is a natural person, to leave all or part of the shares in the testament to one or several persons; to sell or otherwise dispose of all or part of the shares to another person in accordance with the procedure and conditions established by the law;

The Company shareholders have the following non-property rights:

to take part in the meetings; to cast votes at the meeting in accordance with the right carried by the shares; to obtain non-confidential information about the Company's economic activities; to select and be selected as member of the Company's executive and monitoring bodies, to take any position in the Company unless otherwise determined by the RL Law on Stock Corporations and the Company's Articles of Association; to make specific proposals for improvement of the Company's financial, economic, organisational, etc. activities, to appeal in court against decisions and actions of the general shareholders' meeting, supervisory and executive boards and the chief executive officer of the Company, which violate the laws of the Republic of Lithuania, Company's Articles of Association, the property and non-property rights of the shareholders. Without separate authorisation one or several shareholders have the right to the compensation of damages incurred by the shareholders; and other non-property rights, which are not defined by the laws.

Any person shall acquire all the rights and duties granted to him/her by acquisition of the part of the Company's authorised capital and/or voting rights: in cases of increased authorised capital, from the day of registration of the modifications to the Company's Articles of Association related to the increased authorised capital and/or voting rights, in other cases, from the day of acquisition of the property rights towards a part of the Company's authorised capital and/or voting rights.

25. Shareholders Carrying Special Control Rights and Description of the Rights

There are no shareholders in the Company possessing special control rights.

26. All Restrictions on the Voting Rights

There are no shareholders in the Company with the restricted voting rights.

27. All the Reciprocal Agreements Between the Shareholders, which the Issuer is Aware of and which Can Restrict the Disposal of Securities and/or Voting Rights

The issuer is not aware of any reciprocal agreements between the shareholders, which could restrict the disposal of the securities and/or voting rights.

28. Employees

According to the data available on 31 December 2009, the number of employees in the Group amounted to 1,528. In comparison with 31.12.2009 the number of employees decreased by 16.91 percent. This reduction was caused by the economic changes, increase of labour productivity and the redistribution of work in the production divisions of the companies (both Žemaitijos Pienas, AB and Šilutės Rambynas, ABF).

Average difference in employees of Žemaitijos Pienas, AB Group in the past financial year:

| | 31.12.2009 | 31.12.2008 |
|-----------------------------|------------|------------|
| Average number of employees | 1,528 | 1,839 |

Employees grouped according to their education:

| Number of employees | 31.12.2009 | 31.12.2008 |
|--------------------------------|--------------|--------------|
| Higher education | 214 | 225 |
| Post-secondary education | 411 | 413 |
| Professional education | 290 | 440 |
| Secondary education | 510 | 583 |
| Incomplete secondary education | 103 | 178 |
| Total: | 1,528 | 1,839 |

Average wages of Žemaitijos Pienas, AB Group according to the corresponding employee labour groups:

| Division | 31.12.2009 | | 31.12.2008 | |
|---------------------------|---------------------|---------------|---------------------|---------------|
| | Number of employees | Average wages | Number of employees | Average wages |
| Administration | 133 | 3,194.20 | 122 | 4,110.17 |
| Operating personnel | 214 | 2,110.20 | 217 | 2,284.48 |
| Transport division | 175 | 2,295.50 | 264 | 2,809.83 |
| Purchase of raw materials | 283 | 869.20 | 236 | 1,411.4 |
| Production division | 411 | 1,533.00 | 652 | 1,704.22 |
| Branches | 312 | 2,255.10 | 348 | 2,336.48 |
| Total: | 1,528 | | 1,839 | |

The rights and duties of the Company employees are provided in their position description. Labour agreement does not provide any special rights or duties.

29. Procedure of Modification of the Issuer's Statutes

Žemaitijos Pienas, AB operates in accordance with the laws of the Republic of Lithuania, Government resolutions and regulatory enactments regulating company operations, the Law on the Securities Market and the Company's Articles of Association.

Statutes of Žemaitijos Pienas, AB can be modified in accordance with the procedure established by the legal acts of the Republic of Lithuania.

30. Issuer's Supervisory Bodies

The supervisory bodies of the issuer are the general shareholders' meeting, supervisory board, executive board and the chief executive officer of the Company (Director General). The supervisory bodies are the Company's executive board and the chief executive officer of the Company.

General Shareholders' Meeting

General shareholders' meeting is entitled:

to modify and supplement the Company's Articles of Association, to select and cancel the auditing company; to adopt decisions concerning the increase of the authorised capital; to determine the type, category and minimum issue price of shares issued by the Company; to adopt decisions concerning reduction of the authorised capital; to adopt decisions concerning the issue of the convertible bonds; to adopt decisions concerning the change of one type or category of the Company shares to another and to approve the procedure of the exchange of shares; to adopt decisions concerning acquisition of own shares; to adopt decisions concerning the reform of the Company, dissolution of the Company or cancellation of dissolution; to adopt decisions concerning reorganisation of the Company and to approve the reorganisation project (conditions). In cases provided by the law the decision concerning Company reorganisation by means of incorporation can be made by the executive board of the Company; as well as to adopt decisions concerning profit allocation and to adopt decisions concerning accumulation of reserves with the exception of a revaluation reserve.

Supervisory board of the Company is a collegial supervisory body, which supervises Company operations. The board is governed by its chairman. The board comprises of 3 (three) members, who are selected by the general shareholders' meeting for a period of 4 (four) years. Company's Articles of Association provide that the number of the member's terms of office is unlimited.

Supervisory Board.

The authority and responsibilities of the Supervisory Board:

the board can select the members of the board and depose them; if the Company operates at a loss, the supervisory board must discuss whether the members of the executive board are suitable for their positions; to supervise the activities of the executive board and the chief executive officer of the Company; to present remarks and proposals to the general shareholders' meeting concerning the strategy of Company operations, the compendium of annual financial reports, profit distribution project and Company operation report; as well as the remarks and proposals concerning the operations of the executive board and the Company's chief executive officer; to determine (approve) the monthly/quarterly limits on the manufactured products, which are designated for free consumer degustation, market research and/or development presented by the executive board, and to confirm them at the end of a quarter; to present propositions to the executive board and the chief executive officer of the Company suggesting withdrawal of their decisions, which contradict the law or other legal acts, Company's Articles of Association and decisions of the general shareholders' meeting; to deal with other supervision issues concerning operations of the Company and its executive bodies provided in the Company's Articles of

Association and decisions of the general shareholders' meeting, which are within the competence of the supervisory board; to determine the service pay of the Company's chief executive officer, if he is a member of the executive board; upon the request of the executive board to solve the issues of termination of the labour agreements with a member of the supervisory board employed by the Company.

Executive Board

The executive board of the Company is a collegial body represented by the Company's shareholders for the period between the shareholders' meetings and adopting decisions concerning the fundamental issues related to the company's economic operations. The procedure of work of the executive board is determined by the executive board operation regulations. The executive boards comprises of 5 (five) members. The members of the executive board are elected by the supervisory board for a period not exceeding 4 (four) years. The number of their terms of office is unlimited. The activities of the executive board are governed by the chairman, who is elected by the executive board from among its members.

The executive board decides and approves the following:

The Company's operation strategy; the Company's management structure and duties of the employees; positions for which the employees are selected by way of open contest; with the approval of the supervisory board, it determines and confirms the monthly range and quantity of the manufactured products for free consumer degustation seeking to research and/or expand the market; regulations of the Company branches and agencies; job description and wages of the director general and deputies.

The executive board elects and deposes the chief executive officer of the Company. The executive board approves the candidates for the position of the deputy director and the candidates to the positions for which the employees are selected by way of open contest.

The executive board analyses and evaluates the documents presented by the director general concerning:

Implementation of the Company's operation strategy; organisation of Company operations; financial state of the Company; results of the economic activity, profit and cost estimates, accounting data of inventory and other changes of assets; accumulation sources and methods of use of the financial resources; and Company transactions.

The executive board analyses and evaluates the compendium project of annual financial reports and the profit distribution project presented by the director general, and having approved these projects, presents them to the general shareholders' meeting. The executive board determines the methods and rates of calculation of the depreciation of the tangible assets and amortisation of the intangible assets, which shall be applicable in the Company.

The executive board is obliged to organise general shareholders' meetings at the designated times, to ensure compilation of lists indicating the owners of the registered shares, to prepare the agenda for the general shareholders' meeting, to present the compendium of annual financial reports of the Company to the shareholders, the profit distribution project, Company's operation report and other information necessary for discussion of the issues on the agenda.

Without approval of the general shareholders' meeting the executive board adopts decisions concerning the following questions:

decisions concerning the Company becoming the promoter and part of other legal entities; decision concerning the Company establishing branches and agencies; decision concerning investment, disposal and lease of the fixed assets, the book value of which is higher than 1/20 of the Company's authorised capital; decisions concerning the pledge and mortgage of the fixed assets, the book value of which is higher than 1/20 of the Company's authorised capital; decisions concerning liabilities of other persons, the amount of which is higher than 1/20 of the Company's authorised capital; decisions concerning acquisition of fixed assets for the price higher than 1/20 of the Company's authorised capital; decisions concerning the conditions of restructuring and reorganisation of the companies and/or projects for restructuring and reorganisation of the Company(-ies); decisions concerning the Company's membership

with the associations, trusts and/or consortiums and cancellation of it; decisions concerning donation of funds to charity, health care, culture, education, physical education and sports, as well as for elimination of damages after natural calamities and in case of state of emergency; determines the size of the fund for use by the Company's chief executive officer; and other decisions attributed to the competence of the executive board by the Company's Articles of Association and the decision of the general shareholders' meeting.

Chief Executive Officer of the Company

The chief executive officer of the Company is its Director General, who is acting pursuant to the Company's Articles of Association, decisions of the general shareholders' meeting, decisions of the executive boards and the regulation of administrative work.

The chief executive officer is in charge of organising the company operations and takes actions necessary for exercising its functions, for implementation of the decisions issued by the bodies of the Company and for ensuring Company operations. The Director General of the Company is reporting regularly to the executive board.

The bodies of the Company act pursuant to the laws and legal acts of the Republic of Lithuania and authority attributed to them by the Company's Articles of Association. The bodies of the Company are elected, appointed and deposed in accordance with the provisions of the aforementioned documents.

Chief executive officer of the Company and administration:

The chief executive officer of the Company is its Director General, who is acting pursuant to the Company's Articles of Association, decisions of the general shareholders' meeting, decisions of the executive boards and the regulation of administrative work. The chief executive officer is elected and deposed by the Company's executive board. For the election of the Director General an open contest can be organised. The labour contract with the Director General is signed by the chairman of the executive board. The labour contract with the Director General, who is the chairman of the executive board of the Company is signed by a member of the executive board authorised by the board. The Director General participates in the meetings of the Company's executive board by the right of a deliberative vote, if he/she is not a member of the executive board.

The chief executive officer of the Company (Director General):

supervises Company's administration; concludes transactions on behalf of the Company within the limits of his/her competences; represents the Company in the relationship with the third parties, in courts and arbitrations. Director General acquires the right to represent the Company on the day indicated in the labour contract; opens and closes the Company's bank accounts; draws up the Company's management system, lists of position, remuneration and incentive systems and presents them for approval to the executive board; draws up the draft of the share signing agreement; hires and fires employees, concludes and terminates agreements with them, evaluates their work results, determines the disciplinary penalties and incentives including the ones of material nature; determines the internal rules of work, approves the statutes of the Company branches and the administrative work regulation; grants authorisation for the performance of function within his/her competences; in the cases established by the Law on Stock Corporations of the Republic of Lithuania he/she gathers the general shareholders' meeting, organises it, draws up the drafts of the documents necessary for the general shareholders' meeting; ensures the safety of the Company's assets and confidentiality of the commercial secrets; performs other functions provided in the laws and the present regulations; and has access to the Company assets including monetary funds.

The Company's Director General reports regularly to the executive board.

Structure of the supervisory board:

| Name and surname | Position within the issuer | Number of currently possessed shares units | Percentage of the current authorised % | Start of the term of office | End of the term of office | Beginning of employment with Žemaitijos Pienas |
|---------------------|-----------------------------------|--|--|-----------------------------|---------------------------|--|
| Artūras Kanapienis | Chairman of the supervisory board | 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 board | - | - | 13.10.2007 | 12.10.2011 | 26.08.2002 |
| Romusas Jarulaitis | Member of the supervisory board | 1,105,510 | 2.29 | 13.10.2007 | 12.10.2011 | 26.01.1988 |

Structure of the executive board:

| Name and surname | Position within the issuer | Number of currently possessed shares units | Percentage of the current authorised % | Start of the term of office | End of the term of office | Beginning of employment with Žemaitijos Pienas |
|------------------------|--|--|--|-----------------------------|---------------------------|--|
| Algirdas Pažemeckas | Chairman of the executive board, director general | 21,355,870 | 44.15 | 30.09.2008 | 29.09.2012 | 26.12.1986 |
| Algirdas Bladžinauskas | Member of the executive board, sales director | - | - | 30.09.2008 | 29.09.2012 | 20.08.1996 |
| Dalia Gecienė | Member of the executive board, chief accountant | 665,160 | 1.38 | 30.09.2008 | 29.09.2012 | 29.07.1986 |
| Marius Dromantas | Member of the executive board, director of logistics | - | - | 01.06.2009 | 29.09.2012 | 01.12.2003 |
| Irena Baltrušaitienė | Member of the executive board, production director | 577,130 | 1.19 | 30.09.2008 | 29.09.2012 | 15.08.1975 |

Administration:

| Name and surname | Position | Number of shares, units. | Percentage of the authorised capital % |
|---------------------|------------------|--------------------------|--|
| Algirdas Pažemeckas | Director General | 21,355,870 | 44.15 |
| Dalia Gecienė | Chief Accountant | 665,160 | 1.38 |

In 2009, the monetary sum attributed to the executive bodies amounted to 1,072,888.61 litas. This amount was calculated in the following way: for the members of the supervisory board 373,608.71 litas, for the members of the executive board 699,279.90 litas.

31. All the significant agreements which the issuer is a party of, and which would come into force, change or be severed should the control of the issuer change and the influence of the agreements, with exception of the cases, when due to the nature of the agreement the disclosure of such an agreement would cause extensive damage to the issuer

There are no agreements, which the issuer is a party of, and which would come into force, change or be severed should the control of the issuer change

32. All the agreements concluded between the issuer and the members of its bodies or employees providing for compensation, if they would resign or be fired without any legitimate reason or if their work would end due to the change of the issuer's control.

The issuer did not conclude any agreements with the members of its bodies or employees providing for compensation, if they would resign or be fired without any legitimate reason or if their work end due to the change of the issuer's control.

33. Information Pertaining to the Compliance to the Provisions of the Corporate Governance Code

The statement of Žemaitijos Pienas, AB concerning the compliance with the Corporate Governance Code by the companies listed on the Stock Exchange is provided in a separate annex and is part of the present consolidated annual report.

34. Data on the Publicised Information

06.02.2009 Information published in the media

Information published in the publication Verslo Žinios on 5 February 2009 indicating that production volume of Žemaitijos Pienas, AB decreased by approximately 15 percent within the past and current year and that it stopped cheese export to Italy is erroneous. The Company emphasises that this announcement does not correspond to reality, since neither did Žemaitijos Pienas, AB reduce its production nor did it stop export to Italy.

13.02.2009 Decrease of investments

In 2009, Žemaitijos Pienas, AB is planning to invest 14 mln litas into the development of production, where it is expected to receive part of this amount from the European Structural Fund. This will constitute

part of the investment, which is 50 percent smaller than that expected to be invested earlier. These changes have been conditioned by the world economic crisis.

27.02.2009 Financial information covering 12 month presented for the year 2008

Attached: Unaudited interim financial reporting of Žemaitijos Pienas, AB for the year 2008.

16.03.2009 General shareholders' meeting

On 17 April 2009 at 3 p.m., the ordinary general shareholders' meeting of Žemaitijos Pienas, AB, registration number 180240752, registered address: Sedos str. 35, Telšiai was summoned upon the initiative and decision of the executive board of Žemaitijos Pienas, AB.

Meeting agenda:

1. Annual report of the company;
2. Conclusion of the company's auditor;
3. Approval of the company's financial reporting for the year 2008;
4. Distribution of the company's profit/loss for the year 2008;
5. Selection of the auditing company and establishment of the payment conditions for the auditing services;
6. Other questions.

17.03.2009 Corrected: Change of the accounting date of the shareholders' meeting

On 17 April 2009 at 3 p.m., the ordinary general shareholders' meeting of Žemaitijos Pienas, AB, registration number 180240752, registered address: Sedos str. 35, Telšiai was summoned upon the initiative and decision of the executive board of Žemaitijos Pienas, AB.

Meeting agenda:

1. Annual report of the company;
2. Conclusion of the company's auditor;
3. Approval of the company's financial reporting for the year 2008;
4. Distribution of the company's profit/loss for the year 2008;
5. Selection of the auditing company and establishment of the payment conditions for the auditing services;
6. Other questions.

06.04.2009 Announcement concerning the transaction of the chief executive officer

Announcement concerning the transaction of the chief executive officer pertaining to the issuer's securities.

09.04.2009 Drafts decisions adopted during the ordinary general shareholders' meeting of Žemaitijos Pienas, AB, which took place on 17-04-2009

Decision No. 01 of 25 March 2009 of the Executive Board of Žemaitijos Pienas, AB.

Pursuant to Article 34 of the RL Law on Stock Corporations, the executive board of the Company decided to propose the following items for the general meeting of the Company:

1. To approve the annual report of the Company;
2. To hear the conclusion of the company's auditor;
3. To approve the consolidated financial reporting of the company for the year 2008;
4. To approve the distribution of profit/loss;
5. To authorise the company's executive board to select an auditing company, which will perform the audit of the consolidated financial reporting of the year 2009, and to draw up an agreement for provision of the auditing services;
6. To select and approve the members of the Audit Committee of Žemaitijos Pienas, AB.

7. Composition of the Audit Committee and approval of the operation statutes (statutes are attached, 3 pages)

20.04.2009 Decisions of the shareholders' meeting of Žemaitijos Pienas, AB, which took place on 17 April 2009

The shareholders' meeting of Žemaitijos Pienas, AB, which took place on 17 April 2009 adopted the following decisions:

1. To approve the annual report of the company;
2. To hear the conclusion of the company's auditor;
3. To approve the consolidated financial reporting of the company for the year 2008;
4. To approve the following distribution of profit/loss:
 1. undistributed profit/loss at the beginning of the financial reporting year 42.660
 2. net profit/loss of the financial reporting year (4.805)
 3. transfers from the reserves 0
 4. shareholders' inputs to cover the loss of the company (if the shareholders decided to cover all or part of the loss) 0
 5. distributed profit/loss, total of 37.855
 6. part of profit allocated for the mandatory reserve 0
 7. part of the profit of the public limited liability company allocated for the reserve designated for acquisition of own shares 0
 8. part of profit allocated for other reserves 0
 9. part of profit allocated for payment of dividends 0
 10. part of profit allocated for annual payments (profit sharing) to the members of the executive and supervisory board, for employee bonuses and for other purposes 0
 11. undistributed profit/loss at the end of the financial reporting year transferred to the following financial year 37.885
5. To authorise the company's executive board to select an auditing company, which will perform the audit of the consolidated financial reporting of the year 2009, and to draw up an agreement for provision of the auditing services.
6. Audit Committee shall not be established.

20.04.2009 Yearly overview of Žemaitijos Pienas, AB:

1. Independent auditor conclusion, consolidated annual report, financial reporting and consolidated financial reporting.
2. Information pertaining to the compliance with the provisions of the Corporate Governance Code.
3. Approval of the responsible persons.

22.04.2009 Explanation concerning the reported loss

After the audit, the loss of Žemaitijos Pienas, AB Group has decreased from the reported 4.6 mln litas to the one of 3.7 mln litas after the audit. The difference was caused by reappraising the current fixed assets of Šilutės Rambynas, ABF at the real value.

29.03.2009 Chairman election of the executive board of Žemaitijos Pienas, AB

28.04.2009 Executive board of Žemaitijos Pienas, AB elected Algirdas Pažemeckas chairman of the executive board.

04.05.2009 Preliminary operation results of Žemaitijos Pienas, AB for the 1st quarter of 2009

The unaudited consolidated sales revenue of Žemaitijos Pienas, AB for the first quarter of 2009 – 90.25 mln litas (EUR 26.14 mln), in comparison with the 1st quarter of 2008 the sales have **dropped** by

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20.42%. The consolidated unaudited loss for the first quarter of 2009 – 3.6 mln litas (EUR 1.04 mln); the loss in the 1st quarter of 2008 – 5.4 mln litas (EUR 1.56 mln).

29.05.2009 Interim consolidated financial report of Žemaitijos Pienas, AB for period of three months of the year 2009

Interim consolidated financial report Žemaitijos Pienas, AB for the period of three months of the year 2009

The interim consolidated financial report of Žemaitijos Pienas, AB Group for the period of three months of the year 2009 has been presented.

02.06.2009 Decisions adopted during the meeting of the supervisory board of Žemaitijos Pienas, AB

Decided: To depose Romusas Jarulaitis the member of the executive board and to elect a new member Marius Dromantas.

23.06.2009 Delisting of shares of Žemaitijos Pienas, AB

Executive bodies of Žemaitijos Pienas, AB decided not to discuss the question concerning withdrawal of the Company's shares from trade on NASDAQ OMX Vilnius.

31.07.2009 1st semi-annual result of Žemaitijos Pienas, AB Group for the year 2009

1st preliminary unaudited semi-annual result of 2009

The consolidated unaudited sales of Žemaitijos Pienas, AB Group for the first half year of 2009 amounted to 186.8 mln litas (EUR 54.1 mln), i.e. 20.5% less than the last year's sales for same period. Lower sales were caused by the drop of prices for the dairy products on the markets.

The consolidated unaudited loss for the first half year of 2009 amounted to 1.9 mln litas (EUR 0.55 mln).

The consolidated unaudited loss for the first half year of 2008 amounted to 10.4 mln litas (EUR 3.01 mln).

12.08.2009 Annual report

The executive board has discussed and approved the supplementary information presented by Žemaitijos Pienas, AB for the consolidated annual report for the year, which ended on 31 December 2008, and which was incomplete or has not been presented.

14.08.2009 Acquisition of shares

In accordance with the sale and purchase agreement Žemaitijos Pienas, AB has purchased 32% of shares of Muižas Piens, SIA registered in the Republic of Latvia, which operates in the field of retail and wholesale trade.

17.08.2009 Shareholders' meeting

On 15 September 2009 at 3 p.m., the extraordinary general shareholders' meeting of Žemaitijos Pienas, AB, registration number 180240752, registered address: Sedos str. 35, Telšiai was summoned upon the initiative and decision of the executive board of Žemaitijos Pienas, AB

Meeting agenda:

1. Selection of an auditing company for performance of an audit of the annual financial reports and determination of the payment conditions for the provided auditing services;
2. Other questions.

31.08.2009 Semi-annual unaudited results of operations of Žemaitijos Pienas, AB for the year 2009

The interim semi-annual unaudited financial reporting of Žemaitijos Pienas, AB for the year 2009 has been presented and the persons in charge have been approved.

07.09.2009 Draft decision of the shareholders' meeting

The executive board of Žemaitijos Pienas, AB proposed to use the services of Nepriklausomas Auditas, UAB, which would perform the audit of the compendium of the consolidated financial reports for the year 2009.

29.09.2009 Decisions adopted by the extraordinary general shareholders' meeting of Žemaitijos Pienas, AB

Draft decisions adopted by the extraordinary general shareholders' meeting of Žemaitijos Pienas, AB:

1) The auditor of 2009 shall be the auditing company Nepriklausomas Auditas, UAB.

12.11.2009 Preliminary operation result of Žemaitijos Pienas, AB for the period of 9 months of the year 2009

The unaudited consolidated sales revenue of Žemaitijos Pienas, AB for the period of 9 months of 2009 – 277.1 mln litas (EUR 80.25 mln), in comparison with that for the period of 9 months of 2008 the sales have dropped by 23.3%. The consolidated unaudited profit for the period of 9 months of 2009 – 5.9 mln litas (EUR 1.7 mln); the loss for the period of 9 months of 2008 – 8.3 mln litas (EUR 2.4 mln).

20.11.2009 Extraordinary general shareholders' meeting of Žemaitijos Pienas, AB has been summoned

On 18 December 2009 at 1 p.m., the extraordinary general shareholders' meeting of Žemaitijos Pienas, AB, registration number 180240752, registered address: Sedos str. 35, Telšiai was summoned upon the initiative and decision of the executive board of Žemaitijos Pienas, AB.

Meeting agenda:

1. Deposing of the members of the company's supervisory and executive board and election of the new members of the supervisory and executive board;
2. Establishment of the company's Audit Committee and approval of the operation statutes;
3. Election of an independent member of the company's Audit Committee and approval of the remuneration conditions;
4. Approval of the composition of the company's Audit Committee;
5. Purchase of own shares;
6. Creation of a reserve for the purchase of own shares;
7. Establishment of a public limited liability company.

30.11.2009 Consolidated financial reporting of Žemaitijos Pienas, AB for 3 quarters of 2009
Announcement concerning the consolidated financial reporting of Žemaitijos Pienas, AB for 3 quarters of 2009 has been made.

09.12.2009 Draft decision of the general shareholders' meeting of Žemaitijos Pienas, AB
Draft decision of the general shareholders' meeting of Žemaitijos Pienas, AB

The following was decided:

1. To abstain from election of the new members of the company's supervisory board and to keep the existing members of the supervisory board.
2. To establish the company's Audit Committee consisting of three members. To approve the operation statutes of the Audit Committee.
3. To elect Sigita Ertmanas the independent member of the Audit Committee and Viktorija Kungytė, Asta Šliogerienė the members of the Audit Committee.

4. Regarding the fact that pursuant to the provisions of RL Law on Stock Corporations the doubts concerning the competence of the extraordinary shareholders' meeting to adopt decisions pertaining to purchase of own shares and other related questions are substantiated, it was decided to leave these questions for the agenda of the following ordinary shareholders' meeting.
5. To establish a public limited liability company.

21.12.2009 Decision of the general shareholders' meeting of Žemaitijos Pienas, AB

The following was decided:

1. To abstain from election of the new members of the company's supervisory board and to keep the existing members of the supervisory board.
2. To establish the company's Audit Committee consisting of three members. To approve the operation statutes of the Audit Committee.
3. To elect Sigitas Ertmanas the independent member of the Audit Committee and Viktorija Kungytė, Asta Šliogerienė the members of the Audit Committee.
4. Regarding the fact that pursuant to the provisions of RL Law on Stock Corporations the doubts concerning the competence of the extraordinary shareholders' meeting to adopt decisions pertaining to purchase of own shares and other related questions are substantiated, it was decided to leave these questions for the agenda of the following ordinary shareholders' meeting.
5. To establish a public limited liability company.

There were no other significant events, which took place between the end of the financial year and the announcement of the consolidated annual report for the year 2009.

Žemaitijos Pienas, AB has informed the Securities Commission of the Republic of Lithuania and the Vilnius Stock Exchange (NASDAQ OMX Vilnius) about all the significant events in the procedure established by the Article of Association and regulatory enactments of the Republic of Lithuania. The announcements have been published in the Central Database of Regulated Information and on the company's website www.zpienas.lt. Announcements concerning the shareholders' meetings have been additionally published in the daily newspaper Valstiečių Laikraštis. Information concerning the transactions of the chief executive officers has been published on the websites of Vilnius Stock Exchange and Securities Commission of the Republic of Lithuania.

IV. OTHER INFORMATION

35. Significant Events, which Took Place after the End of the Financial Year

22.02.2010 Decision of the executive board of Žemaitijos Pienas, AB

On 19.02.2010, the executive board of Žemaitijos Pienas, AB in collaboration with other legal entities has decided to become a promoter of the Association of Lithuanian Industrialists.

01.03.2010 Preliminary unaudited annual results of the Žemaitijos Pienas, AB Group for the year 2009

The consolidated unaudited turnover of the Žemaitijos Pienas, AB Group for the year 2009 amounted to 372.9 mln litas (EUR 108 mln), as compared to the year 2008 the sales have dropped by 21%. The turnover has decreased due to the drop in prices of the dairy products on the market.

The unaudited net profit of the Žemaitijos Pienas, AB Group for the year 2009 amounted to 3.46% of the turnover. In 2008, the loss constituted 3.7 mln litas. The profit has increased due to the reduced costs of production, transport and operations.

The sour cream butter (Lithuanian: *kastinys*) of Žemaitijos Pienas, AB was awarded a certificate by public enterprise Kulinarijos Paveldo Fondas. (06.01.2010 Certificate No. 3P).

At the international foodstuffs exhibition ПРОДЭКСПО – 2010 hard half-fat fermented cheese DŽIUGAS (BRONZE, SILVER, and GOLD) and the natural string cheese sticks PIK-NIK were awarded a golden medal (8-12 February 2010, Moscow).

36. Audit Data

The audit of the consolidated balance of 31 December 2009 of Žemaitijos Pienas, AB (Group) and related reports on the changes in profit/loss, cash flows and equity capital of the ended year was performed by Nepriklausomas Auditas, UAB. The conclusion of the auditor was signed on 16__ March __ 2010.

There is no additional information, which should be revealed in accordance with the laws regulating company operations, other legal acts and company's Articles of Association, and which was not expected to be revealed in the present annual report and the compendium of annual financial reports.