

ŽEMAITIJOS PIENAS AB
INTERIM REPORT FOR THE PERIOD OF SIX
MONTHS OF 2010 AND INTERNATIONAL
CONSOLIDATED UNAUDITED FINANCIAL
STATEMENTS FOR THE PERIOD OF SIX
MONTHS OF 2010

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AKCINĖ
BENDROVĖ

STOCK
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Konstitucijos avenue 23
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Confirmation by responsible persons of the company
Žemaitijos pienas AB

August 12, 2010

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, Algirdas Pažemeckas, the Chief Executive Officer, 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 2010 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, review of business development and practice, stated in the interim six months statement is correct.

Chief Executive Officer

Algirdas Pažemeckas

Chief Accountant

Dalia Gecienė

1. The period covered in the prepared interim report

The report has been prepared for the first six months of 2010 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 | Public Limited 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: | 8-444-74897 |
| 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 LŽŪK, 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.

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

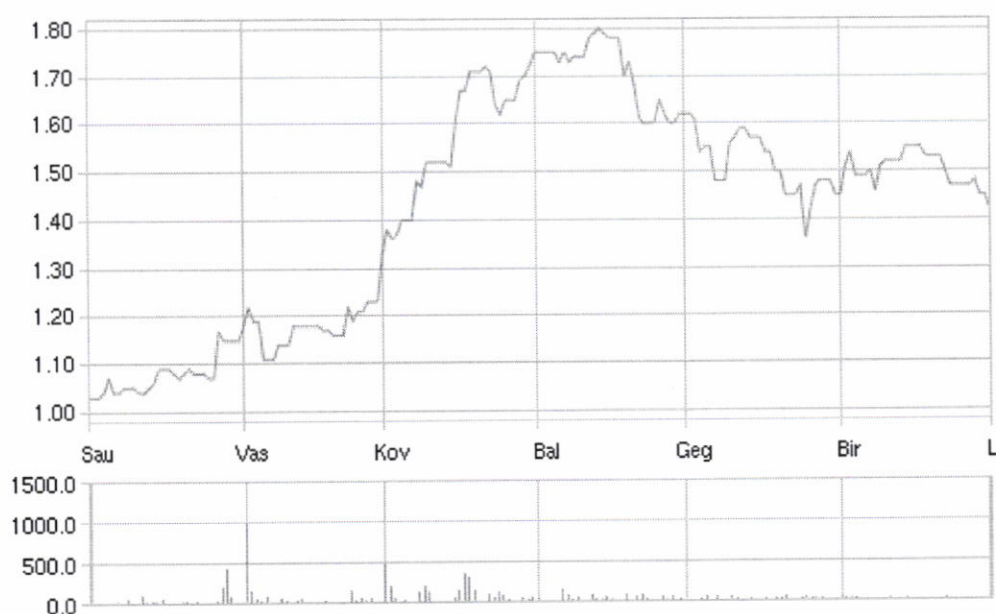
On 16 July 2004 the Company has concluded an agreement with *Šiaulių bankas AB* (address Tilžės St. 149) due to accounting of securities, issued by the company. According to this agreement, *Šiaulių bankas* will be responsible for the Company's securities' accounts starting from 23 July 2004.

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 2010 are presented. The graphs are taken from the website of *AB NASDAQ OMX Vilnius*:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2010&end_d=31&end_m=6&end_y=2010



7. Authorized Capital

The Authorized Capital of the Company is LTL 48,375,000. 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 30 June 2010, the total number of shareholders was 3 467, and on 31 December 2009 it was 3 442. 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 Personal code: | 21, 355, 870 | 44.15 | 49.55 |
| 2 | SKANDINAVISKA ENSKILDA BANKEN CLIENTS, Company Code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM (Stokholmas), SWEDEN (Švedija) | 3, 841, 690 | 10.52 | 10.52 |
| 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 | 6.25 | 50.40 |

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

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 case of its liquidation;
- receive free shares in 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, without any special commission, to claim for the damages made to shareholders;
- and other non-proprietary 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 case of increasing the authorized capital 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 moment 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 milk processing, i.e., producing dairy products out of raw milk. The main factors creating the risk for the Company business are potential 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 potentially negative impact on the Company's cash 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 cash flows and activity results.

The business of the Company (especially milk procurement) represents a labour-intensive activity. Fluctuating prices of fuel and increasing wages for 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 negatively affected 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 in the period of the first six months of the year 2010, in thousands of LTL:

| Financial indicators | Of the Group | |
|--|-----------------------------|-----------------------------|
| | The first half-year of 2010 | The first half-year of 2009 |
| Turnover | 195,713 | 186,785 |
| Gross profit | 36,847 | 30,057 |
| Profit before taxes, interests, and depreciation | 12,337 | 8,982 |
| Profit before taxes | 2,635 | (1,770) |
| Amount of investments in the long-term assets | 4,323 | 7,688 |

Comparison of the tonnages and prices of the collected raw milk during the first six months of 2010 and 2009:

| Raw milk procured (recalculated into base richness) | The first six months of the year 2010 | The first six months of the year 2009 |
|---|---------------------------------------|---------------------------------------|
| Amount of milk procured, in thousands of tones | 115 | 148 |
| Price for the milk procured, LTL/t | 708 | 525 |

The distribution of *Žemaitijos pienas AB* products sold in the local and international markets during the first six months of the year 2010 and the year 2009 is as follows, in thousands of LTL:

| Product group | Turnover, LTL | |
|----------------------|-----------------------------|----------------|
| | Six months of the year 2009 | 2008 |
| Fermented cheese | 82,160 | 85,632 |
| Fresh dairy products | 68,842 | 60,391 |
| Butter and fat mix | 22,643 | 14,419 |
| Dry milk products | 7,181 | 4,897 |
| Ice cream | 75 | 4,106 |
| Other | 14,464 | 16,019 |
| Export subsidies | 349 | 1,321 |
| In Total | 195,713 | 186,785 |

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 capacities; 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 2010.

13. Environment protection

Žemaitijos pienas AB is continuously concerned with and involved in improvement of its environmental protection status, keeps tracking its performance indicators, and continuously seeks to reduce and prevent any negative impact resulting from its activity on environment as well as implement innovative technologies.

The activity of *Žemaitijos pienas AB* is conducted in compliance with the 29 December 2006 permit of Integrated Pollution Prevention and Control (IPPC) that was granted the company for unlimited period of time which due to some changes, however, might be adjusted. In compliance with the IPPC permit, Company is continuously engaged in surface water and wastewater control, stationary source air pollution control, and underground water monitoring.

Increase in production amounts results in respective increases in power, steam and water consumption. Reduction of energy consumption represents one of the key aims and tasks of the Company. The increasing prices for the energy consumption serve as the main incentive for the Company to keep saving. Consequently, in April and May of 2010, one of the Company's transformer substations in capacity of 1 MWh was reconstructed, and the undertaking engaged in salt preparation for soft water production was reformed.

Based on the regulation (EC) No 2037/2000 of European Parliament and the Council of 29 June 2000 on substances that deplete the ozone layer requiring to forbid using pure hydrochlorofluorocarbohydrides in operation and maintenance of refrigerating equipment and air-conditioning systems, the Company has allocated investment for reconstruction of refrigerating systems by replacing R404A Freon-based operation with a Freon R22 and R409.

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 personnel training. Personnel training and qualification raising programmes are implemented on a continuous basis including but not limited to environment protection issues.

Company keeps implementing an investment project that was initiated on 19 December 2008 by submitting 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 replace obsolete and worn equipment by modern one for the total value of LTL 10 mln., that is expected to result in better foodstuff quality, lower production and operation costs as well as energy consumption, reduced air pollution by solid particles from the flour packing line and wastewater contamination

14. The major events during the reported period

Certificate issued by the Public Institution *Kulinarijos paveldo fondas* to the traditional source cream *Kastinys* produced by *Žemaitijos pienas AB*. (06 01 2010 Certificate No.3P)

In the international food exhibition *ПРОДЭКСПО – 2010*, a hard medium-fat fermented cheese *DŽIUGAS BRONZE, SILVER, GOLD* and natural string cheese sticks *PIK-NIK* were granted a gold medal (Moscow, 8-12 February 2010).

The public institution *EKOAGROS* has re-certified production of ecological products of *Žemaitijos pienas AB*. (The public institution *EKOAGROS* LT-01) (Certificate No. SER-K-10-00035) (08 03 2010).

The public institution *EKOAGROS* has certified anew the following:

Žemaitijos pienas AB:

2.0% fat ecological yoghurt with red currant and apple; 2.0% fat ecological yoghurt with mint. (The public institution *EKOAGROS* LT-01) (Certificate No. SER-K-10-00041) (19 03 2010).

Certificate issued by the Public Institution *Kulinarijos paveldo fondas* to the curd cheese produced by *Žemaitijos pienas AB* (03 03 2010 Certificate No.3P/2)

In *AgroBalt2010* (the 18th International Trade Fair for Agriculture, Food Stuff & Packaging Industries) 5% fat Curd Dessert with Strawberries *Fainimon* produced by *Žemaitijos pienas AB* in 130 g packaging was granted a gold medal (29 04 2010).

Shredded cheddar cheese with spices *IŠKYLAUTOJU* produced by *Šilutės Rambynas ABF* was granted a diploma in *AgroBalt2010* (the 18th International Trade Fair for Agriculture, Food Stuff & Packaging Industries) (29 04 2010).

On June 16, 2010, an award ceremony for winners of *The Most Popular Good and Supplier 2009* arranged by the Association of Lithuanian Trade Enterprises (*LPIA*) took place at the Government House of the Republic of Lithuania:

Žemaitijos pienas AB butter blend *Saulutė*;

Žemaitijos pienas AB sour milk *Žemaitijos*;

Žemaitijos pienas AB glazed sweet curd cheese *Magija*;

Žemaitijos pienas AB spreadable processed cheese *Mildutė*;

Šilutės Rambynas ABF natural string cheese sticks *PIK-NIK*.

A hard medium-fat (~40%) ripened fermented cheese *DŽIUGAS* has been certified at Kaliningrad Centre of Standardizing. Certificate No. C-LT-AЯ19.B.50057.

Authors of the international certification institution *Bureau Veritas Certification* have completed the 2nd supervision audit of integrated food safety and quality management system in *Žemaitijos pienas AB* (according to the requirements of ISO 22000:2006 and ISO 9001:2008).

The international certification institution *Bureau Veritas Certification* has certified cheese and butter production and processed and pre-packed cheese production in *Žemaitijos pienas AB* in compliance with the requirements of Global Food Standard Issue 5 of British Retail Consortium (BRC). 18 03 2010 certificate no. DNKFRC92283F.

Žemaitijos pienas AB has successfully passed auditing of U.S. Army Veterinary Service.

On May 14, 2010 *Sodžiaus pienas ŽŪK* has been dissolved.

15. Issuer's Management Bodies

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

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 max. 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 Head of the Company, i.e., 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 <i>Žemaitijos pienas</i> |
|---------------------|-------------------------------------|--|--------------------------|--------------------|--|
| Artūras Kanapienis | Chairman of the Supervisory Council | 19 860 0.04 | 13/10/2007 | 12/10/2011 | 05/09/2008 Director General of <i>Žemaitijos pieno investicija AB</i> |
| 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 <i>Žemaitijos pienas</i> |
|----------------------|--|---|--------------------------|--------------------|--|
| Algirdas Pažemeckas | Chairman of the Management Board, Director General | 21 355 870 44.15 | 30/09/2008 | 29/09/2012 | 26/12/1986 |
| Irena Baltrušaitienė | Member of the Management Board, Production Manager | 577 130 1.19 | 30/09/2008 | 29/09/2012 | 15/08/1975 |

ŽEMAITIJOS PIENAS AB

Company Code 180240752, Sedos St. 35, Telšiai, Lithuania

Interim Report for the Period of the First Six Months of 2010

| | | | | | |
|------------------------|---|-----------------|------------|------------|------------|
| 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 |

Administration:

| Name | Position | Number of shares in possession | Share of the authorized capital in possession, % |
|---------------------|-------------------------|--------------------------------|--|
| Algirdas Pažemeckas | Director General | 21 355 870 | 44.15 |
| 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 period of the first six months of the year 2010 is LTL 563 775. This amount is allocated as follows: LTL 122 254 for the members of the Supervisory Board, and LTL 441 521 for the members of the Management Board.

No guarantees or sureties have been given to the liabilities of others during the period of the first six months of the year 2010.

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 2010, the total number of employees in the Group's enterprises was 1568. Comparing to the data of 31/12/2009, the change in number of employees was insignificant.

| | 30/06/2010 | 31/12/2009 |
|------------------------------------|------------|------------|
| Average number of employees | 1568 | 1528 |

Grouping of the personnel according to the educational background:

| Number of employees | 30/06/2010 | 31/12/2009 |
|--|--------------|--------------|
| Personnel having a university degree | 221 | 214 |
| Personnel having a higher education degree | 410 | 411 |
| Personnel having vocational education | 283 | 290 |
| Personnel having secondary education | 543 | 510 |
| Personnel having uncompleted secondary education | 108 | 103 |
| In Total: | 1 568 | 1 528 |

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

| Employee group | 30/06/2010 | | 31/12/2009 | |
|---------------------------|----------------------------|----------------------------------|----------------------------|---------------------------------|
| | Number of employees | Average monthly wage, LTL | Number of employees | Average monthly wage, Lt |
| Administration | 122 | 3671,40 | 133 | 3194,20 |
| Service Personnel | 223 | 2239,20 | 214 | 2110,20 |
| Transportation Department | 152 | 2350,70 | 175 | 2295,50 |
| Raw Procurement | 108 | 827,20 | 283 | 869,20 |
| Production Department | 636 | 1739,90 | 411 | 1533,00 |
| Branches | 327 | 2319,40 | 312 | 2255,10 |
| In Total: | 1 568 | | 1528 | |

By its Human Resource Policy, the Company seeks to create and develop long-term relationships with its employees. Employees are given all the opportunities to improve their skills and enhance knowledge. The following types of training programmes are available for personnel: production workers, production machinery operators, production operators, production machinist-operators, and production supervisors.

19. Data on the publicly announced information

22/02/2010 resolution of the Management Board of *Žemaitijos pienas AB*

On February 19, 2010 Management Board of *Žemaitijos pienas AB* has decided to become an establisher of the Association of Lithuanian Food Industrialists jointly with other legal persons.

01/03/2010 Unaudited preliminary operating results
of the Group *Žemaitijos pienas AB* for the period of 2009

The consolidated unaudited turnover of the Group *Žemaitijos pienas AB*: LTL 372.9 mln. (EUR 108 mln.); compared to the year 2008, sales has reduced by 21%. Reduction in turnover is a result of reduced dairy products' prices on the market.

Unaudited net profit of the Group *Žemaitijos pienas AB* for the period of 2009 amounted for 3.46% of turnover. In 2008, Company suffered a loss of LTL 3.7 mln.. Profit growth resulted from reduced operating, production and transportation costs.

19/03/2010 in regard to the Ordinary General Meeting of Shareholders

On the initiative and decision of the Management Board of *Žemaitijos pienas AB*, an Ordinary General Meeting of Shareholders of *Žemaitijos pienas AB*, company code 300041701, legal address Sedos St.35, Telšiai, is called on April 16, 2010 3:00 p.m.

Agenda of the Meeting:

1. Annual Report of the Company;
2. Auditor's Conclusion on the Company's Financial Statements and Annual Report;
3. Approval of the audited financial statements of the Company for the period of 2009;
4. Approval of allocation of the Company's profit (loss) for the period of 2009;
5. As regards formation of the reserve for acquisition by the Company of its own shares;
6. As regards acquisition by the Company of its own shares;
7. Other issues and questions.

02/04/2010 Draft resolutions made by the Management Board of *Žemaitijos pienas AB*

Draft resolutions of the ordinary general meeting of shareholders to be held on 16/04/2010 prepared by Management Board of *Žemaitijos pienas AB*:

1.1 to debrief the Annual Report of the Company;

1.2 to debrief Company's Auditor's Conclusion on the Company's Financial Statements and Annual Report;

1.3 to approve the audited financial statements of the Company for the period of 2009;

1.4 to approve allocation of the Company's profit (loss) for the period of 2009:

- 1) retained earnings (losses) at the beginning of reporting year are LTL 38,002 thousand,
- 2) net profit (loss) for the reporting year is LTL 12,333 thousand,
- 3) transfers from reserves –,
- 4) shareholders' contributions for loss coverage (in case shareholders are willing to cover all or a part of results (loss)) –,
- 5) profit (loss) for distribution at the end of the reporting year is LTL 50.335 thousand,
- 6) profit transfer to legal reserve –,
- 7) profit transfer to the reserve for acquisition by the Company of its own shares is LTL 10,000,
- 8) profit transfer to other reserves –,
- 9) Profit allocated for dividends –,
- 10) Profit for bonuses to Management Board, Supervisory Council members and employees and other purposes –,
- 11) Retained profit (loss) to be transferred to the following financial year is LTL 40,335 thousand.

1.5 to form a LTL 10 mln. (ten million Litass) reserve for acquisition by the Company of its own shares;

1.6 to define terms and conditions for acquisition by the Company of its own shares:

- 1) the purpose of acquisition by the Company of its own shares – to maintain and increase price for the shares of the Company;
- 2) number of its own ordinary registered shares to be acquired by the Company is up to 10 per cent of the authorized capital of the Company, i.e., 4 837 500 shares;
- 3) the term allowed for the acquisition by the Company of its own shares is up to 18 months from the moment of decision;
- 4) the maximum price for acquisition by the Company of its own shares is LTL 3 per share, and the minimum price for acquisition by the Company of its own shares is equal to its nominal value, i.e., LTL 1 per share;
- 5) in compliance with the terms and conditions established under this resolution, and according to the requirements laid down in the Law of Stock Companies of the Republic of Lithuania, to provide Management Board of the Company with rights to establish a more detailed procedure, terms and conditions for acquisition by the Company of its own shares while taking into consideration criteria and other circumstances defined in the Company Shareholders' Resolution on acquisition by the Company of its own shares. By means of this resolution Management Board of the Company is entitled to undertake other actions, too, as long as they are associated with the acquisition by the Company of its own shares.

1.7 Other issues and questions:

19/04/2010 resolution of the Ordinary General Meeting of Shareholders of *Žemaitijos pienas AB*

Resolution of the Ordinary General Meeting of Shareholders of *Žemaitijos pienas AB*:

- 1.1 the Annual Report of the Company has been debriefed (enclosed);
- 1.2 Company's Auditor's Conclusion on the Company's Financial Statements and Annual Report has been debriefed (enclosed);
- 1.3 the audited financial statements of the Company for the period of 2009 have been approved (enclosed);
- 1.4 the following allocation of the Company's profit (loss) for the period of 2009 has been approved:

| | In thousands of LTL | In thousands of EUR |
|--|---------------------------|---------------------------|
| 1. Retained earnings (losses) at the beginning of reporting year | 38,002 | 11,006 |
| 2. Net profit (loss) for the reporting year | 12,333 | 3,572 |
| 3. Transfers from reserves | 0 | 0 |
| 4. Shareholders' contributions for loss coverage (in case shareholders are willing to cover all or a part of results (loss)) | 0 | 0 |
| 5. Profit (loss) for distribution at the end of the reporting year | 50,335 | 14,578 |
| 6. Profit transfer to legal reserve | 0 | 0 |
| 7. Profit transfer to the reserve for acquisition by the Company of its own shares | 10,000 | 2,896 |
| 8. Profit transfer to other reserves | 0 | 0 |
| 9. Profit allocated for dividends | 0 | 0 |
| 10. Profit for bonuses to Management Board, Supervisory Council members and employees and other purposes | 3,000 | 869 |

| | | |
|--|--------|--------|
| 11. Retained profit (loss) to be transferred to the following financial year | 37,335 | 10,813 |
|--|--------|--------|

1.6 The following terms and conditions for acquisition by the Company of its own shares have been established:

- 1) the purpose of acquisition by the Company of its own shares – to maintain and increase price for the shares of the Company;
- 2) number of its own ordinary registered shares to be acquired by the Company is up to 10 per cent of the authorized capital of the Company, i.e., 4 837 500 shares;
- 3) the term allowed for the acquisition by the Company of its own shares is up to 18 months from the moment of decision;
- 4) the maximum price for acquisition by the Company of its own shares is LTL 3 per share, and the minimum price for acquisition by the Company of its own shares is equal to its nominal value, i.e., LTL 1 per share;
- 5) in compliance with the terms and conditions established under this resolution, and according to the requirements laid down in the Law of Stock Companies of the Republic of Lithuania, to provide Management Board of the Company with rights to establish a more detailed procedure, terms and conditions for acquisition by the Company of its own shares while taking into consideration criteria and other circumstances defined in the Company Shareholders' Resolution on acquisition by the Company of its own shares. By means of this resolution Management Board of the Company is entitled to undertake other actions, too, as long as they are associated with the acquisition by the Company of its own shares.

03/05/2010 Report on the contract by the person closely-related to the Head of The Company as regards securities of the Issuer.

01/06/2010 Consolidated unaudited financial statements of *Žemaitijos pienas AB* for the 1st quarter of the year 2010.

14/06/2010 as regards adjustment of activity results for the year 2009

On March 1, 2010 *Žemaitijos pienas AB* has published its interim unaudited consolidated financial statements for the year 2009. Financial statements indicate net unaudited profit of the Company to amount for LTL 12905 thousand (EUR 3738 thousand).

On April 19, 2010 *Žemaitijos pienas AB* has published its audited consolidated financial statements for the year 2009 indicating a reduced net profit in amount of LTL 11269 thousand (EUR 3264 thousand). The consolidated net profit reduction resulted from adjustment of land value and of corporation tax of *Šilutės Rambynas AB*.

Following the procedure defined in the Articles of Association of the Company and regulations of the Republic of Lithuania, *Žemaitijos pienas AB* has informed the Securities Commission and Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) about all the material events. The notifications have been published in the Central Regulated Information Base and on 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

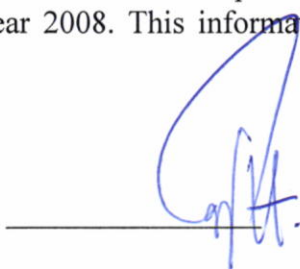
In its activity, the company *Žemaitijos pienas AB* follows the laws of the Republic of Lithuania, Decisions of the Government of the Republic of Lithuania, other regulations regulating activity of enterprises, and The Articles of Association.

The Articles of Association of *Žemaitijos pienas AB* may be amended in strict compliance with the procedure defined in the regulations 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.

Director General



Algirdas Pažemeckas

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

Balance sheet

| ASSETS | Group | |
|---|----------------|----------------|
| | 30.06. 2010 | 31.12.2009 |
| Fixed assets | | |
| Intangible assets | 22 | 56 |
| Tangible assets | 72,676 | 78,007 |
| Investments for sale | - | - |
| Investments into subsidiaries | 4 | 4 |
| Loans granted | 2,542 | 974 |
| Deferred profit tax assets | 1,703 | 1,703 |
| Total amount of fixed assets | 76,946 | 80,743 |
| Current assets | | |
| Stock | 35,351 | 37,871 |
| Advance payments | 514 | 453 |
| Receivables from the buyers | 29,227 | 29,329 |
| Other receivables | 3,326 | 3,030 |
| Deposits | 2,099 | 6,161 |
| Cash and cash equivalents | 21,549 | 24,629 |
| Total amount of current assets | 92,066 | 101,473 |
| ASSETS IN TOTAL | 169,012 | 182,216 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | | |
| Share capital | 48,375 | 48,375 |
| Required reserve | 4,838 | 4,838 |
| Undistributed profit | 49,974 | 50,465 |
| Equity of the shareholders of the parent company | 103,187 | 103,768 |
| Minority interest | 1,895 | 2,626 |
| Equity in total | 105,084 | 106,304 |
| Long-term liabilities | | |
| Support received | 3,248 | 3,200 |
| Loans | 6,865 | 24,474 |
| Liabilities arising from the financial lease | 11,249 | 11,249 |
| Liabilities arising from the deferred profit tax | 542 | 542 |
| Other long-term liabilities | 1,867 | 1,867 |
| Total amount of long-term liabilities | 23,772 | 41,333 |
| Short-term liabilities | | |
| Loans | 835 | 1,158 |
| Liabilities arising from the financial lease | 2,389 | 5,107 |
| Trade debts | 24,534 | 18,256 |
| Payable profit tax | 1,044 | 1,045 |
| Other payable amounts | 11,356 | 9,015 |
| Total amount of short-term liabilities | 40,157 | 34,580 |
| Liabilities in total | 63,930 | 75,913 |
| EQUITY AND LIABILITIES IN TOTAL | 169,012 | 182,216 |

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

Profit (loss) statement

| | <u>Group</u> | | | |
|--|---------------------------------|---------------------------------|-------------------------------|-------------------------------|
| | <u>January - June, 2010</u> | <u>January - June, 2009</u> | <u>April - June, 2010</u> | <u>April - June, 2009</u> |
| Sales | 195,713 | 186,785 | 103,724 | 96,539 |
| Sales cost price | (158,866) | (156,728) | (81,557) | (82,073) |
| GROSS PROFIT (LOSS) | 36,847 | 30,057 | 22,167 | 14,466 |
| <i>Operating expenses</i> | <i>(33,536)</i> | <i>(31,199)</i> | <i>(19,550)</i> | <i>(12,460)</i> |
| Incl. sales expenses | (19,345) | (17,407) | (11,783) | (8,220) |
| Incl. general and administrative expenses | (14,191) | (13,792) | (7,767) | (4,240) |
| Other operating income | 2,370 | 2,181 | 1,884 | 1,220 |
| Other operating expenses | (3,264) | (1,694) | (2,045) | (1,053) |
| OPERATING (LOSS) PROFIT | 2,417 | (655) | 2,456 | 2,173 |
| Difference between the fair value of the net assets, which belong to the Group, and the acquisition price of the business affiliation | | | | |
| Income from financial operations | 597 | 302 | 221 | 151 |
| Expenses of financial operations | (379) | (1,417) | (171) | (564) |
| PROFIT (LOSS) BEFORE TAX | 2,635 | (1,770) | 2,506 | 1,760 |
| Profit tax benefits (expenses) | (1) | (114) | (1) | (12) |
| NET PROFIT (LOSS) | 2,634 | (1,884) | 2,506 | 1,748 |

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

Statement of changes in equity

Group

| | Share capital | Required reserve | Undistributed profit | Equity of the shareholders of the parent company | Minority interest | In total |
|--------------------------------------|---------------|------------------|----------------------|--|-------------------|----------------|
| 31 December 2008 | 48,375 | 4,838 | 39,269 | 92,482 | 2,552 | 95,034 |
| Dividends paid | | | - | - | | - |
| Net profit of the 1st half of a year | | | (1,884) | (1,884) | - | (1,884) |
| 30 June 2009 | 48,375 | 4,838 | 37,385 | 90,598 | 2,552 | 93,150 |
| 31 December 2009 | 48,375 | 4,838 | 50,465 | 103,678 | 2,626 | 106,304 |
| Modification of the previous year | | | (2) | (2) | - | (2) |
| Liquidation of subsidiaries | | | (523) | (523) | (721) | (1,244) |
| Dividends, tantiemes paid | | | (2,600) | (2,600) | - | (2,600) |
| Net profit of the 1st half of a year | | | 2,634 | 2,634 | (10) | 2,624 |
| 30 June 2010 | 48,375 | 4,838 | 49,974 | 103,187 | 1,895 | 105,082 |

Interim consolidated unaudited financial statement for the period of 6 months, 2010

(All amounts are indicated in thousands of litas unless provided otherwise)

Cash flow statement

| | Group | |
|---|---------------------------------|---------------------------------|
| | January - June, 2010 | January - June, 2009 |
| Net operating cash flows | | |
| Net (loss) profit | 2,634 | (1,884) |
| Modification of the result of the previous year | (2) | - |
| Modifications of the net (loss) profit | | |
| Depreciation and amortization | 9,428 | 9,453 |
| Amortization of the support received | (635) | (479) |
| Loss (profit) from the sale and write-off of fixed assets | (86) | (128) |
| Profit tax expenses | - | - |
| Impairment of receivables | 4,859 | - |
| Impairment of fixed assets | - | - |
| Write-off of the stock to the net realizable value | 477 | 5,337 |
| Other financial (income) expenses | (85) | 1,080 |
| Expenses arising from the liquidation of subsidiaries | (1,244) | - |
| | 15,346 | 13,379 |
| Changes in the working capital: | | |
| Increase (in stock) | 2,043 | 19,500 |
| Decrease (increase) in receivables from the buyers | (4,757) | 2,294 |
| Decrease (increase) in advance payments | (61) | 223 |
| (Increase in) other receivables | (1,051) | - |
| Changes in deposits | 4,062 | - |
| Increase (decrease) in trade debts | 6,278 | (4,737) |
| Increase (decrease) in other payable amounts | 2,341 | (8,576) |
| Profit tax paid | - | - |
| | 24,201 | 22,083 |
| Net operating cash flows | | |
| Cash flows from investment operations | | |
| Tangible and intangible assets (acquisition) | (4,323) | (7,688) |
| Revenues from the sale of tangible assets | 346 | 5,633 |
| Acquisition of subsidiaries | (10) | - |
| Sale of investments for sale | - | - |
| Repaid granted loans | 771 | 1,352 |
| Loans granted | (1,583) | (450) |
| Interest received | 359 | 224 |
| | (4,440) | (929) |
| Net cash flows from investment operations | | |
| Cash flows from financial operations | | |
| Payment of dividends, tantiemes | (2,600) | (21) |
| Support received | 683 | - |
| Loans received | - | - |
| Repaid loans | (17,932) | (2,870) |
| Payment of the liabilities arising from the financial lease | (2,718) | 1,003 |
| Interest paid | (274) | (1,299) |
| | (22,841) | (3,187) |
| Net cash flows from financial operations | | |
| | (3,080) | 17,967 |
| Net increase (decrease) in cash flows | | |
| | 24,629 | 9,049 |
| Cash and cash equivalents in the beginning of the period | | |
| Cash and cash equivalents at the end of the period | 21,549 | 27,016 |

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

1. GENERAL INFORMATION

Žemaitijos pienas, AB (hereinafter referred to as the Company) is a public limited liability company registered in the Republic of Lithuania. Its registered office is situated at the address Sedos st. 35, Telšiai, Lithuania.

The Company produces dairy products and sells them on the Lithuanian and foreign markets. The Company has a number of wholesale units with warehouses and vehicles in the biggest cities of Lithuania. The Company commenced its operations in the year 1984. The Company's shares are traded on the current list of Vilnius Stock Exchange.

On 30 June 2010, the Company's share capital was 48,375 thousands of litas composed of 48,375,000 ordinary registered shares with a nominal value of 1 litas per share.

All of the shares are issued, subscribed and paid up.

On 31 December 2009 and 30 June 2010, the Company did not own any shares of itself.

On 30 June 2010, the Group was composed of Žemaitijos pienas, AB and its subsidiaries (hereinafter - the Group):

| Subsidiary | Registered office of the Company | Interest of the Group's shares | Consolidated interest | Investments (cost price) in 2010 | Net assets 30 June 2010 | Main activities |
|-----------------------|------------------------------------|--------------------------------|-----------------------|----------------------------------|-------------------------|-------------------------------|
| Šilutės Rambynas, ABF | Klaipėdos st. 3, Šilutė, Lithuania | 87.82 % | 87.82 % | 10,878 | 11,552 | Production and sale of cheese |
| Tarpučių pienas, ŽŪB | Klaipėdos st. 3, Šilutė, Lithuania | 12 % | 100 % | 60 | 444 | Milk collection |
| Muižas pienas, SIA | Skaitekālnes st. 1, Rīga, Latvia | 32 % | - | 4 | - | Wholesale and retail |
| | | | | 10,942 | | |

According to IFRS, a subsidiary is a company controlled by another (parent) company, whereas the control means the right to manage the company's financial and operating policy in order to obtain benefits from its activities. Consequently, Tarpučių pienas, ŽŪB is considered to be a subsidiary because its sales to the Company constitute nearly 100 percent and the Company has the key control although it manages less than 50 percent of the shares.

On 30 June 2010, the Group had 1568 employees (on 30 June 2009 – 1674 employees).

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

2. ACCOUNTING PRINCIPLES

The basis for eligibility of the financial statement

This consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU).

The basis for preparation of the financial statement

The submitted financial statement has been prepared on the acquisition cost price basis, except for the revaluation of certain financial instruments at their fair value.

The financial year of the Group's companies coincides with the calendar year.

The financial statement is submitted in the national currency of Lithuania - the litas (LTL).

Here are the most significant accounting policies:

The principles of consolidation and business affiliation

The consolidated financial statement covers the financial statements of the Company and its controlled subsidiaries at a certain date. The control is deemed to be present when the Company has the power to control the financial and operating policy of another company, wherein it has invested its capital, in order to obtain some benefits thereof.

The acquisition of subsidiaries is accounted for using the purchase method. The acquisition cost price is composed of the fair value of transferred assets, issued equity instruments or assumed liabilities on the day of acquisition as well as expenses related with this acquisition directly. The assets and liabilities of the acquired company, which meet three recognition criteria under IFRS, are assessed at their fair value on the day of acquisition. The primary assessment of the subsidiary's assets and liabilities is modified within twelve months as of acquisition, having received additional data, which helps to assess more accurately the fair value of the assets and liabilities of this subsidiary.

Any positive difference between the acquisition cost price and the fair value of the acquired company's net assets is recognized as goodwill. Any negative difference between the acquisition cost price and the fair value of the acquired company's net assets is recognized as income of that period and is accounted for in the profit (loss) statement.

The interest of the minority shareholders is composed of their portion of the fair values of the assets and liabilities.

The financial results of the subsidiary, which has been acquired (sold) within a year, are included in the consolidated profit (loss) statement from the day of its acquisition until its sale (if any).

The financial statements of the subsidiaries are modified in order to conform to the accounting principles of the Group, should they be different.

All the significant transactions between the Group's companies, balance, income, expenses and undistributed profit (loss) from mutual transactions are eliminated from the consolidated financial statement.

Investments in the subsidiaries

Investments in the subsidiaries are accounted for in the Company's balance sheet at their acquisition cost price. The dividends of the subsidiaries are recognized as income only to the extent they are paid from the post-acquisition profit of the subsidiary. The portion of the

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

dividends that exceeds such profit is deemed to be the coverage of investment and is recognized as a reduction in the investment cost price.

Intangible assets

Intangible assets are initially recognized at their acquisition value. Intangible assets are recognized if it is probable that the Group and the Company will receive in the future some economical benefits related with these assets and if the value of these assets can be measured reliably. The Group and the Company does not have intangible assets of an indefinite useful life; therefore after their primary recognition, intangible assets are accounted for at their acquisition value, less accumulated amortization and impairment loss, if any. Intangible assets are amortized using the straight-line method over the estimated useful life. The amortization expenses of intangible assets are included into the operating expenses.

Software

The acquisition costs of new software are capitalized and recognized as intangible fixed assets if these costs are not a component of hardware. Software and licenses are amortized within a period of 3 years.

The costs, which are incurred in restoring or maintaining of the planned economic benefits from the operation of the existing software systems, are recognized as costs in the period when maintenance and support works are performed.

Tangible assets

Tangible assets are accounted for at their acquisition cost price, less accumulated depreciation and impairment.

The intangible fixed assets, which are being constructed, are accounted for in item 'Incomplete Constructions'. Such assets are accounted for at their acquisition cost price, less estimated impairment loss. The acquisition cost price covers the expenses on design, construction, installation of mechanisms and equipment and other direct expenses.

The depreciation of tangible fixed assets other than the constructions in progress is calculated over the estimated useful lives using the straight-lien method. At the end of each year, the Group and the Company review the useful lives of tangible fixed assets, balance value and depreciation method and recognize the impact of the changes in assessment, if any, prospectively. The estimated useful lives of tangible fixed assets are as follows:

Buildings: 20 - 40 years

Machinery and equipment: 5 years

Vehicles and other equipment: 4 - 10 years

The assets, whose useful lives are longer than one year and the acquisition value is not less than 3000 litas, are classified as fixed assets.

The tangible fixed assets, which have been acquired under financial lease contracts, are depreciated over the useful life using the same method for calculating of depreciation as that of the private property.

Profit or loss arising from the sales of fixed assets is calculated as the difference between the sales income and the balance value of these assets and is recognized in the profit (loss) statement of that year.

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

Repair costs are added to the book value of tangible fixed assets if it is probable that the Group's companies will receive economic benefits from these costs in the future, and if they can be measured reliably. All other repair and service costs are recognized as expenses in the profit (loss) statement at the time they occur.

Investment assets

The Group company's investment assets are composed of land and buildings, which are leased and earn income thereof, and are not used for the main operations of the Group's companies. Investment assets are accounted for at their acquisition value, less accumulated depreciation and estimated impairment loss.

Depreciation is calculated using the straight-line method over 20 - 40 years of useful life.

Any transfers to/from investment assets are performed only when the purpose of these assets changes.

Impairment of tangible and intangible assets

On each financial reporting date the Group's companies review the balance value of tangible and intangible fixed assets in order to determine whether there are any signs that the value of these assets has reduced. If any such signs exist, the Group's companies measure the recoverable value of these assets in order to evaluate the impairment (if any). When it is impossible to measure the recoverable value of the assets, the Group's companies calculate the recoverable value of the income-generating asset group, which includes these assets. Should it be possible to determine a reliable and consistent allocation basis, the assets of the Group's companies are allocated to separate income-generating asset units or the assets of the Group's companies are allocated to smaller income-generating asset groups, with respect to which it is possible to determine a reliable and consistent allocation basis.

On each financial reporting date and when there are signs of impairment, the Group's companies carry out impairment tests of intangible fixed assets, whose useful life is indefinite, and of intangible fixed assets, which are not yet ready for use.

The recoverable amount is the higher value between the fair value, less sales expenses, and the using value. In assessing of the using value, the expected future cash flows are discounted to the current value using the pre-tax discount rate under current market conditions, existing cash time value and the risks associated with the assets, which has not been taken into account in assessing of the future cash flows.

If the estimated recoverable value of the assets (or income-generating asset group) is lower than the book value of these assets, the book value of these assets is reduced to the recoverable value of these assets (or income-generating asset group). The impairment loss is recognized immediately in the profit (loss) statement unless these assets have previously been revalued. In that case, the impairment loss is accounted for as the reduction in the revaluation reserve.

Should the value of assets increase after the recognition of the impairment loss, the book value of assets (income-generating asset group) is increased to the newly calculated recoverable value of assets but in the way that the increase would not exceed the book value of these assets (income-generating asset group), if the impairment loss in the previous year had not been recognized. The recovery of the asset impairment is recognized in the profit (loss)

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

statement immediately unless these assets had been revalued previously. In that case, the recovery of impairment is accounted for as the increase in the revaluation reserve.

Stock

On the primary recognition, the stock is accounted for at its acquisition/production cost price. In subsequent periods, the stock is accounted for at a lower net probable selling price or acquisition/production cost price. The cost price is established using FIFO method. The cost price of incomplete constructions and production covers the expenses on raw materials, work and other direct expenses as well as the value added expenses related with production. The net probable selling price means the estimated selling price in the ordinary course of business, less estimated production completion and probable selling expenses.

Financial assets

The Group and the Company recognize financial assets in the balance sheet when the Group and the Company become a party to the contract for some financial instrument.

Loans and receivables

Trade amounts, loans and other receivables with fixed or determinable payments, which are not traded on the active market, are classified as 'Loans and receivables'. Loans and receivables are initially recognized at their fair value in the balance sheet. In subsequent periods, those financial assets are accounted for at their amortized cost price using the effective interest rate method, less any recognized impairment loss, which reflects unrecoverable amounts.

The effective interest rate method

The effective interest rate method refers to the method for calculating of the amortized cost price of financial assets and allocation of the interest income during a certain period of time. The effective interest rate means the interest rate that discounts accurately the estimated future cash flows over a certain period of time or over a shorter period of time.

Impairment of financial assets

On each financial reporting date the Group assesses financial assets in order to determine whether there are any signs that the value of these assets has reduced. The value of financial assets reduces in presence of objective factors resulting from one or more events that occurred after the primary recognition of these financial assets, which have affected the calculated future cash flows of these financial assets. The impairment loss resulting of financial assets, which is accounted for at its amortized cost price, is the difference between the book value of financial assets and the current value of the assessed future cash flows calculated using the effective interest rate estimated at the primary recognition.

The book value of all the financial assets is reduced directly by the estimated impairment loss amount, other than receivables from trade, whose book value is reduced via the deferral account. Should it become impossible to recover a trade debt, this amount is written off via the deferral account. The deferral account is reduced by the recovered amounts, which have been written off previously after the balance date. Any changes in the book value of deferrals are recognized in the profit (loss) statement.

Should the amount of the assessed impairment loss decrease after the balance date and this decrease can be objectively related to the events that occurred after the recognition of the

Interim consolidated unaudited financial statement for the period of 6 months, 2010
(All amounts are indicated in thousands of litas unless provided otherwise)

assessed impairment loss, then this recognized impairment loss is recovered via the profit (loss) statement in such a way that the investment book value would not exceed the amortized cost price on the day of the assessed impairment loss recovery, if the impairment loss had not been recognized in the previous periods.

Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand and money in bank accounts, deposits upon demand and other short-term liquid investments (up to three months), which can be easily exchanged for precise cash amounts and which are subject to the risk of negligible changes in their value.

Financial liabilities

Financial liabilities are any contractual liabilities to deliver cash or other financial assets to another entity or to exchange financial instruments with another enterprise under the conditions that are potentially unfavourable or derivative or the contract of a non-derivative instrument, which can be purchased in exchange of some equity instruments of the enterprise itself.

Financial liabilities

Financial liabilities are ascribed to the financial liabilities estimated at their fair value in the profit (loss) statement or other financial liabilities.

Other financial liabilities

Other financial liabilities, including loans, are recognized at their fair value, less transaction costs. In subsequent periods, other financial liabilities are accounted for at their amortized cost price, calculated using the effective interest rate method. Interest expenses are recognized using the effective interest rate method.

The effective interest rate method

The effective interest rate method refers to the method for calculating of the amortized cost price of financial liabilities and allocation of the interest income during a certain period of time. The effective interest rate means the interest rate that discounts the estimated future cash flows accurately over a certain period of time or over a shorter period of time.

The fair value of financial instruments

The fair value reflects the value of financial instruments, at which assets can be sold or liabilities can be covered. In cases where the management believes that the amortized cost price of financial assets and financial liabilities is considerably different from their fair value, the fair value of such financial assets and liabilities is disclosed separately in the comments of the financial statements.

Grants

Grants are accounted for on an accrual basis, i.e. received grants or parts thereof are recognized as having been used over the periods, in which the expenses related with these grants are incurred.

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Asset-related grants

Asset-related grants include the grants received in the form of fixed assets or grants for buying of fixed assets. Grants are accounted for at the fair value of the received assets and subsequently recognized as income over the useful life of certain fixed assets.

Income-related grants

Income-related grants include the grants for compensating of the costs and loss of income as well as all other grants, which have not been ascribed to the asset-related grants.

The grant is recognized when it is actually received or when there is reasonable assurance that it will be received.

Lease

Lease is classified as the financial lease when basically all the risks and benefits related with the title are transferred under the contract of lease. The lease of activities does not fall into the concept of the financial lease.

The Group and Company as a lessor

Any income under the contract of lease of activities are recognized on the straight-line method over the entire leasing period.

The Group and Company as a tenant

The assets under the financial lease contract are recognized as assets at the fair value of the leased assets in the beginning of the lease or the current value of the minimum lease payments, if it is lower. A corresponding liability towards the lessor is reflected in the balance sheet as the liability under the financial lease contract. Financial expenses (interest expenses), i.e. the difference between the total payable amounts and the fair value of the assets acquired, are recognized as expenses in the profit (loss) statement over the leasing period using the constant interest rate.

Payments under the contract of lease of activities are recognized as expenses in the profit (loss) statement on the straight-line method over the entire leasing period.

Recognition of income

Income is evaluated at the fair value of the received or receivable assets for the goods or services, excluding the value added tax, less rebates and concessions. Income is recognized on an accrual basis. Income is accounted for and reflected in the financial statements, regardless of revenues, i.e. when they are earned.

Income from the sale of goods

Income from the sale of goods is recognized when the following conditions are met:

- the Group has transferred to the buyer a significant portion of risk and the benefits of the title to the goods;
- the Group has no managerial rights associated with the title and has no longer control over the goods sold;
- the income amount can be measured reliably;
- it is likely that the Group will receive economic benefits associated with the transaction, and the transaction-related expenses, which have been incurred or shall be incurred in the future, can be measured reliably.

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Income from services

Income from services is recognized when the service is provided.

Income from interest is recognized on an accrual basis, taking into account the balance of the debt and the applicable effective interest rate. Income from the interest received is presented in the cash flow statement as cash flows from investment activities.

Income from dividends is recognized when the shareholders become entitled to receive dividends. Income from the dividends received is presented in the cash flow statement as cash flows from investment activities.

Recognition of expenses

Expenses are recognized in the profit (loss) statement on an accrual basis when incurred.

Foreign currency

Transactions in foreign currencies are converted into the litas according to the official exchange rate established by the Bank of Lithuania on that day, which approximately equals to the market currency exchange rate. Monetary assets and liabilities are converted into the litas at the exchange rate of the reporting day.

The following currency exchange rates were used in preparing of the balance sheet:

| <u>30 June 2010</u> | <u>31 December 2009</u> |
|---------------------|-------------------------|
| 1 EUR = LTL 3,4528 | 1 EUR = LTL 3,4528 |
| 1 LVL = LTL 4,8676 | 1 LVL = LTL 4,8679 |
| 1 USD = LTL 2,8208 | 1 USD = LTL 2,4052 |

The differences in the exchange rates resulting from the transactions in foreign currency are included in the profit (loss) statement at the moment they occur. The profit or loss resulting from the changes in the currency exchange rates on converting of monetary assets and liabilities into the litas are covered in the profit (loss) statement.

Deferrals

Deferrals are recognized when the Group and the Company has a legal obligation or an irrevocable commitment arising from the past committing event and it is likely that the funds will be spent to cover these liabilities, and it is possible to determine the amount of such liabilities.

Taxes

Profit tax expenses consist of the profit tax expenses and the deferred profit tax of the current year.

Profit tax

The taxable profit differs from the profit presented in the gross income statement due the elements of expenses and income that do not reduce or increase the taxable profit. In 2009, the

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Group was subject to the profit tax of 20 percent. From 1 January 2010, the profit tax rate in Lithuania shall be 15 percent.

Deferred profit tax

The deferred profit tax is accounted for in the balance sheet. Deferred tax assets and liabilities are recognized for future tax purposes, noting the differences between the book value of assets and liabilities in the financial statement and their respective tax bases. Deferred tax liabilities are recognized with respect to all temporary differences, which will increase the taxable profit, and the deferred tax assets are recognized only to the extent that is likely to reduce the future taxable profit. Such assets and liabilities are not recognized if temporary differences are related to goodwill (or negative goodwill), or if the assets or liabilities recognized at the time of a transaction, which is not related with business affiliation, do not affect the taxable or financial profit.

The deferred profit tax assets are reviewed on the financial reporting date and are reduced if it is not probable that the Group will have sufficient taxable profit to realize these assets in the future to the amount, which is expected to reduce the taxable profit in the future.

Deferred tax assets and liabilities are assessed using the tax rate applicable in the year, in which it is expected to cover or pay these temporary differences, for the purpose of the corporate profit tax calculation. Deferred tax assets and liabilities are offset when they relate to the taxes established by the same institutions and when the Group intends to cover the payable taxes at their net value.

Profit tax and deferred profit tax in the reporting period

Expenses or income from the profit tax and deferred profit tax are accounted for in the profit (loss) statement, except when they are related to the items accounted for in the shareholders' equity. Then, deferred taxes are also accounted for in the shareholders' equity.

Segments

A business segment in this financial statement is an integral segment of the Group and the Company engaged in the production of a product or providing of a service or a group of related products or services, whose risk and profit differ from other business segments.

Contingencies

Contingent liabilities are not recognized in the financial statements, except for the contingent liabilities in business affiliates. They are described in the financial statements, except when the probability that the sources, which provide economic benefits, will be lost is very small.

Contingent assets are not recognized in the financial statements but they are described in the financial statements when it is likely that income or economic benefits will be obtained.

Post-balance events

Post-balance events, which provide additional information about the Group's situation on the reporting date (adjusting events), are reflected in the financial statements. Post-balance events, which are not adjusting events, are described in the comments when their impact is significant.

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Related parties

The parties related to the Group and Company refer to the shareholders, employees, Board members, their close relatives and companies that control the Company directly or indirectly via an intermediary or are controlled individually or jointly with any another party, which is also recognized as a related party, provided that this relationship allows one party to control the other party or to exercise significant influence over the other party in making financial and management decisions.

3. MAIN ASSESSMENTS USING THE ACCOUNTING POLICY OF THE GROUP AND THE COMPANY AND ASSESSMENT CONTINGENCIES

In preparing of the Group's financial statement, the management has to make certain decisions, assessments and assumptions, which affect the disclosed amounts of income, expenses, assets and liabilities and contingencies on the reporting day. However, the contingency of these assumptions and assessments can affect the results, whereas this may require significant modification of the balance amounts of assets and liabilities in the future.

Solutions

For the purposes of the Group and the Company's accounting policy, the management has adopted the following decisions, except for those assessments, which have the most significant impact on the amounts recognized in the financial statement.

Liabilities under the contract of lease of activities – the Group and the Company as a lessor

The Group and the Company has included the lease of commercial assets into their investment portfolio. In accordance with the contract terms and conditions, the Group and the Company have determined that they shall have all the significant risks and benefits arising from the title to these assets, and therefore account for these contracts as the lease of activities.

Assessments and assumptions

The main future assumptions and other significant sources of assessment contingency, which cause significant risk and can require a significant modification of the balance values of assets or liabilities in another financial year, are discussed hereunder:

Impairment of non-financial assets

The Group and the Company evaluate whether there are any signs on the reporting day that the value of non-financial assets has reduced. The impairment of non-financial assets is assessed when there are signs that the balance amounts cannot be recovered. In calculating of the using value, the management must evaluate probable future monetary revenues from the assets or cash-generating segment and to choose a proper discount rate, calculating the current value of cash revenues.

Impairment of financial assets

On each financial reporting day, the Group and the Company assess financial assets so that to determine whether there are any signs that the value of these assets has reduced. The impairment of financial assets occurs when there are objective factors resulting from one or several events that occurred after the primary recognition of these financial assets, which have affected the assessed future cash flows of these financial assets. The impairment loss of financial assets accounted for at their amortized cost price is the difference between the book

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value of these financial assets and the current value of the assessed future cash flows, calculated using the efficient interest rate estimated at the primary recognition.

Assets of the deferred profit tax

Assets of the deferred profit tax are recognized with respect to all unused tax losses to the extent it is probable to receive the taxable profit, which shall be used to set-off the losses. Significant management decisions are necessary to define the amounts of the deferred profit tax assets, which may be recognized on the basis of probable future taxable profit period and amounts and the future tax planning strategies.

4. INFORMATION ABOUT THE SEGMENTS

For managerial purposes the activities of the Group and the Company are organized as a single main segment – the production and sale of dairy products (primary segment). The sales of the Group according to the geographical segments (secondary segment) are provided hereunder:

Sales

| | January - June, 2010 | January - June, 2009 | April - June, 2010 | April - June, 2009 |
|-----------------------------|-------------------------|-------------------------|-----------------------|-----------------------|
| Lithuania | 113,964 | 106,467 | 59,033 | 53,425 |
| Other Baltic and CIS states | 49,891 | 37,647 | 26,683 | 18,360 |
| Other European states | 28,836 | 39,460 | 16,978 | 22,867 |
| USA | 93 | 1,055 | 48 | 455 |
| Other | 2,929 | 2,156 | 982 | 1,432 |
| In total | 195,713 | 186,785 | 103,724 | 96,539 |

The income from sales is classified according to the state, where the buyers are registered.

5. LOANS GRANTED

The Group's granted loans consisted of the following:

| | 30 June 2010 | 31 December 2009 |
|---|--------------|------------------|
| Loans granted | 3,332 | 2,360 |
| Minus: temporary portion of the loans granted | (790) | (1,386) |
| | 2,542 | 974 |

All the loans have been granted in litas. The repayment term is from 1 to 9 years.

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6. STOCK

The Group's stock consisted of the following:

| | <u>30 June 2010</u> | <u>31 December 2009</u> |
|--|----------------------|-------------------------|
| Raw materials | 11,509 | 11,346 |
| Production and incomplete constructions | 27,332 | 29,367 |
| Goods for resale | 1,319 | 1,490 |
| | <u>40,160</u> | <u>42,203</u> |
| Minus: impairment up to the net realizable value | (4,809) | (4,332) |
| In total | <u>35,351</u> | <u>37,871</u> |

7. RECEIVABLES FROM THE BUYERS

Receivables of the Group from the buyers consisted of the following:

| | <u>30 June 2010</u> | <u>31 December 2009</u> |
|--------------------------------------|----------------------|-------------------------|
| Receivables from the buyers | 26,963 | 24,694 |
| Receivables from the related parties | 7,125 | 4,637 |
| | <u>34,088</u> | <u>29,331</u> |
| Minus: impairment | (4,861) | (2) |
| In total | <u>29,227</u> | <u>29,329</u> |

Changes in the impairment of doubtful receivables from the buyers are included in the profit (loss) statement as operating expenses.

Receivables from the buyers are free of interest and their term is usually from 30 to 90 days.

8. OTHER RECEIVABLES

Other receivables of the Group's consisted of the following:

| | <u>30 June 2010</u> | <u>31 December 2009</u> |
|------------------------------------|---------------------|-------------------------|
| Advance profit tax | 500 | - |
| Current portion of long-term loans | 790 | 1,394 |
| Input VAT | 1,469 | 1,178 |
| Other receivables | 567 | 458 |
| In total | <u>3,326</u> | <u>3,030</u> |

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9. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents consisted of the following:

| | 30 June 2010 | 31 December 2009 |
|---------------------------------|-----------------|---------------------|
| Cash in the bank | 21,367 | 24,462 |
| Cash on hand | 182 | 167 |
| Short-term deposits in the bank | 2,099 | 6,161 |
| In total | 23,649 | 30,791 |

10. EQUITY

On 30 June 2010, the share capital amounted to 48,375,000 ordinary registered shares with a nominal value of 1 litas. On 30 June 2010 and 31 December 2009, all the shares were fully paid.

Required reserve

The required reserve is mandatory under legal acts of the Republic of Lithuania. It is necessary to transfer not less than 5 percent of the net profit each year until the reserve reaches 10 percent of the share capital. The Company's required reserve was fully formed. The required reserve may not be distributed to the shareholders.

Other reserves

Other reserves are formed according to the decision of the annual meeting of shareholders to distribute the profit and the Company's articles of association. These reserves can only be used for the purposes determined by the general meeting of shareholders. Following the valid Law on Companies, the Company's reserves other than required reserves must be restored to the distributable profit and redistributed if they have not been used or they are not planned to be used.

11. LOANS

The Group's loans consisted of the following:

| | Starting date of the contract | Repay- ment term | Curren- cy | Balance | |
|---|-------------------------------------|---------------------|---------------|--------------|------------------|
| | | | | 30 June 2010 | 31 December 2009 |
| Bank DnB NORD, AB | May, 2004 | June, 2012 | EUR | 3,108 | 20,717 |
| Bank DnB NORD, AB | June, 2006 | April, 2013 | EUR | 4,592 | 4,914 |
| In total | | | | 7,700 | 25,632 |
| Minus: short-term loans | | | | | |
| Minus: short-term portion of long-term loans | | | | (835) | (1,158) |
| Long-term loans in total | | | | 6,865 | 24,474 |

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12. LIABILITIES UNDER THE FINANCIAL LEASE CONTRACT

The Group's future minimum payments under the financial lease contracts consisted of the following:

| Group | 30 June 2010 | | 31 December 2009 | |
|---|---|---|--|--|
| | Minimum payments under the financial lease contract | Current amount of the minimum payments under financial lease contract | Minimum payments of the financial lease contract | Current value of the minimum payments under the financial lease contract |
| Over one year | 2,505 | 2,389 | 5,355 | 5,107 |
| Over two-five years | 11,542 | 11,249 | 11,534 | 11,245 |
| Minimum payments under the financial lease contract | 14,047 | 13,638 | 16,890 | 16,352 |
| Minus: future interest | (409) | | (538) | |
| Current value of the minimum payments under the financial lease contract | 13,638 | | 16,352 | |

On 30 June 2010, all the Group's financial lease contracts were signed in euros.

13. PAYABLE AMOUNTS

Here are the terms of financial liabilities:

- Trade debts are free from interest and are usually repaid within a period of 30 days.
- Other payable amounts are free from interest and have approximately a repayment term of one month.
- Payable interest is usually paid on a monthly basis over the entire financial year.
- The terms of the amounts payable by the related parties are provided for in Clause 19.

14. OTHER PAYABLE AMOUNTS

Other payable amounts consisted of the following:

| | Group | |
|--|---------------|------------------|
| | 30 June 2010 | 31 December 2009 |
| Accumulated expenses | 5,019 | 4,718 |
| Payable salaries | 2,333 | 1,902 |
| Payable social insurance | 1,249 | 1,066 |
| Payable taxes, except for the profit tax | 352 | 344 |
| Advance payments received | 657 | 568 |
| Other short-term liabilities | 1,746 | 417 |
| In total | 11,356 | 9,015 |

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15. SELLING EXPENSES

Selling expenses consisted of the following:

| | Group | |
|-------------------------------|---------------------|---------------------|
| | 30 June 2010 | 30 June 2009 |
| Raw materials | 503 | 396 |
| Liquid and spare parts | 2,027 | 1,827 |
| Depreciation and amortization | 924 | 1,622 |
| Salaries and social insurance | 8,059 | 8,635 |
| Marketing services | 4,916 | 2,917 |
| Other services | 2,822 | 1,961 |
| Others | 94 | 49 |
| In total | 19,345 | 17,407 |

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consisted of the following:

| | Group | |
|---|---------------------|---------------------|
| | 30 June 2010 | 30 June 2009 |
| Raw materials | 168 | 81 |
| Liquid and spare parts | 154 | 156 |
| Depreciation and amortization | 445 | 539 |
| Salaries and social insurance | 5,027 | 4,762 |
| Services | 2,662 | 2,533 |
| Activities taxes | 348 | 361 |
| Change in purity value of reserves | 477 | 5,337 |
| Impairment of the realizable value for doubtful debts | 4,859 | - |
| Others | 51 | 23 |
| In total | 14,191 | 13,792 |

17. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses consisted of the following:

| | Group | |
|---|---------------------|---------------------|
| | 30 June 2010 | 30 June 2009 |
| <i>Other operating income:</i> | | |
| Profit from the sale of raw materials and other material values | 1,290 | 1,159 |
| Profit from the sale of tangible fixed assets | 116 | 20 |
| Transport services | 54 | 62 |
| Income from lease | 545 | 496 |
| Income from a canteen | 270 | 128 |
| Other | 95 | 316 |
| | 2,370 | 2,181 |

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Other operating expenses:

| | | |
|---|--------------|--------------|
| Cost price of raw materials | 1,297 | 1,026 |
| Salaries and social insurance | - | 3 |
| Loss from the sale of tangible assets | 3 | 8 |
| Depreciation | 579 | 379 |
| Cost price of a canteen activity | 287 | 190 |
| Other services | 1,098 | 88 |
| | 3,264 | 1,694 |
| IN TOTAL other operating activity result | (894) | 487 |

18. INCOME FROM AND EXPENSES OF FINANCIAL AND INVESTMENT OPERATIONS

Income from and expenses of financial and investment operations were as follows:

| | Group | |
|--|---------------------|---------------------|
| | 30 June 2010 | 30 June 2009 |
| <i>Income from the financial and investment operations:</i> | | |
| Bank interest income | 286 | 140 |
| Profit generated by the changes in the currency exchange rates | 126 | 62 |
| Profit from investments alienation | - | - |
| Interest from grants loans | 73 | 85 |
| Other financial income | 112 | 15 |
| | 597 | 302 |
| <i>Expenses of the financial operations:</i> | | |
| Interest expenses | 274 | 1,298 |
| (Loss) generated by the changes in the currency exchange rates | 104 | 111 |
| Other financial expenses | 1 | 8 |
| | 379 | 1,417 |
| IN TOTAL | 218 | (1,115) |

19. TRANSACTIONS OF THE RELATED PARTIES

The parties are considered related if one party has an opportunity to control another party or may have significant influence over another party in making of financial and operating decisions. The related parties of the Group and the Company are the following:

- Žemaitijos pieno investicija, AB (joint major shareholder);
- Baltijos mineralinių vandenų kompanija, UAB (joint major shareholder);
- Klaipėdos pienas, AB (joint major shareholder);
- Žemaitijos prekyba, UAB (joint major shareholder);
- Gimtinės pienas, UAB (joint major shareholder).

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The amounts payable to the related parties are usually paid within a period of 30 days.

The Group's transactions with the related parties and balances of the year were as follows:

| | Group | |
|---|-------------------------|-----------------------------|
| | 30 June 2010 | 31 December 2009 |
| 1) Sales | | |
| <i>To the Group</i> | | |
| Tarpučių pienas, ŽŪK | - | - |
| Šilutės Rambynas, ABF | - | - |
| | - | - |
| <i>To the related parties</i> | | |
| Baltijos mineralinių vandenų kompanija, UAB | - | - |
| Klaipėdos pienas, AB | 515 | 4,214 |
| Žemaitijos pieno investicija, AB | - | - |
| Žemaitijos prekyba, UAB | 12,541 | 25,093 |
| Gimtinės pienas, UAB | - | - |
| | 13,056 | 29,307 |
| Sales of stock and services | | |
| <i>To the Group</i> | | |
| Tarpučių pienas, ŽŪK | 26 | - |
| Šilutės Rambynas, ABF | 1,563 | - |
| | 1,589 | - |
| <i>To the related parties</i> | | |
| Baltijos mineralinių vandenų kompanija, UAB | 1,515 | - |
| Klaipėdos pienas, AB | 842 | 2,204 |
| Žemaitijos pieno investicija, AB | 177 | 153 |
| Gimtinės pienas, UAB | - | 30 |
| Žemaitijos prekyba, UAB | 390 | 838 |
| | 2,924 | 3,225 |
| Sales in total: | 17,569 | 32,532 |
| 2) Purchases | | |
| <i>From the Group</i> | | |
| Tarpučių pienas, ŽŪK | - | - |
| Šilutės Rambynas, ABF | - | - |
| | - | - |
| <i>From the related parties</i> | | |
| Gimtinės pienas, UAB | - | - |
| Klaipėdos pienas, AB | 487 | 1,183 |
| Baltijos mineralinių vandenų kompanija, UAB | 161 | - |
| Žemaitijos pieno investicija, AB | 421 | 1,066 |
| Žemaitijos prekyba, UAB | 70 | 450 |
| | 1,139 | 2,699 |
| Purchases in total: | 1,139 | 2,699 |

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| | Group | |
|---|-------------------------|-----------------------------|
| | 30 June 2010 | 31 December 2009 |
| 3) Balance of receivables at the end of the period | | |
| <i>The Group</i> | | |
| Tarpučių pienas, ŽŪK | - | - |
| Šilutės Rambynas, ABF | - | - |
| | - | - |
| <i>Related parties</i> | | |
| Baltijos mineralinių vandenų kompanija, UAB | 762 | - |
| Gimtinės pienas, UAB | - | - |
| Žemaitijos prekyba, UAB | 4,782 | 3,852 |
| Klaipėdos pienas, AB | 1,581 | 700 |
| Žemaitijos pieno investicija, AB | - | 85 |
| | 7,125 | 4,637 |
| | 7,125 | 4,637 |
| 4) Balance of the payable amounts at the end of the period | | |
| <i>The Group</i> | | |
| Tarpučių pienas, ŽŪK | - | - |
| Šilutės Rambynas, ABF | - | - |
| | - | - |
| <i>Related parties</i> | | |
| Žemaitijos pieno investicija, AB | 159 | 254 |
| Klaipėdos pienas, AB | 3 | 2 |
| Žemaitijos prekyba, UAB | 1 | 4 |
| Gimtinės pienas, UAB | - | - |
| Baltijos mineralinių vandenų kompanija, UAB | - | - |
| | 163 | 259 |
| | 163 | 259 |

The balance unpaid at the end of the period is not covered by insurance and it will bear no interest, whereas the settlement shall be in cash. The Group has not accounted for any impairment of the realizable value for doubtful debts related with the amounts, which belong to the related parties. The assessment of these doubtful debts is reviewed each financial year investigating the financial situation of the related party and the market, wherein the party operates.

The Group has concluded a lot of transactions with the related parties (the companies of the group of Žemaitijos pieno investicija, AB), and the Group's profit and sales have been significantly affected by the transactions with the group of Žemaitijos pieno investicija, AB. They include long-term lease of assets, sales of raw materials, sale of distribution services to Baltijos mineralinių vandenų kompanija, UAB, and Klaipėdos pienas, AB, and the sale of production to Žemaitijos prekyba, UAB.
