

Žemaitijos pienas AB
Approval of responsible persons

30 September 2007
Telšiai

Regarding drafting of financial statement for the nine months ended 30 September 2007

We hereby certify that the intermediate financial statement drafted on the basis of the International Accounting Standards is true and accurately indicates the assets, liabilities, financial status, and profit.

General Manager

Chief Accountant



Algirdas Pažemeckas

Dalia Gecienė

AB „ŽEMAITIJOS PIENAS“, company code 180240752, Sedos Str. 35, Telšiai
CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007
(all amounts are in LTL thousand unless otherwise stated)

AB „ŽEMAITIJOS PIENAS“

CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2007


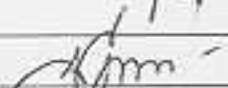
Balance sheets

	Group		
	Notes	As of 30 September 2007	As of 31 December 2006
ASSETS			
Non-current assets			
Intangible assets		477	518
Property, plant and equipment		45.932	46.833
Investment property		4.970	5.307
Available – for – sale investments		14	14
Investments into subsidiaries		-	-
Non-current receivables		2.115	1.906
Deferred income tax asset		298	298
Total non-current assets		53.806	54.876
Current assets			
Inventories	4	39.132	39.077
Prepayments		657	859
Trade receivables		26.734	31.549
Receivables from subsidiaries		-	-
Receivables from other related parties		17.419	15.378
Other receivables		3.084	5.544
Cash and cash equivalents		14.992	14.534
Total current assets		102.018	106.941
Total assets		155.824	161.817

Balance sheets (cont'd)

	Notes	Group	
		As of 30 September 2007	As of 31 December 2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent			
Share capital		48.375	48.375
Share premium account		-	-
Legal reserve		4.838	4.838
Other reserves		-	-
Retained earnings		37.094	19.400
		<u>90.307</u>	<u>72.613</u>
Minority interest		1.037	1.037
Total shareholders' equity		<u>91.344</u>	<u>73.650</u>
Non-current liabilities			
Grants received		3.748	2.073
Non-current loans		19.079	23.173
Long-term loans from related parties		-	-
Financial lease obligations		7.825	4.599
Other current liabilities		124	124
Total non-current liabilities		<u>30.776</u>	<u>29.969</u>
Current liabilities			
Current portion of non-current loans		549	22.913
Current portion of non-current financial lease obligations		1.008	1.727
Trade payables		16.599	22.536
Payables to subsidiaries		-	-
Payables to other related parties		1.505	6.856
Income tax payable		2.965	763
Other current liabilities		11.078	3.403
Total current liabilities		<u>33.704</u>	<u>58.198</u>
Total liabilities and shareholders' equity		<u>155.824</u>	<u>161.817</u>


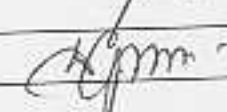
The accompanying notes are an integral part of these financial statements.

General Manager	Algirdas Pažemeckas		30 September 2007
Chief Accountant	Dalia Gecienė		30 September 2007

Income statements

	Notes	Group	
		As of 30 September 2007	As of 30 September 2006
Sales	3	342.457	282.908
Cost of sales		(262.886)	(233.336)
Gross profit		79.571	49.572
Operating expenses		(60.070)	(45.350)
Other operating income, net		5.451	7.329
Profit from operations		24.952	11.551
Financial and investment activities		(1.568)	(233)
Profit before income tax		23.384	11.318
Income tax		(4.722)	(2.540)
Net profit		18.662	8.778


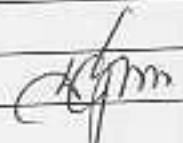
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General Manager	Algirdas Pažemeckas		30 September 2007
Chief Accountant	Dalia Gečienė		30 September 2007

Statements of changes in equity

Group	Attributable to shareholders of the Company							Minority interest	Total
	Share capital	Share surplus	Legal reserve	Other reserves	Retained earnings	Total			
Balance as of 31 December 2005	48.375	-	3.700	-	10.541	62.616	1.037	63.653	
Dividends declared	-	-	-	-	(2.903)	(2.903)	-	(2.903)	
Transfer to legal reserve	-	-	1.138	-	(1.138)	-	-	-	
Net profit for the year	-	-	-	-	12.900	12.900	-	12.900	
Balance as of 31 December 2006	48.375	-	4.838	-	19.400	72.613	1.037	73.650	
Dividends declared	-	-	-	-	(968)	(968)	-	(968)	
Net profit for the year	-	-	-	-	18.662	18.662	-	18.662	
Balance as of 30 September 2007	48.375	-	4.838	-	37.094	90.307	1.037	91.344	

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

General Manager	Algirdas Pažemeckas		30 September 2007
Chief Accountant	Dalia Gecienė		30 September 2007

Cash flow statements

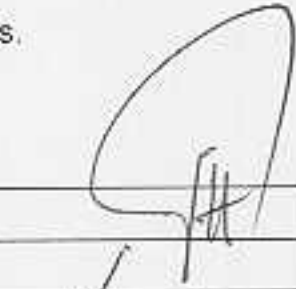
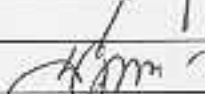
	Group	
	As of 30 September 2007	As of 30 September 2006
Cash flows from (to) operating activities		
Net profit	18.662	8.778
Adjustments for non-cash items:		
Depreciation and amortization	12.570	10.818
Amortization of grants received	-1.523	-1.165
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	798	-265
Result from financial and investment activities	1.595	1.408
Allowance for receivables		
Income tax expenses		
(Adjustment) of net realizable value of inventories		
Other non-cash (income) expenses	32.102	19.574
Changes in working capital:		
Decrease in inventories	-55	12.541
(Increase of) Receivables	5.303	-15.700
Decrease in prepayments and other current assets	202	501
Decrease in other receivables		
Increase in trade payables, payables to related parties and payables to subsidiaries	-1.411	-4.359
Income tax (paid)		
Increase (decrease) in other current liabilities	-1.177	8.254
Net cash flows from operating activities	2.862	1.237
Cash flows from (to) investing activities		
(Acquisition) of property, plant and equipment and intangible assets	-11.382	-9.387
Disposal of property, plant and equipment	371	3.250
Proceeds from sales of investments		4
Repayment of loans granted	3.029	4.409
Loans (granted)	-3.307	4.807
Interest received	127	73
Net cash flows (to) investing activities	-11.162	-6.458

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Cash flow statements (cont'd)

	Group	
	As of 30 September 2007	As of 30 September 2006
Cash flows from (to) financing activities		
Dividends (paid)	-968	-3.109
Cash, (transferred) during reorganization		
Loans received	-	3.449
(Repayment) of loans	-26.458	-2.142
Financial lease (payments)	2.507	-1.642
Sponsorship Received	3.198	-
Other revenue from financial activities	185	89
Interest (paid)	-1.808	-1.662
Net cash flows (to) financial activities	-23.344	-5.017
Net increase (decrease) in cash and cash equivalents	458	9.337
Cash and cash equivalents at the beginning of the year	14.534	13.097
Cash and cash equivalents at the end of the year	14.992	22.434

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

General Manager	Algirdas Pažemeckas		30 September 2007
Chief Accountant	Dalia Gecienė		30 September 2007

Notes to the financial statements

1. General information

As of 30 September 2007 and 2006 the share capital of the Company was LTL 48.375 thousand, which consisted of 4.837.500 ordinary shares with a normal value of LTL 10 each. All the shares of the Company are issued, subscribed and fully paid. Subsidiaries did not hold any shares of the Company as of 30 September 2007 and 30 September 2006, the Company also had no its own shares.

As of 30 September 2007 the Group consisted of AB Žemaitijos pienas and the following subsidiaries (hereinafter referred to as "the Group")

Company	Registration address	Ownership of the Group	Percentage in consolidation	Cost of investment	Profit (loss) for the year	Total equity holding	Main activities
AB Telšių autoservisas	Mažeikių Str. 4, Telšiai, Lithuania	37,49%	100%	393	1	(109)	Repair of vehicles
UAB Žemaitijos pieno žaliava	Sedos Str. 35, Telšiai, Lithuania	100,00%	100%	1.000	(10)	727	Milk collection services
ŽŪK Tarpučių pienas	Klaipėdos Str. 3, Šilutė, Lithuania	10,08%	100%	50	13	458	Milk collection services
ŽŪK Sodžiaus pienas	Šilalės Str. 35, Laukuva, Lithuania	15,09%	100%	105	141	1.305	Milk collection services

According to the Law of Agricultural Cooperatives the ownership of cooperatives should be determined according to the percentages of sales to a certain company, therefore since ŽŪK Tarpučių Pienas and ŽŪK Sodžiaus pienas are performing nearly 100% of their sales to the Company they are considered subsidiaries. AB Telšių Autoservisas is considered a subsidiary because AB Žemaitijos Pienas controls its activities, although it owns less than 50% of the shares. AB Telšių Autoservisas had no active operations in the year ended 31 December 2006 and nine months ended 30 September 2007.

As of 30 September 2007, the number of employees of the Group was 1942 (as of 30 September 2006 – 1948).

2. Accounting principles

The principal accounting policies adopted in preparing the Group's financial statements for the nine months ended 30 September 2007 are as follows:

2.1. Basis of preparation

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

Measurement and presentation currency

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

2.2. Principles of consolidation

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

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

The purchase method of accounting is used for acquired businesses.

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

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

2.3. Intangible assets

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

2.4. Property , plant and equipment

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

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

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

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

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

2.5. Investment property

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

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

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

2.6. Inventories

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

2.7. Cash and cash equivalents

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

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

2.8. Financial assets and financial liabilities

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

Investments

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

Receivables and loans granted

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

Loans received

Loan costs are expensed as incurred.

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

2.9. Financial and operating leases

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

2.10. Grants

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

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

2.11. Income tax

Income tax is calculated based on the Lithuanian tax legislation

On the year 2007 the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15%. On 1 January 2007 m. companies have to pay an additional 3% tax calculated based on the income tax principles.

Since April 2006, due to the changed nature of the transactions AB Žemaitijos Pienas resells milk to ABF Šilutės Rambynas and purchases the production of this company for resale.

Since June 2007, due to the changed nature of the transactions AB Žemaitijos Pienas resells milk to AB Klaipėdos Pienas and purchases the production of this company for resale.

On the basis of appropriate articles of IAS 27 and IAS 39, the amount received for the milk sold to ABF Šilutės Rambynas was excluded from the annual audited consolidated profit (loss) account of 2006, therefore, following the comparison principle, the respective amount received for the milk sold to ABF Šilutės Rambynas and AB Klaipėdos Pienas was excluded from the costs and sales income in the profit (loss) account of 30 September 2007 and 30 September 2008.

4 Inventories / Įrašiniai

	Group		As of 30 September 2006
	As of 30 September 2007	As of 30 September 2006	
Raw materials / Raw materials	9,171	12,309	12,309
Finished goods and work in process / work in process	27,281	22,151	22,151
Goods for resale / goods for resale	2,680	1,607	1,607
	39,132	36,067	36,067

5 Loans' repayment terms / paimamųjų paskolų terminai

		30 September 2007 / September 2007	
2007	2007	549	549
2008	2008	3,448	3,448
2009	2009	3,280	3,280
2010	2010	1,670	1,670
2011	2011	323	323
2012	2012	10,358	10,358
Total Loans on 30 June 2006 / 30 June 2006		19,628	19,628

30 September 2007, outstanding loans of the Group in national and foreign currencies (thous. LTL) / as (thous. LTL)

	30 September 2007 / September 2007	
Loan currency: / Loan currency:		
Euro / Euro	19,123	19,123
Litas / Litas	505	505
	19,628	19,628

6 Subsequent events / Įvykiai

Subsequent events was not after was make consolidated financial statements. / Įvykiai