AB PREMIA KPC

(FORMER AB KAUNO PIENO CENTRAS)

**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

**PREPARED ACCORDING TO BUSINESS ACCOUNTING STANDARDS
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AB PREMIA KPC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying 2007 financial statements of AB Premia KPC, a joint stock company registered in the Republic of Lithuania (hereinafter the Company), and consolidated financial statements of AB Premia KPC and subsidiaries (hereinafter the Group), which comprise the balance sheets as of 31 December 2007, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Business Accounting Standards of the Republic of Lithuania. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Subsidiary Premia FFL AS, whose aggregated total assets and total revenues from third parties comprised 24% and 7% of the respective consolidated amounts as of 31 December 2007 and for the financial year then ended, and are included into these consolidated financial statements, were audited by other auditors. We have not audited the financial statements of this subsidiary, but we have received the auditor's report of the subsidiary and our report, insofar as it is related to the amounts of Premia FFL AS, included into the consolidated financial statements, is solely based on other auditor's report. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence and other auditors' report we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

We have not audited the financial statements of the subsidiary Premia FFL AS for the acquisition date 31 October 2007 and we could not obtain sufficient audit evidence in respect to subsidiary acquisition to satisfy ourselves as to the balances of the acquired assets, liabilities, commitments and contingencies and purchase price allocation at that date. The balances of the subsidiary as of 31 October 2007 influence Group's results, cash flows and balances of goodwill and customer contracts, related to subsidiary acquisition, with total carrying value LTL 16,405 thousand (3 Note) for the year ended 31 December 2007.

QUALIFIED OPINION

In our opinion, based on our audit and the report of other auditor, except for the effect of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain sufficient evidence considering the matter described in section Basis for *Qualified Opinion*, the accompanying financial statements present fairly, in all material respects, the financial position of AB Premia KPC and the Group as of 31 December 2007, and their financial performance and their cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2007 and have not noted any material inconsistencies between the financial information included in it and the financial statements of the Group and the Company for the year ended 31 December 2007.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis	**Ramūnas Bartašius**
Auditor's licence	Auditor's licence
No. 000003	No. 000362

The audit was completed on 30 April 2008.

ADDITIONAL DOCUMENTS

1. GENERAL DATA ABOUT THE COMPANY

Public limited liability company Premia KPC: registered address: LT-51179 Kaunas, Taikos pr. 96; code 110596592; VAT payer code LT105965917; register – State enterprise Center of registers, branch of Kaunas.
Tel.: (8~37) 322816, fax.: (8~37) 323940, e-mail: kpc@premia.lt

Company's registered subscribed capital is LTL 32,099,355. It is divided into LTL 6,419,871 inscribed shares (common stocks), with par value of LTL 5 each. Subscribed capital during the reporting financial year does not changed.

2. COMPANY'S BODIES

Company's bodies are as follows:

- the General Shareholders' Meeting;
- the Board;
- the Head of the Company.

The Supreme managerial body of the Company is General Shareholders' Meeting. Each inscribed common stock of the company of nominal value of 5 litas give one vote at the General Shareholders' Meeting. Shareholder of the company according to the data 31 December, 2007 was:

	Number of shares (units)	Votes (%)
Amber Trust II S.C.A	6,419,871	100.00

Company's by-laws specifies, that Board of the company consist of 5 members. Members of the Board on 31 December 2007 were: Martynas Česnavičius, Kuldar Leis, Arūnas Kontautas, Antti Partanen, Ramūnas Kazlauskas.

Head of the Company – Managing director is company's managerial body in one person. Managing Director is elected and revoked by the Board of the Company. Managing Director of the company since 7 April 2005 is Arūnas Kontautas.

3. OVERVIEW OF AB PREMIA KPC ACTIVITIES IN THE REPORTING FINANCIAL YEAR

Main direction of the activity of the company became wholesale of eatable ice-cream and frozen food-stuffs, while production of eatable ice-cream on year 2004 was finally suspended.

4. BUSINESS SITUATION OF COMPANIES' GROUP IN 2007.

AB Premia KPC is a parent company of Pan-Baltic companies' group. The main financial results of companies' group in 2007, LTL thousand:

Sales	118,375
Cost of sales	(81,791)
Gross profit	**36,584**
Sales and distribution expenses	(29,473)
Administrative expenses	(7,542)
(Loss) from operations	**(431)**
Income (expenses) from other activities, net	6,883
Income (expenses) from financial activities, net	(1,503)
Profit before tax	**4,949**
Profit tax	2
Profit before minority interest	**4,951**
Minority interest	9
Net profit	**4,960**
Earnings (loss) per share	

- basis earnings (loss) per share	0.77
- diluted earnings (loss) per share	0.77

Using strengths of common Pan-Baltic ice cream and frozen products production and sales, co-operation with large frozen products' suppliers (Esva, Aviko) was continued, the optimal product sorts are created together. It was also started to co-operate with Pan-Baltic trade systems.

AB Premia KPC activity results according to Lithuanian accounting principles were the following (in LTL thousand) in 2007:

Sales	30,445
Cost of sales	**(20,294)**
Gross profit	10,151
Sales and distribution expenses	(9,823)
Administrative expenses	(1,721)
(Loss) from operations	**(1,393)**
Income (expenses) from other activities, net	4,718
Income (expenses) from financial activities, net	(227)
Result of the subsidiaries before tax	(85)
Profit before tax	**3,013**
Profit tax	182
Profit before minority interest	**3195**
Minority interest	-
Net profit	**3,195**
Net result transferred to retained earnings (losses)	-
Earnings (loss) per share	
- basis earnings (loss) per share	**0.50**
- diluted earnings (loss) per share	**0.50**

5. SUBSIDIARY COMPANIES OF AB PREMIA KPC

On 31 December 2007 company had 84,5 percent of subscribed capital of "Premia Tallinna Külmhoone AS". In year 2007 "Premia Tallinna Külmhoone AS" earned LTL 218 thousand profit. In October 2007 "Premia Tallinna Kulmhoone AS" purchased 100 % of "Premia FFL AS" and "FFL AS" stock for the amount of LTL 28.297 thousand. Both purchased companies act together and are the biggest freezed wholesaler in Latvia.

Company have increased share capital of daughter company UAB KPC Nekilnojamasis Turtas to LTL 2.000 thousand just before the sale of the subsidiary in March 2007. The sale price was at book value.

AB Premia KPC have no stocks of other companies, on the reporting financial year it does not purchased and transferred them.

6. STOCKS OF OWN STOCKS PURCHASES OR TRANSFERRED BY AB PREMIA KPC

AB Premia KPC has no own stocks purchased by the company, on the reporting financial year it does not purchased and transferred them.

7. BRANCHES AND REPRESENTATIVE OFFICE OF AB PREMIA KPC

AB Premia KPC has no branches and representative offices.

8. MAJOR EVENT IN THE COURSE OF 2008 FINANCIAL YEAR BEFORE THE ANNUAL GENERAL STOCKHOLDERS' MEETING

In January 2008, subsidiary TCS Invest OÜ was granted a short-term loan of LTL 2,411 thousand. The base currency of the loan is USD and interest rate on the loan is 8 %. The loan is secured with the assets of the subsidiary.

In March 2008 all shares of Premia FFL AS, the subsidiary of Premia Tallina Kulmhoone AS, were pledged in favour of AS Sampo Bank.
The profit distribution draft: it is suggested to the shareholders to transfer the net profit of the Group and of the Company for 2007 amounting to LTL 4.960 thousand and LTL 3.195 thousand to retained deficit.

9. PLANS AND FORECASTS OF ACTIVITIES OF AB PREMIA KPC

The future strategy of activity is based on the following principles:

- Seeking to take as much advantage of Pan-Baltic ice cream production and sales group as possible the company will see to supply Pan-Baltic sales structures with ice cream, to achieve better conditions for raw material acquisition from the common suppliers, to organize common marketing actions.
- To continue cooperation with logistic companies and to seek new one's outsourcing logistic and sales services and optimising activity expenses of the company while keeping the high level of services.
- To cut company's cost of activity.

It is estimated, that sales extent on financial year 2008 will be similar as in year 2007.

Consolidated Report on the activities of AB Premia KPC in year 2007 was approved by written resolution of the Board of the company on 23 April 2008.

AB Premia KPC,
Chairman of the Board,
General director

Arūnas Kontautas

BALANCE SHEETS

		Notes	Group		Company	
			As of 31 December 2007	As of 31 December 2006	As of 31 December 2007	As of 31 December 2006
	ASSETS					
A.	**Non-current assets**					
I.	Intangible assets	3	16,593	168	24	-
II.	Property, plant and equipment					
II.1.	Other property, plant and equipment	4	56,830	32,618	5,518	7,202
II.2.	Investment property	5	611	632	-	-
	Total property, plant and equipment		57,441	33,250	5,518	7,202
III.	Non-current financial assets					
III.1.	Investments into subsidiaries and associates	6	9	9	18,265	18,286
III.2.	Non-current receivables	25	-	31	4,489	-
III.3.	Other long term investments	6	1,273	-	-	-
	Total non-current financial assets		1,282	40	22,754	18,286
	Total non-current assets		**75,316**	**33,458**	**28,296**	**25,488**
B.	Current assets					
I.	Inventories, prepayments and contracts in progress					
I.1.	Inventories	7	15,021	8,587	1,848	1,510
I.2.	Prepayments and contracts in progress		85	206	-	81
	Total inventories, prepayments and contracts in progress		15,106	8,793	1,848	1,591
II.	Current accounts receivable					
II.1.	Trade receivables	8	14,186	7,870	2,578	2,263
II.2.	Receivables from subsidiaries	25	-	-	-	1,800
II.3.	Other receivables	9	894	1,116	115	74
	Total current accounts receivable		15,080	8,986	2,693	4,137
III.	Other current assets	9	471	1,042	11	15
IV.	Cash and cash equivalents	10	1,587	485	452	232
	Total current assets		**32,244**	**19,306**	**5,004**	**5,975**
	Total assets		**107,560**	**52,764**	**33,300**	**31,463**

(CONT'D ON THE NEXT PAGE)

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

BALANCE SHEETS (CONT'D)

		Notes	Group		Company	
			As of 31 December 2007	As of 31 December 2006	As of 31 December 2007	As of 31 December 2006
	EQUITY AND LIABILITIES					
C.	**Equity**					
I.	Share capital	11	32,099	32,099	32,099	32,099
II.	Share premium		26,586	26,586	26,586	26,586
III.	Revaluation reserve (result)		-	-	-	-
IV.	Legal reserve	12	674	674	674	674
V.	Currency exchange revaluation reserve	2.2	87	-	-	-
VI.	Retained earnings (deficit)		(34,312)	(39,272)	(34,305)	(37,574)
	Total equity		**25,134**	**20,087**	**25,054**	**21,785**
	Minority interest	3	**1,680**	**3,365**	-	-
D.	**Grants and subsidies**		-	-	-	-
E.	**Liabilities**					
I.	**Non-current liabilities**					
I.1.	Non-current financial borrowings	13	36,806	10,128	3,038	1,185
I.2.	Deferred income tax liability	22	2,522	667	23	667
	Total non-current liabilities		**39,328**	**10,795**	**3,061**	**1,852**
II.	**Current liabilities**					
II.1.	Current financial borrowings	13	21,951	8,475	1,187	3,586
II.2.	Trade and other payables	14	19,467	10,042	3,639	2,751
II.3.	Payables to subsidiaries	25	-	-	359	1,489
	Total current liabilities		**41,418**	**18,517**	**5,185**	**7,826**
	Total equity and liabilities		**107,560**	**52,764**	**33,300**	**31,463**

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

General Manager **Arūnas Kontautas** 30 April 2008

Chief Accountant **Tomas Staškūnas** 30 April 2008

INCOME STATEMENTS

		Notes	Group		Company	
			2007	2006	2007	2006
I.	Sales	16	118,375	103,920	30,445	28,505
II.	Cost of sales	17	(81,791)	(72,586)	(20,294)	(19,261)
III.	**Gross profit**		**36,584**	**31,334**	**10,151**	**9,244**
IV.	Operating expenses					
IV.1.	Selling and distribution expenses	18	(29,473)	(23,073)	(9,823)	(7,885)
IV.2.	Administrative expenses	19	(7,542)	(5,990)	(1,721)	(1,653)
V.	**Profit (loss) from operations**		**(431)**	**2,271**	**(1,393)**	**(294)**
VI.	Other operating income (expenses), net	20	6,883	(25)	4,718	1,659
VII.	Income (expenses) from financial and investment activities, net	21	(1,503)	(1,196)	(227)	(350)
VIII.	Result of subsidiaries	6	-	-	(85)	1,661
IX.	**Profit (loss) from ordinary activities**		**4,949**	**1,050**	**3,013**	**2,676**
X.	Extraordinary gain		-	-	-	-
XI.	Extraordinary loss		-	-	-	-
XII.	**Profit (loss) before tax**		**4,949**	**1,050**	**3,013**	**2,676**
XIII.	Income tax	22	2	-	182	-
XIV.	**Profit (loss) before minority interest**		**4,951**	**1,050**	**3,195**	**2,676**
XV.	Minority interest		9	(72)	-	-
XVI.	**Net profit (loss)**		**4,960**	**978**	**3,195**	**2,676**
	Earnings (loss) per share (in LTL)	23	0.77	0.15	0.50	0.42

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

General Manager **Arūnas Kontautas** 30 April 2008

Chief Accountant **Tomas Staškūnas** 30 April 2008

STATEMENTS OF CHANGES IN EQUITY

Group	Notes	Share capital	Share premium	Revaluation reserve (result)	Legal reserve	Currency exchange evaluation reserve	Retained earnings (deficit)	Total
Balance as of 31 December 2005		**32,099**	**26,586**	**-**	**674**	**-**	**(37,884)**	**21,475**
Acquisition of minority	6	-	-	-	-	-	(483)	(483)
Share transfer to minority	6	-	-	-	-	-	(1,883)	(1,883)
Net profit for the year		-	-	-	-	-	978	978
Balance as of 31 December 2006		**32,099**	**26,586**	**-**	**674**	**-**	**(39,272)**	**20,087**
Currency exchange evaluation reserve	2.2	-	-	-	-	87	-	87
Net profit for the year		-	-	-	-	-	4,960	4,960
Balance as of 31 December 2007		**32,099**	**26,586**	**-**	**674**	**87**	**(34,312)**	**25,134**

Company	Notes	Share capital	Share premium	Revaluation reserve (result)	Legal reserve	Retained earnings (deficit)	Total
Balance as of 31 December 2005		**32,099**	**26,586**	**-**	**674**	**(37,884)**	**21,475**
Acquisition of minority	6	-	-	-	-	(483)	(483)
Share transfer to minority	6	-	-	-	-	(1,883)	(1,883)
Net profit for the year		-	-	-	-	2,676	2,676
Balance as of 31 December 2006		**32,099**	**26,586**	**-**	**674**	**(37,574)**	**21,785**
Currency exchange evaluation reserve attributable to the Company	6	-	-	-	-	74	74
Net profit for the year		-	-	-	-	3,195	3,195
Balance as of 31 December 2007		**32,099**	**26,586**	**-**	**674**	**(34,305)**	**25,054**

General Manager **Arūnas Kontautas** 30 April 2008

Chief Accountant **Tomas Staškūnas** 30 April 2008

CASH FLOW STATEMENTS

		Notes	Group		Company	
			2007	2006	2007	2006
I.	**Cash flows from (to) operating activities**					
I.1.	Net profit		4,960	978	3,195	2,676
	Adjustments for non-cash items:					
I.2.	Depreciation and amortisation		6,326	5,245	2,078	1,559
I.3.	Loss (profit) from sale of property, plant and equipment		(6,973)	31	(4,858)	(1,675)
I.4.	Write-off of property, plant and equipment		341	49	341	49
I.5.	Goodwill amortisation		359	-	-	-
I.6.	Write-off of inventories		177	266	54	66
I.7.	Allowance for accounts receivable and impairment of property, plant and equipment		(244)	10	(244)	12
I.8.	Result of the subsidiaries		-	-	85	(1,661)
I.9.	Minority interest		(9)	72	-	-
I.10.	Non-cash items		96	(19)	10	(10)
I.11.	Interest (income)	21	(283)	(48)	(213)	-
I.12.	Interest expenses	21	1,755	1,172	428	341
I.13.	Profit tax (income)		(2)	-	(182)	-
			6,503	7,756	694	1,357
	Changes in working capital					
I.14.	Decrease (increase) in trade and other receivables		218	(1,642)	1,447	(598)
I.15.	(Increase) decrease in inventories		(1,765)	421	(257)	819
I.16.	(Decrease) increase in accounts payable		(1,967)	552	(242)	1,252
	Net cash flows from (to) operating activities		**2,989**	**7,087**	**1,642**	**2,830**
II.	**Cash flows from (to) investing activities**					
II.1.	(Acquisition) of property, plant and equipment		(12,341)	(628)	-	(158)
II.2.	Proceeds from sale of non-current assets		11,864	656	8,558	8
II.3.	(Acquisition) of intangible assets		(28)	(172)	(28)	-
II.4.	(Increased) share capital of subsidiary	6	-	-	(1,990)	-
II.5.	Disposal of subsidiary	6, 13	1,417	-	2,000	-
II.6.	Acquisitions of subsidiaries, net of cash acquired	3, 6	(28,225)	(1,445)	-	(1,455)
II.7.	(Acquisition) of non-current investments	6	(1,257)	-	-	-
II.8.	(Acquisition) of current investment		-	(993)	-	-
II.9.	Loans (granted)		(1,015)	(980)	(4,489)	-
II.10.	Loans received		2,244	-	-	-
II.11.	Interest income		283	48	213	-
	Net cash flows (to) from investing activities		**(27,058)**	**(3,514)**	**4,264**	**(1,605)**

(CONT'D ON THE NEXT PAGE) The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS (CONT'D)

		Note	Group		Company	
			2007	2006	2007	2006
III.	**Cash flows from (to) financing activities**					
III.1.	Loans received		36,782	2,415	-	1
III.2.	(Repayment) of loans		(6,568)	(4,578)	(2,831)	-
III.3.	Interest (paid)		(1,755)	(1,172)	(428)	(341)
III.4.	Financial lease (paid)		(3,288)	(1,487)	(2,427)	(824)
III.5.	Minority transfers to share capital of subsidiaries	1	-	1,371	-	-
	Net cash flows from (to) financial activities		**25,171**	**(4,431)**	**(5,686)**	**(1,987)**
IV.	**Net increase in cash and cash equivalents**		**1,102**	**122**	**220**	**61**
V.	**Cash and cash equivalents at the beginning of the year**		**485**	**363**	**232**	**171**
VI.	**Cash and cash equivalents at the end of the year**		**1,587**	**485**	**452**	**232**
	Additional cash flow information:					
	Non-cash investment activity:					
	Purchase of long-term assets with financial lease		5,357	2,515	4,224	1,937

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

General Manager **Arūnas Kontautas** 30 April 2008

Chief Accountant **Tomas Staškūnas** 30 April 2008

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kauno Pieno Gamykla was established in 1937. The Company supplied Kaunas with dairy products and ice-cream. In 1970 the dairy production was moved to the suburbs of Kaunas and the ice-cream production remained in the same place. AB Premia KPC (hereinafter the Company) was established as a joint stock company on 7 February 1994 (the company was named AB Kauno pieno centras until 2007). The main activities of the Company were production and sale of ice-cream and sale of frozen products. The Company is located in Kaunas. The address of its registered office is:

Taikos av. 96,
Kaunas,
Lithuania.

The main activities of the Group are production and sale of ice-cream and sale of frozen products in Baltic states.
As of 31 December 2007 and 2006 the sole shareholder of the Company was Amber Trust II S.C.A. (Luxembourg) (unaudited):

	2007		2006	
	Number of shares	**Percentage**	**Number of shares**	**Percentage**
Amber Trust II S.C.A. (Luxembourg)	6,419,871	100.00	6,419,871	100.00
Total	6,419,871	100.00	6,419,871	100.00

The shares of the Company are included into the list of non-traded securities at the Vilnius Stock Exchange, and the securities of the Company are practically not traded.

All the shares of the Company are ordinary shares with par value of LTL 5 each and were fully paid as of 31 December 2007 and 2006. The share capital did not change in 2007 and 2006. The Company did not hold own shares.

The consolidate group (hereinafter the Group) consists of the Company – AB Premia KPC and its directly and indirectly owned subsidiaries:

Subsidiary	Address	Year of establish-ment / acquisition	Share of the stock held by the Group as of 31 December (%)		Result for 2007	Equity	Activity
			2007	2006			
Premia Tallinna Kulmhoone AS	Betooni 4, Tallinn, Estonia	1999	84.50	94.60	(59)	21,736	Production of dairy-products and ice-cream
UAB KPC Nekilnoja-masis Turtas	Kaunakiemio 1 Kaunas, Lithuania	2006	-	100.00	-	10	Real estate management
FFL SIA	Meza 4, Ryga, Latvija	2007	84.50	-	-	1,647	Wholesale of dairy-products and ice-cream
TCS Invest OU	Betooni 4, Talinas, Estija	2007	84.50	-	-	9	Investment activity
Premia FFL AS	Meza 4, Ryga, Latvija	2007	80.28	-	(1,561)	7,001	Wholesale of dairy-products and ice-cream
Salpro SIA (Subsidiary of Premia FFL AS)	Meza 4, Ryga, Latvija	2007	67.83	-	-	8	Wholesale of dairy-products and ice-cream

During the 2007 the structure of the Group changed after the disposal of UAB KPC Nekilnojamasis Turtas and after Premia Tallinna Kulmhoone AS acquired 100 % shares of Premia FFL AS and FFL AS (Latvia).

Average number of employees of the Group in 2007 was 533 (in 2006 – 341). Average number of employees of the Company in 2007 was 108 (in 2006 – 99).

The Company's management authorised these financial statements on 28 April 2008. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. ACCOUNTING PRINCIPLES

The principal accounting policies adopted in preparing the Company's and the Group's financial statements for 2006 are as follows:

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Law on Accounting of the Republic of Lithuania, Law on Companies' Financial Statements of the Republic of Lithuania, Law on Consolidated Financial Statements of the Companies of the Republic of Lithuania and Business Accounting Standards (BAS), which include the standards and interpretations prepared and approved by the Institute of Accounting of the Republic of Lithuania, effective as of 31 December 2007.

2.2 PRESENTATION CURRENCY

The functional currency of the Company in Lithuania is the local currency of the Republic of Lithuania, Litas (LTL) and the amounts shown in these financial statements are presented in Litas.

The functional currency of the Company is Litas. The functional currency of the subsidiaries in foreign countries are the currencies of the foreign countries. Operations of subsidiaries in foreign countries are booked at local currencies.

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

As of the reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Company (LTL) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Long-term receivables from or loans granted to foreign subsidiaries that are neither planned nor likely to be settled in the future is considered to be a part of the Company's net investment in the foreign operation. In the Group's consolidated financial statements the exchange differences recognized in the separate financial statements of the subsidiary in relation to these monetary items are reclassified to the separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

Starting from 2 February 2002, Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2.3 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Group include AB Premia KPC and the companies under its control. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent 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. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement.

The purchase method of accounting is used for acquired businesses. The Company accounts for the acquired identifiable assets and liabilities of another company at their fair value at acquisition date. Difference between the acquisition cost and the fair value of the net assets at acquisition date is considered to be goodwill (negative goodwill). The goodwill (negative goodwill) is presented in the financial statements at cost less its amortisation and impairment. The goodwill (negative goodwill) is presented in separate financial statements of the Company in the same line as the investment into the acquired company. In the consolidated financial statements goodwill (negative goodwill) related to consolidated subsidiaries is presented in the intangible assets caption.

The goodwill is amortised during a 5-year period, using the straight-line method. The amount of amortisation is included into the operating expenses in the income statement.

The portion of negative goodwill related to expected future losses and expenses is recognised in the income statement by reducing the operating expenses of the period when the expected losses and expenses are recognised. The portion of negative goodwill unrelated to expected future losses and expenses is recognised in the income statement as follows:

- the amount of negative goodwill, which does not exceed the fair value of the acquired non-current non-monetary assets, is recognised as income during the remaining useful life of the acquired non-current non-monetary assets, in proportion to the amount of depreciation/amortisation of that asset;
- the amount of negative goodwill exceeding the fair value of the acquired non-monetary assets is recognised as income immediately.

Companies acquired or sold during a year are included into the financial statements from the date of acquisition or until the date of sale.

Acquisitions of the minority interest of the Group are accounted using the Entity concept method, i.e. difference between acquired net assets of the minority interest in the financial statement of the Group and the acquisition price of the shares is accounted directly in equity.

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

Consolidated financial statements are prepared on the basis of the same accounting principles applied to similar transactions and other events under similar circumstances.

Investments in subsidiaries are accounted for in the separate financial statements of the Company using the equity method. According to the equity method, the Company's share of the result of subsidiaries is accounted in the income statement of the Company. The Company's share of the changes in reserves of the subsidiaries after the date of acquisition are included into reserves. If the share of losses of a subsidiary according to the equity method is equal or exceeds the cost of investment, such investment is recorded at zero value in the balance sheet.

Provision for additional loss is formed only if the Company assumed liabilities or made payments related to the fulfilling of the liabilities of the subsidiary. Provision for additional loss is accounted in the income statement as the share of the net result of the subsidiary before tax charged to the Company.

All other investments are accounted for according to BAS 18 "Financial assets and financial liabilities", as discussed in section 2.7.

2.4 INTANGIBLE ASSETS (EXCEPT GOODWILL)

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over 1 to 5-year period of their useful lives.

2.5 PROPERTY, PLANT AND EQUIPMENT

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the income statement in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance and (or) that they have resulted in an increase of the useful life of the asset, the expenditures are capitalised as an additional cost of property, plant and equipment. The Company and the Group capitalizes property, plant and equipment purchases with an estimated useful life exceeding one year and an acquisition cost above LTL 300.

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

Buildings 20 - 63 years
Constructions and equipment 5 - 40 years
Other property, plant and equipment 2 - 10 years

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.
Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and put into operation.

2.6 INVESTMENT PROPERTY ACCOUNTING

Investment property includes land, administrative premises and other buildings, which are not used for main operations of the Group and are intended for generating income from long-term lease to the third parties. Investment property is accounted at cost less depreciation and accumulated impairment loss.

2.7 INVESTMENTS

Pursuant to BAS 18, "Financial assets and financial liabilities", non-current investments (except investments into subsidiaries and associates) are classified as either available-for-sale or held-to-maturity. Investments with fixed or determinable payments and fixed maturity that the Group and the Company has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Group / the Company, are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price and other investments, other than investments held-to-maturity, loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within twelve months of the balance sheet date. Available-for-sale investments are classified as current assets if management intends to realise them within twelve months of the balance sheet date.

All purchases and sales of investments are recognised on the trade date. Investments are initially measured at cost, which is the fair value of the consideration given, including transaction costs.

Available-for-sale investments are subsequently carried at fair value by reference to their estimated market price at the balance sheet date, without any deduction for transaction costs that the Group / the Company may incur on their sale or other disposal. Gains or losses on measurement to fair value of available-for-sale investments are included into result of financial and investment activities in the Group's / the Company's income statement.

2.8 INVENTORIES

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the weighted average cost 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. Unrealisable inventory has been fully written-off.

2.9 RECEIVABLES AND LOANS GRANTED

Receivables are initially recorded at the fair value of the consideration given. Current receivables are subsequently carried at cost less impairment, and non-current receivables and loans granted – at amortised cost, less impairment.

2.10 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, current accounts with banks, and other short-term highly liquid investments.

2.11 BORROWINGS

Borrowing costs are expensed as incurred.

Borrowings are initially recognised at fair value of proceeds received. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings. The borrowings are classified as non-current if the completion of a refinancing agreement before authorisation of the financial statements for issue provides evidence that the substance of the liability at the balance sheet date was long-term.

2.12 FINANCIAL AND OPERATING LEASES

Financial lease

The Company and the Group recognizes financial leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, Company's composite interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for financial lease assets and it also gives rise to financial expenses in the Company's and the Group's income statement for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets can not be depreciated over the period longer than lease term, unless the Company or the Group, according by the lease contract, gets transferred their ownership after the lease term is over.

Operating lease

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The gains from discounts provided by the lessor are recognised as a decrease in lease expenses over the period of the lease using the straight-line method.

2.13 GRANTS

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised in the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the income statement, a relevant expense account is reduced by the amount of grant amortisation.

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 recognised 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 unutilised grants is shown in caption "Grants and subsidies" on the balance sheet.

2.14 PROVISIONS

Provisions are recognised when the Company or the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group / the Company re-evaluates provisions at each balance sheet date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Were discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2.15 DERIVATIVE FINANCIAL INSTRUMENTS

The Group engages in forward, swap and other contracts, mainly for currency and interest rate risk management purposes. Derivative financial instruments are initially recognized at cost. Subsequent to initial recognition and measurement, outstanding forwards, swaps and other financial instruments are carried in the balance sheet at the fair value. Fair value is derived from quoted market prices, or using the discounted cash flow method applying effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis.

Gain or loss from changes in the fair value of outstanding forward contracts, swaps and other financial instruments, which are not classified as hedging instruments, are recognised in the statement of income as they arise.

2.16 INCOME TAX

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation. Income tax for the subsidiaries operating in the foreign countries is accounted according to tax legislation of those foreign countries.

The standard income tax rate in Lithuania is 15 %. On 1 January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January

2006, companies have to pay an additional 4 % tax calculated based on the income tax principles, and for the following year a 3 % tax starting from 1 January 2007. After the year 2007 m. the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15 %.

Tax losses of the Group companies operating in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Pursuant to the applicable laws, Estonian companies are not subject to income tax if the profit stays in the company. Pursuant to the applicable laws, income tax applied to Latvian companies is 15 %.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to
apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax asset has been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognized in the financial statements.

2.17 REVENUE RECOGNITION

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

Revenue from sales of goods are recognised when delivery has taken place and transfer of risks and rewards has been completed. The services provided by the Company are recognised as revenue after providing the agreed service.

In the consolidated income statement intercompany sales are eliminated.

2.18 EXPENSE RECOGNITION

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

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

2.19 IMPAIRMENT OF ASSETS

Financial assets

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Company or the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the income statement. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the income statement as the impairment loss.

2.20 USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with Business Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of

contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation and impairment evaluation. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.21 CONTINGENCIES

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.22 SUBSEQUENT EVENTS

Post-balance sheet events that provide additional information about the Company's and the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2.23 SEGMENT INFORMATION

In these financial statements a business segment means a constituent part of the Group / the Company participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

In these financial statements a geographical segment means a constituent part of the Group / the Company participating in production of individual products or provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments (Note 16).

2.24 OFFSETTING AND COMPARATIVE FIGURES

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain Business Accounting Standards specifically require such set-off.

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

3. INTANGIBLE ASSETS

Group	Goodwill	Customers contracts	Other intangible assets	Total
Cost:				
Balance as of 31 December 2006	-	-	633	633
Additions related to acquisition of subsidiaries	9,085	7,944	70	18,775
Additions	-	-	28	28
Retirements	-	-	(6)	(6)
Balance as of 31 December 2007	9,085	7,944	725	17,754
Accumulated amortisation:				
Balance as of 31 December 2006	-	-	465	465
Charge for the year	359	265	78	702
Retirements	-	-	(6)	(6)
Balance as of 31 December 2007	359	265	537	1,161
Net book value as of 31 December 2007	**8,726**	**7,679**	**188**	**16,593**
Net book value as of 31 December 2006	-	-	168	168

Company	Other intangibles
Cost:	
Balance as of 31 December 2006	25
Additions	28
Retirements	(6)
Balance as of 31 December 2007	47
Accumulated amortisation:	
Balance as of 31 December 2006	25
Charge for the year	4
Retirements	(6)
Balance as of 31 December 2007	23
Net book value as of 31 December 2007	**24**
Net book value as of 31 December 2006	-

Neither the Group, nor the Company has internally generated intangible assets. Amortisation expenses of intangible assets are included within operating expenses in the income statement.

During the acquisition of Premia FFL AS and FFL SIA on 31 October 2007 non-current assets were revaluated into fair value and customer contracts were calculated using discounted future cash flow method.

Difference between the acquisition cost and the fair value of the acquired assets was accounted for as goodwill:

Fair value of the acquired assets attributable to the Group	14,826
Goodwill recognised	9,085
Investment value attributable to the Group (84,50%)	**23,911**
Total investment price	28,297
Cash acquired	(72)
Purchase price net of cash acquired	**28,225**

The goodwill in the amount of LTL 9,085 thousand is based on possible future activity profit of acquired subsidiaries and know how of the management of the acquired companies. Goodwill attributable to minority is LTL 1,667 thousand.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Cost:						
Balance as of 31 December 2006	24,470	29,881	8,087	6,737	175	69,350
Additions	8,074	3,754	4,278	846	746	17,698
Additions arising from the acquisition of subsidiaries	5,225	5,046	5,314	824	984	17,393
Effect on currency exchange revaluation	38	17	38	6	7	106
Disposals	(10,485)	(229)	(222)	(2)	-	(10,938)
Retirements	-	(2,381)	(215)	(472)	-	(3,068)
Balance as of 31 December 2007	27,322	36,088	17,280	7,939	1,912	90,541
Accumulated depreciation:						
Balance as of 31 December 2006	9,182	17,067	5,184	5,090	-	36,523
Charge for the year	770	2,616	1,828	748	-	5,962
Disposals	(5,921)	-	(124)	(2)	-	(6,047)
Retirements	-	(2,156)	(172)	(399)	-	(2,727)
Balance as of 31 December 2007	4,031	17,527	6,716	5,437	-	33,711
Impairment losses:						
Balance as of 31 December 2006	-	165	-	44	-	209
Charge for the year	-	-	-	-	-	-
Reversal of impairment	-	(165)	-	(44)	-	(209)
Balance as of 31 December 2007	-	-	-	-	-	-
Net book value as of 31 December 2007	**23,291**	**18,561**	**10,564**	**2,502**	**1,912**	**56,830**
Net book value as of 31 December 2006	**15,288**	**12,649**	**2,903**	**1,603**	**175**	**32,618**

Company	Buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 December 2006	8,819	2,481	5,999	5,011	22,310
Additions	-	16	4,009	199	4,224
Disposals	(8,819)	-	(176)	(2)	(8,997)
Retirements	-	(2,381)	(215)	(472)	(3,068)
Balance as of 31 December 2007	-	116	9,617	4,736	14,469
Accumulated depreciation:					
Balance as of 31 December 2006	5,144	2,229	3,894	3,634	14,901
Charge for the year	26	10	1,519	519	2,074
Disposals	(5,170)	-	(125)	(2)	(5,297)
Retirements	-	(2,156)	(172)	(399)	(2,727)
Balance as of 31 December 2007	-	83	5,116	3,752	8,951
Impairment losses:					
Balance as of 31 December 2006	-	165	-	42	207
Charge for the year	-	-	-	-	-
Reversal of impairment	-	(165)	-	(42)	(207)
Balance as of 31 December 2007	-	-	-	-	-
Net book value as of 31 December 2007	**-**	**33**	**4,501**	**984**	**5,518**
Net book value as of 31 December 2006	**3,675**	**87**	**2,105**	**1,335**	**7,202**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2007 amounts to LTL 5,962 thousand and LTL 2,074 thousand, respectively (LTL 5,153 thousand and LTL 1,558 thousand for the year 2006, respectively). Amounts of LTL 4,251 thousand and LTL 2,074 thousand for the year 2007 (LTL 3,458 thousand and LTL 1,558 thousand for the year 2006, respectively) have been included into operating expenses in the Company's and the Group's income statement, respectively. The remaining amounts have been included into cost of sales.

Property, plant and equipment of the Group with a net book value of LTL 23,639 thousand (none of the Company assets) as of 31 December 2007 (LTL 14,971 thousand and LTL 3,675 thousand as of 31 December 2006, respectively) was pledged to banks as a collateral for the loans (Note 13).

Part of property, plant and equipment of the Group and the Company with acquisition cost of LTL 10,548 thousand and LTL 5,128 thousand respectively was fully depreciated as of 31 December 2007 (LTL 9,271 thousand and LTL 4,547 thousand as of 31 December 2006, respectively) but were still in active use. These assets include vehicles, freezers, warehouse and office equipment.

The reversal of impairment losses is related to the disposal of asset, for which the impairment losses where accounted for in previous periods. Change in evaluation of impairment of property, plant and equipment is accounted for in the operating expenses caption in the income statement.

5. INVESTMENT PROPERTY

	Group	Company
Cost:		
Balance as of 31 December 2006	2,755	-
Reclassifications	-	-
Balance as of 31 December 2007	2,755	-
Accumulated depreciation:		
Balance as of 31 December 2006	2,123	-
Charge for the year	21	-
Reclassifications	-	-
Balance as of 31 December 2007	2,144	-
Net book value as of 31 December 2007	**611**	**-**
Net book value as of 31 December 2006	**632**	**-**

Part of the Group's property, plant and equipment located in Estonia is not used in the main activities of the Group and is accounted for as investment property. The net book value of the investment property as of 31 December 2007 was LTL 611 thousand (as of 31 December 2006 – LTL 632 thousand). The management of the Company believes, that the market value of these assets as of 31 December 2007 could be in the range between LTL 1,324 thousand and LTL 2,207 thousand. Independent valuation has not been performed.

6. INVESTMENTS INTO SUBSIDIARIES

	Company	
	2007	**2006**
Balance at the beginning of the period	18,286	17,536
Effect of equity method and currency revaluation reserve attributable to the Company	(11)	1,661
UAB KPC Nekilnojamasis Turtas share capital increase	1,990	972
Disposal	(2,000)	(1,883)
	18,265	18,286

In December 2006 the Company established a subsidiary UAB KPC Nekilnojamasis Turtas with the share capital of LTL 10 thousand. In 2007 the Company increased share capital of subsidiary from LTL 10 thousand to LTL 2,000 thousand and sold the subsidiary for the share nominal value.

During 2007 the Group has initiated negotiation concerning the possibility to acquire company Hladokombinat in Sankt Petersburg, Russia. During 2007 consultancy fees and other related expenses have reached LTL 1,257 thousand. As of the date of release of these financial statements negotiation regarding Hladokombinat acquisition was still in process.

In April 2006 the Company acquired the remaining shares of the subsidiary Tallinnna Kulmhoone AS from the minority shareholders for the amount of LTL 1,445 thousand. The value of the net assets acquired – LTL 962 thousand and LTL 483 thousand difference between the part of the net assets acquired and the acquisition cost was accounted for directly in equity.

In December 2006 the subsidiary Tallinna Kulmhoone AS issued a new emission of shares which was purchased by the companies related to the management of the Tallinna Kulmhoone AS. Due to this transaction the minority interest in the equity of the subsidiary increased by 10.1% and the share of the net assets of the subsidiary attributable to the Company decreased by LTL 1,883 thousand. The decrease of the share of the net assets attributable to the Company due to the share transfer to minority was accounted for in equity.

7. INVENTORIES

	Group		Company	
	2007	2006	2007	2006
Goods for resale	5,992	4,745	1,822	1,483
Finished products	6,632	2,084	-	-
Raw materials and other inventories	2,757	1,758	26	27
Less: net realisable value allowance	-	-	-	-
	15,021	8,587	1,848	1,510

As explained in Note 13, the Group has pledged inventories for an amount of LTL 13,137 thousand as of 31 December 2007 (the Company has pledged LTL 1,500 thousand of inventories as of 31 December 2006) in order to secure the repayment of a loan.

8. TRADE RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
Trade receivables, gross	14,300	8,019	2,658	2,378
Less: allowance for doubtful trade receivables	(114)	(149)	(80)	(115)
	14,186	7,870	2,578	2,263

Changes in allowance for doubtful trade receivables for the year 2007 and 2006 have been included into operating expenses in the income statement. In 2007 the Group and the Company have not written-off bad debts.

The Group has pledged accounts receivable for an amount of LTL 11,608 thousand as of 31 December 2007 (no pledged accounts receivable as of 31 December 2006) (Note 13).

9. OTHER ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As of 31 December 2007 other accounts receivable mainly consisted of deferred expenses. Major part of other current assets comprise the bonds for LTL 980 thousands held by the Group at the end of 2006, which were issued by the company related to the management of Tallinna Kulmhoone AS. The maturity date of the bonds is 30 March 2007 and the annual interest rate is 12 %.

Major part of other accounts receivable comprise a loan of LTL 507 thousand granted by the Group to the company related to the management of Tallinna Kulmhoone AS as of 31 December 2007. The outstanding balance as of 31 December 2006 was repaid during the year 2007 and new loan was granted. The outstanding balance as of 31 December 2007 amounted to LTL 507 thousand (LTL 999 thousand as of 31 December 2006).

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
Cash at bank	1,498	352	406	119
Cash on hand	43	63	-	43
Cash in transit	46	70	46	70
	1,587	485	452	232

The Group has pledged the part of cash for the amount of LTL 1,135 thousand as of 31 December 2007 in order to secure loans received (Note 13).

11. SHARE CAPITAL

The share capital of the Company did not change in 2007. As of 31 December 2007 and 2006 the share capital amounted to LTL 32,099 thousand. The share capital consists of 6,419,871 (6,419,871 in 2006) ordinary registered shares with the par value of LTL 5 each. All the shares are fully paid.

According to the Company Law of Republic of Lithuania equity of the company should not be less than ½ of the share capital of the company registered in the company by-laws. The Company was in compliance with this requirement as of 31 December 2007 and 2006.

12. RESERVES

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit calculated according to the Lithuanian Business Accounting Standards are compulsory until the reserve reaches 10% of the share capital. This reserve is used for covering accumulated losses. The shareholders of the Company will have to transfer a minimum of LTL 160 thousand to the legal reserve while distributing the profit for the year 2007.

Retained earnings (deficit)

According to the provisions of the Law on Stock Companies of the Republic of Lithuania, if the total of retained earnings at the beginning of the financial year and net profit (loss) for the year is negative, the General Shareholders' Meeting has to make a decision to cover these losses. Transfers to distributable earnings should be made in the following sequence:

a) transfer from reserves not used in the current financial year;
b) transfer from the compulsory reserve;
c) transfer from the share premium.

The Company was not informed about the shareholder's actions in respect of this matter by the date of issuing of these financial statements.

13. FINANCIAL BORROWINGS

	Group		Company	
	As of 31 December 2007	**As of 31 December 2006**	**As of 31 December 2007**	**As of 31 December 2006**
Non-current borrowings				
Financial lease liabilities	6,085	1,771	3,038	1,185
Bank loans	30,721	8,357	-	-
	36,806	10,128	3,038	1,185
Current borrowings				
Current portion of non-current borrowings	4,311	3,439	-	-
Shares repurchase agreement	1,426	-	-	-
Financial lease liabilities	2,743	1,197	1,187	755
Short-term loans	13,471	3,839	-	2,831
	21,951	8,475	1,187	3,586
	57,331	18,603	4,225	4,771

To secure its debt liabilities the Group and the Company has pledged the property, plant and equipment (Note 4), inventories (Note 7), accounts receivables (Note 8) and future cash inflows (Note 10). In case of the failure to meet financial lease liabilities, the rights of ownership of the leased property are returned to the lessor.

13. BORROWINGS (CONT'D)

The interest rates as of the balance sheet date were as follows:

	Group		Company	
	2007	2006	2007	2006
Bank loans	5.6 %	5.6 %	-	5.7 %
Financial lease liabilities	5.8 %	5.0 %	5.7 %	5.1 %

Terms of repayment of non-current (except for the financial lease liabilities) borrowings are as follows:

	Group		Company	
	2007	2006	2007	2008
Within one year	4,311	3,439	-	-
From one to five years	18,134	8,357	-	-
Over five years	12,586	-	-	-
	35,031	11,796	-	-

As of 31 October 2007 the Group sold a 5 % share of the subsidiary Premia FFL for LTL 1,407 thousand to the third party and according to the purchase-sales agreement, Premia Tallinna Külmhoone AS is obliged to acquire the 5% share in the future at a price equivalent to the other party's investment in AS Premia FFL plus accrued interest of 8 %. According to management, the respective 5% share does not represent a minority interest, but is instead a put option held by the other party on AS Premia FFL shares. Therefore, 100 % of AS Premia FFL has been consolidated to the group's financial statements and the respective liability has been accounted for.

As of 31 December 2007 the Group had unused funds of credit lines amounted to LTL 5,865 thousand (LTL 5,489 thousand as of 31 December 2006), and has different maturity dates, the latest one being on 7 August 2008.

As of 31 December 2007 Group had two overdraft agreements in the amount of LTL 7,251 thousand, of which LTL 1,385 thousand were used at the end of 2007. The overdraft agreements ends on May and August 2008. Additionally, the Group had other short term borrowings from banks in the amount of LTL 12,085 thousand.

The assets leased by the Company and Group under financial lease contracts consist of machinery, equipment and vehicles. Apart from the lease payments, other liabilities under the lease contracts are property maintenance and insurance. The terms of financial lease are from 3 to 5 years.

The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group		Company	
	2007	2006	2007	2006
Machinery and equipment	10,690	2,901	4,010	1,382
Other	651	540	504	540
	11,341	3,441	4,514	1,922

As of 31 December 2007 the interest rate of financial lease liability in EUR varies depending on the 12-month EUR LIBOR plus 1.15 % to 2.4 %.

Minimal future lease payments are as follows:

	Group		Company	
	2007	2006	2007	2006
Within one year	2,967	1,313	1,194	826
From one to six years	6,769	1,913	3,473	1,303
Interest	(908)	(258)	(442)	(189)
Present value of financial lease liabilities	8,828	2,968	4,225	1,940

Present value of lease payments is accounted for as follows:

	Group		Company	
	2007	2006	2007	2006
Current financial lease obligations	2,743	1,197	1,187	755
Non-current financial lease obligations	6,085	1,771	3,038	1,185
	8,828	2,968	4,225	1,940

Present value of lease payments in currencies is accounted for as follows:

	Group		Company	
	2007	2006	2007	2006
LTL	-	-	-	-
EUR	8,828	2,968	4,225	1,940
	8,828	2,968	4,225	1,940

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
Trade payables	15,502	6,861	2,165	1,910
Taxes, wages, salaries and social security	1,207	1,104	75	61
Vacation pay accrual	1,075	999	304	243
Income tax payable	462	-	462	-
Accrued expenses and other amounts payable	1,221	1,078	632	537
	19,467	10,042	3,639	2,751

15. OPERATING LEASE

The Group and the Company concluded several non-cancellable contracts of operating lease. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2007 the lease expenses of the Group and the Company amounted to LTL 602 thousand and LTL 24 thousand, respectively (LTL 301 thousand and LTL 70 thousand in 2006, respectively).

Minimal future operating lease payments according to the signed uncancellable lease contracts are as follows:

	Group	Company
Within one year	486	22
From one to five years	453	3
Over five years	-	-
	939	25
Denominated in:		
- EUR	917	3
- LTL	22	22

16. SALES

	Group		Company	
	2007	2006	2007	2006
Ice-cream	62,323	61,339	20,710	20,523
Frozen food products	65,424	51,597	9,388	7,617
Other	993	1,084	347	365
	128,740	114,020	30,445	28,505
Transactions between the group companies	(10,365)	(10,100)	-	-
	118,375	103,920	30,445	28,505

Ice-cream and frozen food products are subject to different sales margins, which are 35 – 47 % for ice-cream and 15 – 25 % for frozen products.

	Geographical region				
Sales of the Group	Lithuania	Estonia	Latvia	Other	Total
2007	29,799	73,656	13,801	1,119	118,375
2006	27,273	70,209	4,797	1,641	103,920

17. COST OF SALES

	Group		Company	
	2007	2006	2007	2006
Ice cream	27,315	28,627	13,131	13,086
Frozen foods	54,263	43,518	6,950	5,935
Other	213	441	213	240
	81,791	72,586	20,294	19,261

18. SELLING AND DISTRIBUTION EXPENSES

	Group		Company	
	2007	2006	2007	2006
Wages, salaries and social security	10,121	7,596	3,494	2,709
Transportation expenses	7,149	6,066	1,657	1,504

Depreciation and amortisation	4,047	3,097	2,000	1,419
Marketing expenses	2,874	2,367	484	550
Rent	1,671	1,062	1,551	904
Utilities	812	907	169	304
Office supplies	543	441	98	76
Change in allowance for doubtful receivables	(35)	10	(35)	12
Other	2,291	1,527	405	407
	29,473	23,073	9,823	7,885

19. ADMINISTRATIVE EXPENSES

	Group		Company	
	2007	2006	2007	2006
Wages, salaries and social security	3,003	2,713	668	646
Professional services	1,222	535	377	321
Depreciation and amortisation	906	432	78	140
Repairs and maintenance	270	507	29	48
Bank charges	243	168	18	25
Security	276	299	41	81
Communications expenses	197	197	20	19
Rent	177	124	56	46
Transportation expenses	165	120	82	54
Office supplies	132	126	14	12
Business travel	109	59	24	10
Real estate tax	9	59	9	59
Insurance	7	10	7	9
Other	826	641	298	183
	7,542	5,990	1,721	1,653

ADDITIONAL DOCUMENTS

20. OTHER OPERATING INCOME (EXPENSES), NET

	Group		Company	
	2007	2006	2007	2006
Profit (loss) from sale of non-current assets	6,973	(31)	4,858	1,675
Rent income	4	12	4	12
Other (expenses)	(94)	(6)	(144)	(28)
	6,883	(25)	4,718	1,659

In 2007 the Company gained a profit in amount of LTL 4,858 thousand from disposal of non-current assets.

21. INCOME (EXPENSES) FROM FINANCIAL AND INVESTMENT ACTIVITIES, NET

	Group		Company	
	2007	2006	2007	2006
Interest income	283	48	213	-
Foreign currency exchange gain	6	65	6	22
Foreign currency exchange (loss)	(8)	(60)	(8)	(34)
Interest (expenses)	(1,755)	(1,172)	(428)	(341)
Other financial (expenses) income	(29)	(77)	(10)	3
	(1,503)	(1,196)	(227)	(350)

22. INCOME TAX

	Group		Company	
	2007	2006	2007	2006
Income tax	642	-	462	-
Change in deferred income tax	(644)	-	(644)	-
Income tax (income) expenses recorded in the income statement	(2)	-	(182)	-

The income tax expenses attributable to the result for the year and recognized in the income statement can be reconciled with income tax expenses computed by applying standard tax rate to the profit before tax as follows:

	Group		Company	
	2007	2006	2007	2006
Profit (loss) before tax	4,949	1,050	3,013	2,676
Income tax expenses computed at standard rate (18% in 2007 and 19% in 2006)	891	200	542	508
Effect of subsidiary's result taxable at different rates	(104)	308	-	-
Effect of change in income tax rate	(109)	(37)	(109)	(37)
Utilized tax loss carry forward, for which deferred tax asset was not recognised	-	(343)	-	(343)
Permanent differences	14	(222)	87	(222)
Change in valuation allowance accounted for in the income statement	(694)	94	(702)	94
Income tax expenses (income)	(2)	-	(182)	-

	Group		Company	
	2007	2006	2007	2006
Deferred income tax asset				
Tax loss carry forward	-	545	-	545
Allowance for accounts receivable	21	29	13	29
Vacation pay accrual	-	141	-	141
Other	-	-	-	-
Deferred income tax asset before valuation allowance	21	715	13	715
Less: valuation allowance	(21)	(715)	(13)	(715)
Deferred income tax asset, net	-	-	-	-
Deferred income tax liability				
Property, plant and equipment and intangible assets	(2,522)	(667)	(23)	(667)
Deferred income tax liability	(2,522)	(667)	(23)	(667)
Deferred income tax, net	**(2,522)**	**(667)**	**(23)**	**(667)**

22. INCOME TAX (CONT'D)

In 2007 the Company used all accrued losses to lower payable tax. Total amount of used losses was LTL 3,937 thousand.

During the 2007 the Group had acquired Premia FFL AS and FFL SIA (Latvia) and accounted for the amount of LTL 2,499 thousand of deferred tax liability related to the acquisition.

At the 31 December 2007 the consolidated retained earnings of the subsidiary Premia Tallinna Kulmhoone AS amounted to EEK 5,062 thousand (equivalent to LTL 1,117 thousand). In the case the subsidiary Premia Tallinna Kulmhoone AS would have paid all the retained earnings with dividends the maximum profit tax liability payable would be EEK 1,063 thousand (equivalent to LTL 235 thousand), and the net dividend paid would be EEK 3,999 thousand (equivalent to LTL 882 thousand).

The biggest possible tax liability estimated making assumption that Premia Tallinna Kulmhoone AS will pay dividends and the related income tax would not exceed profit for distribution at the end of 2007.

23. EARNINGS PER SHARE

Earnings per share represent the net profit (loss) divided by the number of shares.
The calculation of the earnings per share is presented below:

	Group		Company	
	2007	2006	2007	2006
Net profit for distribution (in LTL thousand)	4,960	978	3,195	2,676
Number of shares (in thousand)	6,420	6,420	6,420	6,420
Earnings (loss) per share (in LTL)	0,77	0,15	0,50	0,42

24. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

Credit risk

The Group and the Company have no significant concentration of credit risk. The credit risk or the risk that the parties will not meet their obligations is controlled by terms of crediting and supervisory procedures.

The Group and the Company do not issue guarantees for the obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the management of the Group and the Company considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the balance sheet date.

Interest rate risk

The major part of the Company's and Group's borrowings is with variable interest rates, related to VILIBOR and EUR LIBOR and SEB Eesti base interest rate, which creates an interest rate risk (Note 13). There are no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2007 and 2006.

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The flexibility of financing is insured by unused credit lines (Note 13). The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as of 31 December 2007 were 0.78 and 0.42, respectively (1.04 and 0.76 as of 31 December 2006, respectively). The Company's liquidity and quick ratios as of 31 December 2007 were 0.97 and 0.61, respectively (0.58 and 0.57 as of 31 December 2006, respectively).

24. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Foreign currency exchange risk

Major currency risks of the Company and the Group occur due to the fact that the Company and the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Company's and Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group uses forwards up to 21 day to eliminate exposure to USD exchange risk. Profit or loss from the use of forwards are accounted as current period profit or loss from currency exchange.

The Group had no major unfinished derivative instruments as of 31 December 2007 and 2006.

Monetary assets and liabilities stated in various currencies as of 31 December 2007 were as follows (all amounts in the table are presented in LTL thousand):

	Group		Company	
	Assets	Liabilities	Assets	Liabilities
LTL	3,027	2,269	3,027	2,269
EEK	7,447	27,223	-	-
LVL	6,448	2	-	-
EUR	1,018	47,122	4,607	5,307
USD	-	86	-	-
Total	17,940	76,702	7,634	7,576

Since both LTL and EKK are pegged to EUR, the major part of Group's and Company's liabilities is related to the fixed exchange rate in respect of EUR and does not present foreign exchange risk.

Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade accounts receivable, current accounts payable and short-term borrowings approximates fair value.

b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

24. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. In 2007 and 2006 the related parties of the Group and the Company were as follows:

- Premia Tallinna Kulmhoone AS (directly owned subsidiary);
- UAB KPC Nekilnojamasis Turtas (directly owned subsidiary until April 2007, Note 6);
- FFL SIA (indirectly owned subsidiary);
- TCS Invest OU (indirectly owned subsidiary);
- Premia FFL AS (indirectly owned subsidiary);
- Salpro SIA (indirectly owned subsidiary);
- Nordic Foods AS (company controlled by members of management of Premia Tallinna Kulmhoone AS).

The Company transactions with related parties were as follows:

2007	**Sales**	**Purchases**	**Trade receivables**	**Trade payables**
Related parties				
Premia Tallinna Kulmhoone AS	974	9,550	-	350
Premia FFL AS	-	9	-	9
UAB KPC Nekilnojamasis Turtas (until April 2007, Note 6)	8,558	-	-	-
	9,532	9,559	-	359

2006	**Sales**	**Purchases**	**Trade receivables**	**Trade payables**
Related parties				
Premia Tallinna Kulmhoone AS	1,215	8,920	-	1,489
UAB KPC Nekilnojamasis Turtas	1,800	-	1,800	-
	3,015	8,920	1,800	1,489

The Company loans to related parties:

	Payment term	**Interest rate**	**2007**	**2006**
Premia Tallinna Kulmhoone AS	28 May 2017	6 %	4,489	-

The Group transactions with related parties were as follows:

	Transactions in 2007		**Balance as of 31 December 2007**	
	Sales	**Purchases**	**Trade receivables**	**Trade payables**
Related parties				
Companies related to the management of Premia Tallinn Kulmhoone AS	252	15	-	34
Total	252	15	-	34

The Group during the year 2007 has granted loans amounting to LTL 1,015 thousand to the companies related to the management of Tallinna Kulmhoone AS with the outstanding amount of LTL 507 thousand as of 31 December 2007. Also in 2007 the Group earned LTL 55 thousand of interest revenue. In addition, as of 31 December 2006 the Group held bonds issued by the company related to the management of Tallinna Kulmhoone AS amounting to LTL 980 thousand. The maturity date of the bonds is 30 March 2007 and annual interest – 12 %.

	Transactions in 2006		Balance as of 31 December 2006	
	Sales	**Purchases**	**Receivables**	**Liabilities**
Related parties				
Companies related to the management of Premia Tallinn Kulmhoone AS	217	60	26	17
Total	217	60	26	17

Remuneration of the management and other payments

The Group's and Company's management remuneration amounted to LTL 1,493 thousand and LTL 610 thousand in 2007, respectively (LTL 1.152 thousand and LTL 446 thousand in 2006, respectively); other payments to the management of the Company amounted to LTL 83 thousand in 2007 (LTL 92 thousand in 2006). In 2007 and 2006 the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued. The management includes general managers of the Group companies, their chief accountants, commercial directors, logistic managers and production managers.

25. SUBSEQUENT EVENTS

In January 2008, subsidiary TCS Invest OÜ was granted a short-term loan of LTL 2.411 thousand and pledged all it's assets in order to secure the loans received. The loan is denominated in USD and bears 8 % annual interest.

In March 2008 all shares of Premia FFL AS, the subsidiary of Premia Tallina Kulmhoone AS, were pledged in favour of AS Sampo Bank.

The profit distribution draft: it is suggested to the shareholders to transfer the net profit of the Group and of the Company for 2007 amounting to LTL 4.960 thousand and LTL 3.195 thousand to retained deficit.