

***AB SNAIGĖ***  
***Interim consolidated report for the 12 months of 2008***

**CONTENTS**

|   |                  |
|---|------------------|
| <b><u>I. GENERAL PROVISIONS.....</u></b>  | <b><u>3</u></b>  |
| <b><u>II. FINANCIAL STATUS.....</u></b>   | <b><u>4</u></b>  |
| <b><u>III. EXPLANATORY NOTES.....</u></b> | <b><u>10</u></b> |

## **I. GENERAL PROVISIONS**

### **1. Accounting period of the report**

The report has been issued for the three quarters of 2008.

### **2. The basic data about the issuer**

The name of the company – *SNAIGĖ* PLC (hereinafter referred to as the Company)

Authorized capital – 27,827,365 LTL

Address - Pramonės str. 6, LT-62001 Alytus

Phone - (8-315) 56 206

Fax - (8-315) 56 207

E-mail – [snaige@snaige.lt](mailto:snaige@snaige.lt)

Internet address - <http://www.snaige.lt>

Legal organization status – legal entity, public limited company

Registered as an enterprise on December 1, 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Statute of AB “Snaigė” was registered on September 11, 2008 in Alytus Department of Register of Legal Entities of the Republic of Lithuania.

### **3. Information with regard to the location and time provided for introduction of the report and the accompanying documents; name of the mass media**

The report is available in the Budget and Accounting Department of AB “Snaigė” (room 411) at Pramonės str. 6, Alytus on the days of I-IV from 7.30 to 16.30, and V from 7.30 to 14.00, as well as in Financial Broker Firm UAB “Orion Securities” at Tumėno str. 4, corp. B, floor 9, LT-01109, Vilnius on work days from 9.00 to 17.00.

The mass media unit – daily paper “Lietuvos Rytas”.

**II. FINANCIAL STATUS**

AB “Snaigė” is a parent company situated in Lithuania with subsidiaries in Lithuania, Russia and Ukraine. The financial statements of the subsidiary companies are integrated into the consolidated financial statements. The financial statements have been composed in accordance with the International Accounting Standards (IAS).

**4. Accounting Balance Sheet (in LTL)**

| Ref. No.  | ASSETS  | 2008 12 31         | 2007 12 31         |
|-----------|---|--------------------|--------------------|
| <b>A.</b> | <b>Non-current assets</b>                     | <b>97,006,858</b>  | <b>119,258,923</b> |
| I.        | INTANGIBLE ASSETS                             | 15,725,926         | 17,451,146         |
| II.       | TANGIBLE ASSETS                               | 75,392,549         | 97,925,574         |
| II.1.     | Land  |                    |                    |
| II.2.     | Buildings                                     | 32,096,815         | 36,663,254         |
| II.3.     | Other non-current tangible assets             | 41,411,507         | 58,968,702         |
| II.4.     | Construction in progress and advance payments | 1,884,227          | 2,293,618          |
| III.      | NON-CURRENT FINANCIAL ASSETS                  |                    |                    |
| IV.       | DEFERRED TAXES ASSETS                         | 5,888,383          | 3,882,203          |
| <b>B.</b> | <b>Current assets</b>                         | <b>104,792,772</b> | <b>126,254,156</b> |
| I.        | INVENTORY AND CONTRACTS IN PROGRESS           | 56,805,546         | 63,184,898         |
| I.1.      | Inventory                                     | 56,805,546         | 63,184,898         |
| I.2.      | Advance payments                              |                    |                    |
| I.3.      | Contracts in progress                         |                    |                    |
| II.       | ACCOUNTS RECEIVABLE WITHIN ONE YEAR           | 42,150,399         | 53,530,858         |
| III.      | OTHER CURRENT ASSETS                          | 4,171,321          | 5,553,840          |
| IV.       | CASH AT BANK AND ON HAND                      | 1,665,506          | 3,984,560          |
| <b>C.</b> | <b>Accrued income and prepaid expenses</b>    |                    |                    |
|           |   |                    |                    |
|           | <b>TOTAL ASSETS</b>                           | <b>201,799,630</b> | <b>245,513,079</b> |

| Ref. No.  | SHAREHOLDERS' EQUITY AND LIABILITIES                        | 2008 12 31         | 2007 12 31         |
|-----------|---|--------------------|--------------------|
| <b>A.</b> | <b>Capital and reserves</b>                                 | <b>73,844,793</b>  | <b>91,518,241</b>  |
| I.        | SHARE CAPITAL   | 46,554,635         | 36,554,635         |
| I.1.      | Authorized (subscribed) share capital                       | 27,827,365         | 23,827,365         |
| I.2.      | Uncalled share capital (-)                                  |                    |                    |
| I.3.      | Share premium (surplus of nominal value)                    | 18,727,270         | 12,727,270         |
|           | Own shares (-)  |                    |                    |
| III.      | REVALUATION RESERVE   | -5,375,153         | -903,947           |
| IV.       | RESERVES  | 7,305,954          | 36,486,171         |
| V.        | PROFIT (LOSS) BROUGHT FORWARD                               | 25 359 357         | 19,381,382         |
|           |   |                    |                    |
| <b>B.</b> | <b>Minority interest</b>                                    | <b>2,403</b>       | <b>3,913</b>       |
|           |   |                    |                    |
| <b>C.</b> | <b>Financing (grants and subsidies)</b>                     | <b>2,000,711</b>   | <b>3,014,916</b>   |
|           |   |                    |                    |
| <b>D.</b> | <b>Accounts payable and liabilities</b>                     | <b>125,951,723</b> | <b>150,976,009</b> |
|           |   |                    |                    |
| I.        | ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES | 4,368,804          | 23,029,025         |
| I.1.      | Financial debts   | 1,906,201          | 20,841,891         |
| I.2.      | Trade creditors   |                    |                    |
| I.3.      | Advances received on contracts in progress                  |                    |                    |
| I.4.      | Provisions  |                    |                    |
| I.5.      | Deferred taxes  |                    |                    |
| I.6.      | Other accounts payable and non-current liabilities          | 2,462,603          | 2,187,134          |
|           |   |                    |                    |
| II.       | ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES    | 121,582,919        | 127,946,984        |
| II.1.     | Current portion of non-current debts                        | 58,804,421         | 32,758,823         |
| II.2.     | Financial debts   |                    |                    |
| II.3.     | Trade creditors   | 50,458,780         | 82,319,881         |
| II.4.     | Advances received on contracts in progress                  | 1,252,572          | 442,023            |
| II.5.     | Taxes, remuneration and social security payable             | 3,669,853          | 6,508,857          |
| II.6.     | Provisions  |                    |                    |
| II.7.     | Other accounts payable and current liabilities              | 7,397,293          | 5,917,400          |
| II. 8.    | Fair value of derivative financial instruments              |                    |                    |
|           |   |                    |                    |
|           | <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>           | <b>201,799,630</b> | <b>245,513,079</b> |

**5. Profit (Loss) Report (in LTL)**

| Ref. No. | ITEMS  | 2008 12 31  | 2008 09 30 –<br>2008 12 31 | 2007 12 31  | 2007 09 30 –<br>2007 12 31 |
|----------|--|-------------|----------------------------|-------------|----------------------------|
| I.       | SALES AND SERVICES                                   | 339,430,453 | 60,730,813                 | 410,130,831 | 106,484,367                |
| II.      | COST OF GOODS SOLD AND SERVICES RENDERED             | 296,638,620 | 55,278,012                 | 361,043,596 | 96,454,409                 |
| III.     | GROSS PROFIT   | 42,791,833  | 5,452,801                  | 49,087,235  | 10,029,958                 |
| IV.      | OPERATING EXPENSES                                   | 54,850,128  | 16,776,497                 | 53,367,319  | 19,271,252                 |
| V.       | PROFIT (LOSS) FROM OPERATIONS                        | -12,058,295 | -11,323,696                | -4,280,084  | -9,241,294                 |
| VI.      | OTHER ACTIVITY                                       | 596,103     | 209,012                    | 559,616     | 168,057                    |
| VI.1.    | Income   | 2,263,856   | 406,510                    | 2,672,199   | 536,943                    |
| VI.2.    | Expenses   | 1,667,753   | 197,498                    | 2,112,583   | 368,886                    |
| VII.     | FINANCIAL AND INVESTING ACTIVITIES                   | -14,514,913 | -8,166,676                 | -7,908,166  | -2,661,867                 |
| VII.1.   | Income   | 21,418,401  | 10,466,403                 | 11,970,517  | 3,603,239                  |
| VII.2.   | Expenses   | 35,933,314  | 18,633,079                 | 19,878,683  | 6,265,106                  |
| VIII.    | PROFIT (LOSS) FROM ORDINARY ACTIVITIES               | -25,977,105 | -19,281,360                | -11,628,634 | -11,735,104                |
| IX.      | EXTRAORDINARY GAIN                                   |             |                            |             |                            |
| X.       | EXTRAORDINARY LOSS                                   |             |                            |             |                            |
| XI.      | CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES | -25,977,105 | -19,281,360                | -11,628,634 | -11,735,104                |
| XII.     | TAXES  | -2,989,242  | -1,566,352                 | 212,699     | -511,597                   |
| XIII.    | PROFIT TAX   | 104,071     | 6,818                      | 212,699     | -511,597                   |
| XIV.     | Adjustment of deferred profit tax                    | -3,093,313  | -1,573,170                 |             |                            |
| XV.      | Social tax   |             |                            |             |                            |
| XVI.     | MINORITY INTEREST                                    | 1,510       | 1,062                      | 3,455       | 158                        |
| XVII.    | NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS)          | -22,986,353 | -17,713,946                | -11,415,935 | -11,223,349                |

## 6. Cash Flows Statement

| Ref. No.  |  | 2007 12 m.          | 2006 12 m.        |
|-----------|--|---------------------|-------------------|
| <b>I.</b> | <b>Cash flows from the key operations</b>  |                     |                   |
| I.1       | Result before taxes  | (25,977,105)        | (11,628,634)      |
| I.2       | Depreciation and amortization expenses   | 22,004,542          | 20,647,304        |
| I.3       | Subsidies amortization   | (1,014,205)         | (1,179,704)       |
| I.4       | Result of sold non-current assets  | (27,207)            | (259,449)         |
| I.5       | Write-off of non-current assets  | 173,065             | 312,495           |
| I.6       | Write-off of inventories   | (176,645)           | 461,217           |
| I.7       | Depreciation of receivables  |                     | (441,778)         |
| I.8       | Non-realized loss on currency future deals   | 344,497             | (591,126)         |
| I.9       | Change in provision for guarantee repair   | 805,434             | 200,731           |
| I.10      | Restoration of receivables depreciation  | 6,615,149           | 2,225,077         |
| I.11      | Financial income   | (27,968)            |                   |
| I.12      | Financial expenses   | 3,986,848           | 3,679,536         |
|           | <b>Cash flows from the key operations until decrease (increase) in working capital</b> | <b>6,706,405</b>    | <b>13,425,669</b> |
| II.1      | Decrease (increase) in receivables and other liabilities                               | 13,195,106          | 15,509,151        |
| II.2      | Decrease (increase) in inventories   | 6,379,352           | (7,774,832)       |
| II.3      | Decrease (increase) in trade and other debts to suppliers                              | (34,710,694)        | 14,951,738        |
|           | <b>Cash flows from the main activities</b>   | <b>(8,429,831)</b>  | <b>36,111,726</b> |
| III.1     | Interest received  |                     |                   |
| III.2     | Interest paid  | (3,986,848)         | (3,679,536)       |
| III.3     | Profit tax paid  | (1,760,371)         | (1,328,243)       |
|           | <b>Net cash flows from the key operations</b>  | <b>(14,177,050)</b> | <b>31,103,947</b> |

|            |   |                    |                     |
|------------|---|--------------------|---------------------|
| <b>II.</b> | <b>Cash flows from the investing activities</b>     |                    |                     |
| II.1       | Acquisition of tangible non-current assets          | (3,386,702)        | (19,054,406)        |
| II.2       | Capitalization of intangible non-current assets     | (1,564,285)        |                     |
| II.3       | Sales of non-current assets                         | 60,528             | 6,439,322           |
| II.4       | Loans granted                                       | (49,123)           |                     |
| II.5       | Loans receivable                                    | 26,381             |                     |
|            | <b>Net cash flows from the investing activities</b> | <b>(4,913,201)</b> | <b>(12,615,084)</b> |

|              |  |                    |                     |
|--------------|--|--------------------|---------------------|
| <b>III.</b>  | <b>Cash flows from the financial activities</b>  | <b>16,771,197</b>  | <b>(19,309,383)</b> |
| III.1        | Cash flows related to the shareholders of the company  |                    |                     |
| III.1.1      | Issue of shares  |                    |                     |
| III.1.2      | Shareholders' contributions for covering losses  |                    |                     |
| III.1.3      | Sale of own shares   | 9,900,000          |                     |
| III.1.4      | Payment of dividends   |                    |                     |
| III.2        | Cash flows arising from other financing sources  |                    |                     |
| III.2.1      | Subsidies received   |                    | 345,280             |
| III.2.1.1    | Long term loans  | 20,159,063         | 11,394,945          |
| III.2.1.2    | Loans repaid   | (29,636,180)       | (29,224,049)        |
| III.2.2      | Finance lease received   |                    |                     |
| III.2.2.1    | Payments of leasing (finance lease) liabilities  | (888,216)          | (1,825,559)         |
| III.3        | Other cash flows from financial activities   | 17,236,530         |                     |
|              |  |                    |                     |
|              | <b>Net cash flows from the financial activities</b>  | <b>16,771,197</b>  | <b>(19,309,383)</b> |
| <b>IV.</b>   | <b>Cash flows from extraordinary items</b>   |                    |                     |
| IV.1.        | Increase in cash flows from extraordinary items  |                    |                     |
| IV.2.        | Decrease in cash flows from extraordinary items  |                    |                     |
|              |  |                    |                     |
| <b>V.</b>    | <b>The influence of exchange rates adjustments on the balance of cash and cash equivalents</b> |                    |                     |
| <b>VI.</b>   | <b>Net increase (decrease) in cash flows</b>   | <b>(2,319,054)</b> | <b>(820,520)</b>    |
| <b>VII.</b>  | <b>Cash and cash equivalents at the beginning of period</b>                                    | <b>3,984,560</b>   | <b>4,805,080</b>    |
| <b>VIII.</b> | <b>Cash and cash equivalents at the end of period</b>  | <b>1,665,506</b>   | <b>3,984,560</b>    |



## 7. Statement of Changes in Equity

|  | Paid up authorized capital | Share premium | Own shares (-) | Legal reserves |                          | Other reserves        |                  |                 |                |                           | Retained earnings (losses) | TOTAL         | Minority shareholders | TOTAL         |
|--|----------------------------|---------------|----------------|----------------|--------------------------|-----------------------|------------------|-----------------|----------------|---------------------------|----------------------------|---------------|-----------------------|---------------|
|  |                            |               |                | Compulsory     | For acquiring own shares | For charity, donation | For social needs | For investments | Other reserves | Currency exchange reserve |                            |               |                       |               |
| <b>Balance as of December 31, 2006</b>   | <b>23 070</b>              | <b>3 644</b>  |                | <b>2 338</b>   | <b>10 000</b>            | <b>151</b>            | <b>410</b>       | <b>16 338</b>   |                | <b>-987</b>               | <b>38 043</b>              | <b>93 007</b> | <b>7</b>              | <b>93 015</b> |
| Dividends for year 2007  |                            |               |                |                |                          |                       |                  |                 |                |                           |                            | 0             |                       | 0             |
| Total registered income and expenses as of 2007                                    |                            |               |                |                |                          | 0                     | 0                |                 |                |                           | -11 412                    | -11 412       | -3                    | -11 416       |
| Formed reserves  |                            |               |                | 61             | 0                        | -61                   | -60              | 7 310           |                |                           | -7 249                     | 0             |                       | 0             |
| Acquisition of own shares during financial year                                    |                            |               |                |                |                          |                       |                  |                 |                |                           |                            | 0             |                       | 0             |
| Sale of own shares during financial year   |                            |               |                |                |                          |                       |                  |                 |                |                           |                            | 0             |                       | 0             |
| Profit/loss of reporting period (2007)   |                            |               |                |                |                          |                       |                  |                 |                |                           |                            | 0             |                       | 0             |
| Minority profits allocated to cover previous losses absorbed by parent             |                            |               |                |                |                          |                       |                  |                 |                |                           |                            | 0             |                       | 0             |
| Other changes  | 757                        | 9 083         |                |                |                          |                       |                  |                 |                | 83                        |                            | 9 923         |                       | 9 923         |
| Year 2007 profit not registered in the Profit (Loss) account                       |                            |               |                |                |                          |                       |                  |                 |                |                           |                            | 0             |                       | 0             |
| <b>Balance as of December 31, 2007</b>   | <b>23 827</b>              | <b>12 727</b> | <b>0</b>       | <b>2 399</b>   | <b>10 000</b>            | <b>90</b>             | <b>350</b>       | <b>23 648</b>   | <b>0</b>       | <b>-904</b>               | <b>19 381</b>              | <b>91 518</b> | <b>4</b>              | <b>91 522</b> |
| Total registered income and expenses as of 2008                                    |                            |               |                |                |                          |                       |                  |                 |                |                           | -22 986                    | -22 986       | -2                    | -22 988       |
| Dividends for year 2007  |                            |               |                |                |                          |                       |                  |                 |                |                           |                            | 0             | 0                     | 0             |
| Formed reserves  |                            |               |                | 395            |                          |                       |                  | 4 512           | 0              |                           | -4 907                     | 0             | 0                     | 0             |
| Transfers from reserves  |                            |               |                |                | -10 000                  | -90                   | -350             | -23 648         | 0              |                           | 34 088                     | 0             | 0                     | 0             |
| Acquisition of own shares during financial year                                    |                            |               |                |                |                          |                       |                  |                 |                |                           | 0                          | 0             | 0                     | 0             |
| Sale of own shares during financial year   |                            |               |                |                |                          |                       |                  |                 |                |                           |                            | 0             |                       | 0             |
| Minority profits allocated to cover previous losses absorbed by parent             |                            |               |                |                |                          |                       |                  |                 |                |                           |                            |               |                       | 0             |
| Other changes  | 4 000                      | 6 000         |                |                |                          |                       |                  |                 |                | -4 471                    |                            | 5 529         |                       | 5 529         |
| Non recognized profit (loss) in the profit/loss statement for the reporting period |                            |               |                |                |                          |                       |                  |                 |                |                           | -216                       | -216          |                       | -216          |
| <b>Balance as of December 31, 2008</b>   | <b>27 827</b>              | <b>18 727</b> | <b>0</b>       | <b>2 794</b>   | <b>0</b>                 | <b>0</b>              | <b>0</b>         | <b>4 512</b>    | <b>0</b>       | <b>-5 375</b>             | <b>25 359</b>              | <b>73 845</b> | <b>2</b>              | <b>73 847</b> |

### III. EXPLANATORY NOTES

#### 1 Basic information

Company is active manufacturer of refrigerators and freezers. The refrigerator manufacturing plant was established on the 1 April 1963. After the privatization of the Company on 1 December 1992, the joint-stock company "Snaigė" was established and in December 1993 all state-owned shares were bought out. Company's shares are listed on NASDAQ OMX Vilnius Stock Exchange Main List.

The authorized capital was increased to 27827365 LTL with the registering of latest Statute of AB "Snaigė" on September 11, 2008 in Legal Entities of the Republic of Lithuania and with the issue of new shares in 2008.

Main shareholders of AB „Snaigė“ as of December 31, 2008 and December 31, 2007 were:

|  | December 31, 2008      |                           | December 31, 2007      |                           |
|--|------------------------|---------------------------|------------------------|---------------------------|
|  | Number of shares owned | Share of total capital, % | Number of shares owned | Share of total capital, % |
| Survesta   | 7 034 891              | 25,28                     | 4 935 810              | 20,71                     |
| Hansabank Clients                                | 12 002 781             | 43,13                     | 11 291 650             | 47,39                     |
| Skandinaviska Enskilda Banken Clients            | 3 852 141              | 13,84                     | 2 537 131              | 10,65                     |
| SSBT AS Custodian For Eterity Limited            | 471 822                | 1,7                       | 808 000                | 3,39                      |
| Skandinaviska Enskilda Banken AB Finnish Clients | 992 747                | 3,57                      | 796 162                | 3,34                      |
| Other shareholders                               | 3 472 983              | 12,48                     | 3 458 612              | 14,52                     |
| Total  | 27 827 365             | 100,00                    | 23 827 365             | 100,00                    |

All the shares (with nominal value 1 LTL. per share), are ordinary and were fully paid as for December 31, 2008 and December 31, 2007. Authorized share capital as of December 31, 2008 is equal to 27827365 LTL. Subsidiaries did not have any shares of AB „Snaigė“ as of December 31, 2008 and December 31, 2007. Company did not have any of their own shares.

Group consists of AB "Snaigė" and its subsidiaries and associated companies (hereinafter – Group):

| Company              | Company address                     | Share capital owned by Group, % | Investment value, LTL. | Current period profit (loss), LTL. | Main activity   |
|----------------------|-------------------------------------|---------------------------------|------------------------|------------------------------------|---|
| OOO „Techprominvest“ | Bolšaja Okružnaja, 1-a, Kaliningrad | 100                             | 67 846 761             | (10 181 012)                       | Manufacturing and trade of refrigerators and freezers |

|                      |                                 |     |     |           |             |                                      |
|----------------------|---------------------------------|-----|-----|-----------|-------------|--------------------------------------|
| TOB „Snaige Ukraina“ | „Snaige Gruševskio 2a/43, Kiev  | 28- | 99  | 88 875    | 43 582      | Trade, consulting, service           |
| OOO Trade“           | „Moroz Prospekt Mira 52, Moscow | 52, | 100 | 947       | (234 737)   | Trade and marketing services         |
| OOO Servis“          | „Liga Prospekt Mira 52, Moscow  | 52, | 100 | 1 028     | 333 613     | Trade, marketing, logistics          |
| UAB Almecha          | Pramonės 6, Alytus              |     | 100 | 1 375 785 | (1 058 490) | Manufacturing of machinery equipment |

As of 31 December, 2008 Company's board consisted of 5 members, one of whom is an employee of Company (As of 31 December, 2007 board consisted of 5 members, two of whom were an employee of Company)

In 2002 AB „Snaigė“ acquired 85% of share capital in „Techprominvest“ (Kaliningrad, Russia) and in 2006 AB „Snaigė“ bought the remaining 15% of „Techprominvest“ share capital and became the main proprietor of the subsidiary.

In September 2008, AB „Snaigė“ has increased its subsidiary's „Techprominvest“ authorized capital by 55197921 LTL. An authorized capital was increased from the receivables from „Techprominvest“ for sold and not paid equipment, as well as granted and not repaid loans. This company is a manufacturer of refrigerators and freezers that are sold in Russian Federation.

„Snaige Ukraina“ (Kiev, Ukraine) was established in 2002. Since the purchase in 2002, AB „Snaigė“ controls 99% of the subsidiary. The company renders trade and consulting services for AB „Snaigė“ in Ukraine.

On 13 May, 2004 „Moroz Trade“ (Moscow, Russia) was established. In 2004 October the Company bought 100% of „Moroz trade“ shares. The company provides trade and marketing services for „Techprominvest“ in Russian Federation.

„Liga Servis“ (Moscow, Russia) – was established on 7 February, 2006. The company provides trading, marketing and logistics services for „Techprominvest“ in Russian Federation.

UAB Almecha (Alytus, Pramonės str. 6, Lithuania) – was established on 9 November, 2006. The company's activity is manufacturing of machinery equipment.

The number of employees in the Group as of 31 December, 2008 was 2228 (while on 31 December, 2007 – 2479).

## 2 Accounting principles

The main accounting principles used in preparation of Group's financial accounts as of 31 December, 2008:

## 2.1. Preparation basis of financial statement

These financial statements are prepared according to international financial reporting standards (IFRS), which are accepted in the European Union countries.

## 2.2. Currency of financial statement

Accounting of the Group is done using the domestic currency of the Country, and all the sums of these financial accounts are expressed in the national currency of the Republic of Lithuania, Litas (LTL).

From 2 February, 2002 Litas is pegged with Euro at a rate 3.4528 LTL for 1 Euro, and the exchange rate with other currencies is decided by the central bank of the Republic of Lithuania every day.

The valid currency exchange rates were:

|                  | <u>2008-12-31</u> | <u>2007-12-31</u> |
|------------------|-------------------|-------------------|
| Russian rouble   | 0,083337          | 0,096085          |
| Ukrainian hryvna | 0,32161           | 0,46649           |
| US dollar        | 2,4507            | 2,3572            |

## 2.3. Principles of consolidation

Consolidated financial statements of the Group include AB “Snaigė” and its controlled subsidiaries and associated companies. 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. The difference of the acquired minority interest value in the Group’s financial statements and costs of shares is accounted for as goodwill.

During consolidation all the transactions between the companies, balance and unrealized profit and loss are eliminated.

Consolidated financial statement is prepared applying same accounting principles to similar transactions and other events with similar situations.

## 2.4. Intangible assets, except for goodwill

Intangible assets are recognized 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 amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives.

#### Research and development

The cost of research expensed during the objective for new technological improvements, are accounted in the profit (loss) account at the moment when they were expensed.

Expenses from the development activities of creation of new or enhanced products and operational processes are capitalized if the product or the process is technically and commercially proven and the Group has enough resources and intentions to finish the creation of this product or process. Capitalized expenses include raw material and direct work expenses as well as respective additional expenses. Capitalized development expenses are accounted at their cost subtracting the accumulated depreciation. Capitalized product creation expenses are being amortized as soon as product creation works are finished and their results can be used in commercial production. Capitalized product creation expenses will be amortized over the period when the economic benefit is received. The amortization period applied varies from 1 to 4 years.

#### Licenses

Amounts paid for licenses are capitalized and then amortized over their validity period.

#### Software

The costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized over a period not exceeding 3 years.

Costs incurred in order to restore or maintain the future economic benefits that the Group expects from the originally assessed standard of performance of existing software systems are recognized as an expense when the restoration or maintenance work is carried out.

### **2.5. Tangible non-current assets**

Tangible non-current assets are assets that are controlled by the Group, which is expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably defined and is higher than 500 LTL. Liquidity value is equal to 1 LTL. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. 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.

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.

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

|   |               |
|---|---------------|
| Buildings and structures (excluding commercial buildings) | 15 – 63 years |
| Machinery and equipment                                   | 5 – 10 years  |
| Vehicles  | 6 – 7 years   |
| Other assets  | 3 – 8 years   |

Construction in progress is stated at cost less accumulated impairment. 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. Inventories

Inventories are valued at the lower of cost or net realizable value, after impairment evaluation for obsolete and slow moving items. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. 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.

In calculating cost of goods Group attributes part of received discounts towards the acquired goods from the distributor, which are not yet sold.

Inventories in transit are accounted for in accordance with INCOTERMS-2000 condition requirements, when risk and benefit, in accordance with inventories, goes to the Group.

## 2.7. Receivables and loans granted

Receivables are initially recorded at the fair value of the consideration given. Receivables and loans granted are subsequently carried at amortized cost, less impairment.

## 2.8. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to 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, deposits at current accounts, and other short-term highly liquid investments and bank overdrafts.

## 2.9. Borrowings

Borrowing costs are expensed as incurred.

Borrowings are initially recognized at fair value of proceeds received. 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 borrowings. The borrowings are classified as non-current if the completion of a refinancing agreement before authorization of the financial statements for issue provides evidence that the substance of the liability at the balance sheet date was non-current.

## 2.10. Factoring

Factoring transaction is a funding transaction wherein the company transfers to factor claim rights for determined fee. The companies alienate rights to receivables due at a future date according to invoices. Factoring transactions of the Group comprise factoring transactions with regress (recourse) right (the factor is entitled to returning the overdue claim back to the Group) and without regress (recourse) right (the factor is not entitled to returning the overdue claim back to the Group). The factoring expenses comprise a lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest expenses depending on the duration on the payment term set by the debtor. Factored accounts receivable (with regress right) and related financing are recorded in accounts receivable caption and liabilities to credit institutions caption in the financial statements.

## 2.11. Financial lease and operating lease

### Financial lease – the Group as lessor

The Group recognizes financial lease receivables in the balance sheet on the inception day of the lease period, and they equal to the net investment in the lease. Financing income is based on the constant periodical interest rate calculated on the net investment balance. The initial direct expenses are included upon assessment of receivables at the time of initial recognition.

### Operating lease – the Group as lessee

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 recognized as a decrease in lease expenses over the period of the lease using the straight-line method.

If the result of sales and lease back transactions is operating lease and it is obvious that the transaction has been carried out at fair value, any profit or loss is recognized immediately. If the sales price is lower than the fair value, any profit or loss is recognized immediately, except for the cases when the loss is compensated by lower than market prices for lease payments in the future. The profit is then deferred and it is amortized in proportion to the lease payments over a period, during which the assets are expected to be operated. If the

sales price exceeds the fair value, a deferral is made for the amount by which the fair value is exceeded and it is amortized over a period, during which the assets are expected to be operated.

#### Operating lease – the Group as lessor

Assets leased under operating lease in the balance sheet of the Group are accounted for depending on their nature. Income from operating lease is recognized as other income in the statement of income within the lease period using the straight-line method. All the discounts provided to the operating lessee are recognized using straight-line method during the lease period by reducing the lease income. Initial direct expenses incurred in order to generate lease income are included in the carrying value of the leased asset.

#### **2.12. Grants and subsidies**

Grants and subsidies 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 recognized 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 amortization.

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.

#### **2.13. Provisions**

Provisions are recognized when the Group or the Company 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 provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate.

#### **2.14. Revenue recognition**

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

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

Revenue from services is recognized when services are rendered. Interest income is recognized on accrual basis (using the effective interest rate).



In the consolidated profit (loss) statement sales between the Group companies are eliminated.

#### **2.15. Expense recognition**

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

#### **2.16. Foreign currencies**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the 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.

The accounting of subsidiaries is arranged in respective local currencies, which is their functional currency. Financial statements of foreign consolidated subsidiaries are translated to Litas at year-end exchange rates in respect to the balance sheet accounts, and at the average exchange rates for the year in respect to the accounts of the statement of income.

The exchange differences arising on the translation are taken directly to equity. Upon disposal of the corresponding assets, the cumulative revaluation of translation reserves is recognized as income or expenses in the same period when the gain or loss on disposal is recognized.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets (or liabilities related to fair value adjustments) of the acquired company and are recorded at the exchange rate at the balance sheet date.

#### **2.17. Segments**

Business segment is considered component of the Group 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.

Geographical segment is considered component of the Group participating in production of an individual product or provision of a service or a group of related products or services, in particular economic environment the risk and returns whereof are different from other economic environments.

For the management purpose Group's activities is organized as one main segment – manufacturing of refrigerators. Financial information about the business and geographical segments is represented in 3rd note of these financial statements.

**2.18. Subsequent events**

Post-balance sheet events that provide additional information about 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.

**2.19. Offsetting and comparative figures**

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off.

**3 Segment information**

The Group's only business segment (basis for primary reporting format) is the manufacturing of refrigerators and specialized equipment.

Results for the reporting period and year ended 31 December 2008 by geographical segments can be specified as follows (thous. LTL):

| Group                    | Sales      |            | Assets     |            |
|--------------------------|------------|------------|------------|------------|
|                          | 2008-12-31 | 2007-12-31 | 2008-12-31 | 2007-12-31 |
| Russia                   | 116 503    | 136 077    | 70 066     | 84 748     |
| Ukraine                  | 72 802     | 97 071     | 177        | 294        |
| Western Europe           | 81 225     | 82 254     | -          | -          |
| Eastern Europe           | 38 394     | 46 436     | -          | -          |
| Lithuania                | 16 269     | 18 861     | 131 557    | 160 471    |
| Baltic Countries         | 5 283      | 13 307     | -          | -          |
| Other countries from NVS | 7 743      | 15 846     | -          | -          |
| Other countries          | 1 211      | 279        | -          | -          |
| Total                    | 339 430    | 410 131    | 201 800    | 245 513    |

**4 Operational expenses**

Over reporting period, 12 months, the operational expenses were:

|                         | <u>2008</u>       | <u>2007</u>       |
|-------------------------|-------------------|-------------------|
| Sales expenses          | 28 332 349        | 26 942 139        |
| Administration expenses | 26 517 779        | 26 425 180        |
| <b>Total:</b>           | <b>54 850 128</b> | <b>53 367 319</b> |

**5 Other income (expenses) – net result**

Over reporting period, December 31 other income (expenses) were:

|  | <b>2008</b>           | <b>2007</b>           |
|--|-----------------------|-----------------------|
| <b>Other operating income</b>                        |                       |                       |
| Income from logistics                                | 1 026 765             | 1 579 462             |
| Rent of fixed asset                                  | 437 138               | 444 473               |
| Profit from sale of fixed asset                      | -297                  | 259 449               |
| Other  | 800 250               | 388 815               |
|  | <u>2 263 856</u>      | <u>2 672 199</u>      |
| <b>Other operating expenses</b>                      |                       |                       |
| Transportation expenses                              | 794 291               | 1 350 865             |
| Rent of fixed asset                                  | 340 921               | 365 217               |
| Other  | 532 541               | 396 501               |
|  | <u>1 667 753</u>      | <u>2 112 583</u>      |
| <b>Other operating income (expense) – net result</b> | <b><u>596 103</u></b> | <b><u>559 616</u></b> |

## 6 Net result from financial activities

|   | <b>2008</b>                  | <b>2007</b>                 |
|---|------------------------------|-----------------------------|
| <b>Financial income</b>                         |                              |                             |
| Profit from currency exchange                   | 19 288 285                   | 11 294 933                  |
| Profit from foreign currency derivatives        | 1 757 529                    | 591 126                     |
| Other income from financial activities          | 372 587                      | 84 458                      |
|   | <u>21 418 401</u>            | <u>11 970 517</u>           |
| <b>Financial expenses</b>                       |                              |                             |
| Loss from currency fluctuations                 | 26 651 340                   | 15 698 260                  |
| Realized loss from foreign currency derivatives | 2 102 026                    | 20 105                      |
| Interest expenses                               | 6 915 754                    | 3 679 536                   |
| Other expenses from financial activities        | 264 194                      | 480 782                     |
|   | <u>35 933 314</u>            | <u>19 878 683</u>           |
| <b>Net result from financial activities</b>     | <b><u>( 14 514 913 )</u></b> | <b><u>( 7 908 166 )</u></b> |

## 7 Non-current intangible assets

The balance sheet value of non-current intangible assets on 31 December 2008 was 15725,9 thous. LTL (on 31 December 2007 – 17451,1 thous. LTL)

Non-current intangible assets depreciation expenses are included under operating expenses in the profit and loss account.

Over the 12 months of 2008, the Group has accumulated 1462,0 thous. LTL (1244 thous. LTL over 12 months of 2007) of non-current intangible assets depreciation.

## 8 Non-current tangible assets

Non-current tangible assets consist of the following assets groups:

|  | Balance sheet value |                   |
|--|---------------------|-------------------|
|  | <u>2008-12-31</u>   | <u>2007-12-31</u> |
| Buildings and constructions              | 32 096 815          | 36 663 254        |
| Other non-current assets                 | 41 411 507          | 58 968 702        |
| Construction in progress and prepayments | <u>1 884 227</u>    | <u>2 293 618</u>  |
| <b>Total:</b>                            | <b>75 392 549</b>   | <b>97 925 574</b> |

Group's non-current tangible assets depreciation on 31 Decmeber, 2008 is equal to 20541 thous. LTL (in 2007 – 19199 thous. LTL).

## 9 Inventories

|   | <u>2008-12-31</u> | <u>2007-12-31</u> |
|---|-------------------|-------------------|
| Raw materials, spare parts and production in progress | 28 283 792        | 43 163 462        |
| Finished goods  | 28 303 677        | 19 735 912        |
| Other   | 218 077           | 285 524           |
|   | <u>56 805 546</u> | <u>63 184 898</u> |

Less: net realizable value allowance

Raw materials and spare parts consist of compressors, components, plastics, wires, metals and other materials used in the production.

## 10 Trade receivables

Trade receivables were composed as follows:

|  | <u>2008-12-31</u> | <u>2007-12-31</u> |
|--|-------------------|-------------------|
| Trade receivables from the Group companies     | 52 732 711        | 60 970 170        |
| Less: allowance for doubtful trade receivables | (12 194 836)      | ( 11 527 355 )    |

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| Other receivables | 1 612 524         | 4 088 043         |
|                   | <b>42 150 399</b> | <b>53 530 858</b> |

Trade receivables are non-interest bearing and are generally on 30 – 90 days terms.

Movements in the provision for impairment of receivables were as follows:

|  | <b>2008-12-31</b>  | <b>2007-12-31</b>  |
|--|--------------------|--------------------|
| Balance at the beginning of the period | - 11 527 355       | -11 969 133        |
| Charge for the year                    | -2 236 788         | -470 287           |
| Used                                   | 43 058             |                    |
| Recovered receivables                  |                    |                    |
| Currency exchange rate influence       | 1 526 249          | 573 445            |
| Other changes                          |                    | 338 620            |
|  | <b>-12 194 836</b> | <b>-11 527 355</b> |

The ageing analysis of trade receivables as of 31 December 2008 and 31 December 2007 is as follows:

|             | Trade receivables neither past due nor impaired | Trade receivables past due but not impaired |              |              |               |                    | Total      |
|-------------|---|---|--------------|--------------|---------------|--------------------|------------|
|             |   | Less than 30 days                           | 30 – 60 days | 60 – 90 days | 90 – 120 days | More than 120 days |            |
| <b>2007</b> | 42 241 977                                      | 5 771 742                                   | 235 805      | 726 957      | 189 244       | 277 090            | 49 442 815 |
| <b>2008</b> | 20 244 640                                      | 7 797 172                                   | 7 608 610    | 2 578 491    | 1 660 176     | 648 786            | 40 537 875 |

According to factoring with regress (recourse) right agreement the Group had pledged to the factoring agent amounts receivable and inventory, the balance sheet values of which on 31 December 2008 were 70000 thous. LTL.

## 11 Other current assets

|   | <b>2008-12-31</b> | <b>2007-12-31</b> |
|---|-------------------|-------------------|
| VAT receivable                                    | 2 558 886         | 2 485 763         |
| Prepayments and deferred charges                  | 601 882           | 1 205 433         |
| Compensations receivable from suppliers           | 150 293           | 216 728           |
| Receivable for property, plant and equipment sold |                   |                   |
| Fair value of currency futures                    | 433 647           | 587 526           |

|                  |                  |                  |
|------------------|------------------|------------------|
| Other receivable | 426 613          | 1 058 390        |
|                  | <b>4 171 321</b> | <b>5 553 840</b> |

Compensations from suppliers are received for bad quality goods.

## 12 Cash and cash equivalents

|              | <b>2008-12-31</b> | <b>2007-12-31</b> |
|--------------|-------------------|-------------------|
| Cash at bank | 1 665 047         | 3 977 330         |
| Cash on hand | 459               | 7 230             |
|              | <b>1 665 506</b>  | <b>3 984 560</b>  |

The accounts of the Company in foreign currency up to 12375 thous. LTL are pledged to secure the bank loans.

## 13 Share capital

According to the Law on Companies of the Republic of Lithuania the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As of 31 December 2008 the Company was in compliance with this requirement.

At the date of the reporting the legal reserve was fully formed same as the legal reserve on 31 December, 2007.

## 14 Reserves

### Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with Lithuanian Business Accounting Standards, are compulsory until the reserve reaches 10% of the share capital.

### Non-restricted reserves

Other reserves for special purposes are formed by shareholders decision. Before allocating profit all the allocatable reserves are transferred to retained earnings and each year are re-allocated by shareholders decisions. In preparation of this financial report the allocatable reserves were not allocated yet.

Foreign currency translation reserve

Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, the cumulative revaluation of translation reserves is recognized as income or expenses in the same period when the gain or loss on disposal is recognized.

**15 Subsidies**

|  |                  |
|--|------------------|
| <b>Subsidies on 1 January 2006</b>         | <b>5 108 932</b> |
| Increase during period                     | 43 500           |
| Amortization during period                 | 1 303 092        |
| <b>Net residual value 31 December 2006</b> | <b>3 849 340</b> |
| Increase during period ( 2007)             | 345 280          |
| Amortization during period ( 2007 )        | 1 179 704        |
| <b>Net residual value 31 December 2007</b> | <b>3 014 916</b> |
| Increase during period (2008)              |                  |
| Amortization during period (2008)          | <b>1 014 205</b> |
| <b>Net residual value 31 December 2008</b> | <b>2 000 711</b> |

Subsidies were received for update of manufacturing equipment and repair of buildings due to refusal of CFC 11 element usage in poliuteran isolation material and filling foam manufactruring and for greenhouse gas elimination in household refrigerators manufacturing process. Subsidies are amortized using the same term as the equipment ant other assets for which the subsidies were intended, and when compensated expenses are incurred. The sum of subsidies ammortization is included into costs of goods sold while decreasing buildings reconstruction, for which subsidies were allocated, ammortization.

**16 Provisions for guarantee related liabilities**

Sold products are given up to 10 years guarantees. Provisions for guarantee related services were made according to planned service expenses and refrigerators breakdowns statistics, and appropriately were divided into non-current and current provisions. Non-current provisions on 31 December 2008 were equal to 2462,6 thous. LTL ( on 31 December 2007 it was equal to 1892,8 thous. LTL ), current provisions on 31 December 2008 were equal to 2876,5 thous. LTL (on 31 December 2007 it was equal to 2640,8 thous. LTL )

Changes in provisions for guarantee during 2008:

|                                  |             |
|----------------------------------|-------------|
|                                  | <u>2008</u> |
| January 1st                      | 4 533 650   |
| Changes during accounting period | 6 097 829   |
| Used                             | 5 159 236   |

|                                     |                  |
|-------------------------------------|------------------|
| Effect of exchange rate fluctuation | (133 159)        |
| <b>31 December 2008</b>             | <b>5 339 084</b> |

**17 Borrowings**

|  | <b>2008 12 31</b>        | <b>2007 12 31</b>        |
|--|--------------------------|--------------------------|
| <b>Non-current borrowings</b>                  |                          |                          |
| Bank borrowings secured by Company's assets    | 200 000                  | 18 277 198               |
| Other loans                                    | -                        | -                        |
| Leasing  | 1 706 200                | 2 564 693                |
|  | <u>1 906 200</u>         | <u>20 841 891</u>        |
| <b>Current borrowings</b>                      |                          |                          |
| Current portion of non-current bank borrowings | 33 787 287               | 31 900 584               |
| Other loans                                    | 6 713 378                | -                        |
| Leasing  | 828 516                  | 858 239                  |
| From sale of Bonds                             | 17 475 240               |                          |
|  | <u>58 804 421</u>        | <u>32 758 823</u>        |
| <b>Total</b>                                   | <b><u>60 710 621</u></b> | <b><u>53 600 714</u></b> |

The company has loans, of which:

- with limit of 12374,8 thous. LTL, are received with floating interest rate, 6 months LIBOR + 1,3% margin,

- with limit of 20000 thous. LTL, are received with floating interest rate, 6 months LIBOR + 2,6% margin,

- short term loans from related parties with residual value of 6713,3 thous. LTL, received with fixed interest rates, ranging from 10% to 14%.

On 31 December 2008 building, with residual value of 27125 thous. LTL (on 31 December 2007 – 32460 thous. LTL), machinery and equipment, with residual value of 12717 thous. LTL (on 31 December 2007 – 19639 thous. LTL), inventories with residual value of 26300 thous. LTL (on 31 December 2007 – 19300 thous. LTL), cash inflow into bank accounts up to 12375 thous. LTL (on 31 December 2007 – up to 10 000 thous. LTL) and „Techprominvest“ shares for 2808 thous. LTL (on 31 December 2007 – 2808 thous. LTL) are put on pledge for received loans.

Short term loans, received from related parties, are not guaranteed by the company's assets.

In April 2008 Company issued 200000 of bonds each with the nominal value of 100 LTL and repurchase price of 100 LTL. Annual interest rate of the bonds is 14%, with the time to maturity of 367 days. Bonds



can be converted into ordinary shares, conversion rate with the Company's ordinary shares is 1 to 18. Maturity date is 6 April 2009.

In August 2008 Company issued 4000000 of ordinary shares, with a nominal value of 1 LTL per share and the total issue of shares being equal to 10000000 LTL.

## 18 Financial leasing

The assets leased by the Group under financial lease contracts consist of machines, equipment and vehicles. Apart from the lease payments, the most significant liabilities under 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:

|                         | <b>2008-12-31</b> | <b>2007-12-31</b> |
|-------------------------|-------------------|-------------------|
| Machinery and equipment | 2 461 796         | 3 189 209         |
| Vehicles                | 72 920            | 233 723           |
|                         | <b>2 534 716</b>  | <b>3 422 932</b>  |

Principal amounts of financial lease payables at the year-end denominated in national and foreign currencies are as follows:

|     | <b>2008-12-31</b> | <b>2007-12-31</b> |
|-----|-------------------|-------------------|
| EUR | -                 | -                 |
| LTL | 2 534 716         | 3 422 932         |
|     | <b>2 534 716</b>  | <b>3 422 932</b>  |

Financial lease obligations are arranged at floating interest rates of 6 month EURIBOR +1.1% margin, 6 month LIBOREUR +1% margin, 6 month LIBOREUR +1.2% margin.

## 19 Operating lease

The group has formed several operating lease agreement. In the agreement conditions there are no limitations set for the Group's activities related to dividends, additional borrowings or additional long-term rent.

## 20 Trade credits

The conditions of the above mentioned type of liabilities:

- Trade credits are non interest paying and approximate time to payment is equal to 60 days.
- Other amounts payable are non interest paying and approximate time to payment is equal to 60 days.

-Interests payable are usually set quarterly during the financial year.

## 21 Other current amounts payable

Other creditors were composed as follows:

|   | <u>2008-12-31</u>        | <u>2007-12-31</u>        |
|---|--------------------------|--------------------------|
| Salaries and related taxes payable        | 2 584 962                | 4 114 444                |
| Vacation reserve                          | 1 084 894                | 2 611 863                |
| Bonuses and payments to the Board accrued | -                        | 300 000                  |
| Taxes payable                             | 1 786 721                | 2 598 300                |
| Provisions for guaranty repair            | 2 876 478                | 2 640 850                |
| Other payables and accrued expenses       | 2 734 091                | 160 800                  |
| <b>Total other creditors</b>              | <b><u>11 067 146</u></b> | <b><u>12 426 257</u></b> |

## 22 Basic and diluted earnings (loss) per share

|   | <u>2008</u>    | <u>2007</u>   |
|---|----------------|---------------|
| Shares issued 1 January                                     | 23 827 365     | 23 070 405    |
| Average weighted number of shares in issue                  | 25 051 409     | 23 792 109    |
| Net result for the year, attributable to the parent company | ( 22 986 353 ) | (11 412 480)  |
| Earnings (loss) per share                                   | <u>( 0,92)</u> | <u>(0.48)</u> |

## 23 Risk and capital management

### Credit risk

The Group has significant concentration of trading counterparties. The main ten customers of the Group during 2008 account for approximately 39.8% (42.3% as of 2007) of the total Group's trade receivables. The maximum sum of credit risk in the reporting period and on 31 December 2007 includes accounts receivables and loans provided.

The credit policy and credit risk is constantly controlled. All the customers willing to receive a deferred payment are evaluated for credit risk. Majority of accounts receivables are insured.

The Group does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts recognized at the balance sheet date.

Interest rate risk

Majority of Groups loans consists of loans with floating interest rates; with the floating part being associated to LIBOR, therefore, creating an interest rate risk.

Group did not use any financial instruments to hedge the risks from interest rate fluctuations for debt obligations associated with floating interest rates.

Liquidity risk

The Group'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 Group's current ratio as of 31 December 2008 was 0.39 (31 December 2007 it was 0.50).

Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group earns majority of its income in US Dollars, Russian Roubles and Ukrainian Hryvnias, while borrows foreign currency denominated.

The Group used financial instruments to manage its exposure to foreign exchange risk in 2008, making a predefined currency exchange transactions. Financial derivatives are used to hedge from negative currency fluctuations for cash flows from sales income with US Dollars.

**24 Related parties 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. The related parties of the Group and the transactions with related parties during 2008 and 2007 were as follows:

UAB „Hermis Capital „ (common final controlling shareholder);

UAB „ Genčių nafta „ (common final controlling shareholder);

AB „ Kauno duona „ (common final controlling shareholder);

UAB „ Meditus „ (common final controlling shareholder);

UAB „ Baltijos polistirenas „ (other companies controlled by board members or their family members);

UAB „ Astmaris „ (other companies controlled by board members or their family members).

| <b>2008</b> | <b>Purchases</b> | <b>Sales</b> | <b>Accounts<br/>receivable</b> | <b>Accounts<br/>payables</b> |
|-------------|------------------|--------------|--------------------------------|------------------------------|
|-------------|------------------|--------------|--------------------------------|------------------------------|

---

|   |                   |              |   |                  |
|---|-------------------|--------------|---|------------------|
| UAB „Baltijos polistirenas” raw materials | 4 381 082         | 3 329        | - | 375 517          |
| UAB „Astmaris” raw materials              | 8 462 171         | -            | - | 1 272 617        |
|   | <u>12 843 253</u> | <u>3 329</u> |   | <u>1 648 134</u> |

| 2007 ( 31 December )                      | Purchases         | Sales | Accounts receivable | Accounts payables |
|---|-------------------|-------|---------------------|-------------------|
| UAB „Baltijos polistirenas” raw materials | 4 399 357         | -     | -                   | 805 689           |
| UAB „Astmaris” raw materials              | 7 377 466         | -     | -                   | 961 847           |
|   | <u>11 776 823</u> |       |                     | <u>1 767 536</u>  |

The Group has a policy to make transactions with related parties only for commercial purpose and under commercial conditions. No guarantees were received or given from any related party in order to assure the payments of accounts receivable or accounts payable.

The company has entered into several sponson agreements, according to which it has guaranteed payments to suppliers for subsidiary companies:

|     |                                       |   |            |
|-----|---------------------------------------|---|------------|
| i.  | For OOO „Techprominvest „ liabilities | Subsidiary company sums payable<br>to suppliers |            |
|     |                                       | 2008-12-31                                      | 2007-12-31 |
|     | AB „ Panevėžio stiklas „              | -   | -          |
|     | UAB „ Lisiplast „                     | 1 191 776                                       | 2 553 399  |
|     | Worwag Polska                         | -   | 197 595    |
| ii. | For UAB „Almecha „ liabilities :      |   |            |
|     | UAB „Mechel Nemunas „                 | 122 734   | -          |

Financial and investment activities with related parties:

|                             | 2008           |            |               | 2007           |            |               |
|-----------------------------|----------------|------------|---------------|----------------|------------|---------------|
|                             | Loans received | Loans paid | Interest paid | Loans received | Loans paid | Interest paid |
| UAB „ Hermis Capital „      | 29 300 000     | 23 586 621 | 87 109        | 12 500 000     | 12 500 000 | 42 011        |
| UAB „ Genčių nafta „        | 8 750 000      | 8 750 000  | 190 137       | 3 500 000      | 3 500 000  | 37 178        |
| AB „ Kauno duona „          | 1 100 000      | 1 100 000  | 33 659        | -              | -          | -             |
| UAB„Baltijos polistirenas „ | 3 000 000      | 3 000 000  | -             | -              | -          | -             |

|                |            |            |         |            |            |        |
|----------------|------------|------------|---------|------------|------------|--------|
| UAB „Meditus „ | 6 000 000  | 5 000 000  | -       | -          | -          | -      |
| In total:      | 48 150 000 | 41 436 621 | 310 905 | 16 000 000 | 16 000 000 | 79 189 |

In order to decrease loss associated with the Russian currency devaluation and common deterioration of the market company's management board has taken a decision from 2 March 2009 to suspend production in „Techprominvest“ factory in Kaliningrad. Currently accrued inventories are being realized.

On 23 February 2009 general shareholder meeting has decided to issue 75 000 units of convertible bonds each with nominal value of 100 EUR. Maximum annual interest rate is 18%, which are paid by one payments at the time of redemption of bonds and the maturity of which are 367 days. Bonds can be converted with a ratio 1:345.

With a bank „Swedbank“ an agreement was signed on loan repayment terms allocation until 15 August 2009.