AB SNAIGĖ

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report to the shareholders of AB Snaigė

Report on the Financial Statements

We have audited the accompanying financial statements of AB Snaigė (hereinafter the Company), which comprise the balance sheet as at 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 International Financial Reporting Standards, as adopted by the European Union. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 we have obtained is sufficient and appropriate to provide the basis for our audit opinion.

Basis for Qualified Opinion

a) Until 1 January 2006 the Company capitalised LTL 10,975 thousand expenditures of newly installed spare parts for equipment and LTL 7,935 thousand expenditures of reconstructing and repairing buildings, without derecognising the carrying amount of replaced parts and of the previous reconstructions. We were not provided with sufficient evidence that would allow us to assess the carrying amounts of the replaced spare parts and of the previous reconstructions, which should be derecognised as at 31 December 2007.

b) As further described in Note 1, as at 31 December 2007 the carrying value of the investments in the shares of the subsidiary OOO Techprominvest was LTL 12,649 thousand. IAS 27 and IAS 36 require that investments in subsidiaries should be carried at cost less impairment. As at 31 December 2007 there were indications that investments into this subsidiary may be impaired: OOO Techprominvest incurred losses in 2007 and 2006 and its liabilities significantly exceed the carrying amount of its assets as at 31 December 2007. However, the Company did not test the investment for impairment and did not record an impairment loss. We were unable to ascertain whether the carrying value of the investment in the subsidiary OOO Techprominvest was not impaired as at 31 December 2007.

c) As of 31 December 2007, the Company accounted for receivables of LTL 92,282 thousand (LTL 110,784 thousand as of 31 December 2006) from the subsidiary OOO Techprominvest at the nominal value including the amount of LTL 46,995 thousand (LTL 61,573 thousand as of 31 December 2006) that is accounted for as non-current receivables. In accordance with IAS 39, receivables should be carried at amortised cost less impairment. As at 31 December 2007, the liabilities of the subsidiary significantly exceed the carrying value of its assets, and the subsidiary incurred losses in 2007 and 2006. We were not able to assess the possible adjustment required in order to present the aforementioned receivables from the subsidiary at amortised cost less impairment.

d) As at 31 December 2007 the Company did not account for payroll related liabilities to the Company's management amounting to LTL 420 thousand, which, in our opinion, should have been recognised as the Company's expense in 2007. If this adjustment was accounted for, current liabilities of the Company as at 31 December 2007 would increase, net loss for the year 2007 would increase and the shareholders' equity as at 31 December 2007 would decrease by LTL 420 thousand.

e) As at 31 December 2007 the Company, according to the agreement which is valid until 28 February 2009, classified factoring liabilities with the carrying amount of LTL 18,277 thousand (LTL 15,554 thousand as at 31 December 2006) as non-current liabilities. According to IAS 1, liabilities can be classified as non-current only if the Company has an unconditional right to postpone the payment for 12 months after the balance sheet date. Because the settlement term of the factoring liabilities is shorter, then, in our opinion, these liabilities should have been presented as current liabilities. If this adjustment was accounted for, current liabilities of the Company as at 31 December 2007 would increase and non-current liabilities would decrease by LTL 18,277 thousand (LTL 15,554 thousand as at 31 December 2006).

Qualified Opinion

In our opinion, except for the effect of such adjustments, if any, as might have been determined, had we been able to obtain sufficient audit evidence regarding the matters described in section *Basis for Qualified Opinion* paragraphs (a) to (c) above, and except for the effect of the matters described in section *Basis for Qualified Opinion* paragraphs (d) to (e) above, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of Matter

Without further qualifying our opinion, we draw your attention to the fact that as at 31 December 2007 the Company had accounted for receivables of LTL 92,282 thousand from the subsidiary OOO Techprominvest. The subsidiary operated with losses and its financial condition casts doubt whether the Company will recover this amount. Furthermore, the Company incurred loss in 2007. These reasons indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. As management of the Company has discussed in Note 30, the Company has taken steps to secure financing of the Company's operations; therefore, no adjustments have been made in these financial statements related to this material uncertainty.

Report on Other Legal and Regulatory Requirements

At the end of our audit the management was still drafting the Annual Report, therefore in this report we could not present our assessment of the Annual Report.

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

Jonas Akelis
Auditor's licence
No. 000003

The audit was completed on 11 April 2008.

Income statement

	Notes	2007	2006 (restated)
Sales	4	306,673,864	273,088,175
Cost of sales		(275,778,132)	(234,810,045)
Gross profit		**30,895,732**	**38,278,130**
Other income	7	3,302,286	4,140,686
Selling and distribution expenses	5	(16,030,865)	(14,226,179)
Administrative expenses	6	(16,529,435)	(14,401,014)
Other expenses	8	(2,221,529)	(1,743,214)
Operating profit (loss)		**(583,811)**	**12,048,409**
Finance income	9	4,537,887	8,128,333
Finance expenses	10	(6,922,032)	(6,715,647)
Profit (loss) before tax		**(2,967,956)**	**13,461,095**
Income tax	11	(125,782)	(2,802,014)
Net profit (loss)		**(3,093,738)**	**10,659,081**
Basic and diluted earnings (loss) per share	26	(0.13)	0.46

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

Managing Director	Gediminas Čeika		11 April 2008
Financial Director	Loreta Nagulevičienė		11 April 2008

Balance sheet

	Notes	As at 31 December 2007	As at 31 December 2006
			(restated)
ASSETS			
Non-current assets			
Intangible assets	12	5,320,842	5,043,962
Property, plant and equipment	13	56,784,061	59,906,283
Receivables from subsidiaries and loans to subsidiaries	29	46,955,476	61,572,791
Investments into subsidiaries	1	14,115,475	12,769,690
Total non-current assets		**123,175,854**	**139,292,726**
Current assets			
Inventories	14	40,921,747	34,332,256
Trade receivables	15	35,133,587	39,557,800
Receivables from subsidiaries	29	38,634,768	39,163,098
Current portion of non-current loans granted to subsidiaries	29	8,242,445	10,047,648
Prepaid income tax		4,088,043	2,921,943
Derivative financial instruments		587,526	-
Other current assets	16	1,468,746	2,023,423
Cash and cash equivalents	17	2,105,850	835,771
Total current assets		**131,182,712**	**128,881,939**
Total assets		**254,358,566**	**268,174,665**

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

Balance sheet (cont'd)

	Notes	As at 31 December 2007	As at 31 December 2006 (restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	18	23,827,365	23,070,405
Share premium		12,727,270	3,643,750
Legal reserve	19	2,382,737	2,337,913
Reserves	19	34,087,600	26,899,000
Retained earnings		56,104,541	66,431,703
Total equity		**129,129,513**	**122,382,771**
Liabilities			
Non-current liabilities			
Warranty provision	21	705,042	550,000
Subsidies	20	3,014,916	3,849,340
Deferred income tax liability	11	294,334	330,694
Non-current borrowings and financial lease obligations	22, 23	20,841,891	35,472,342
Total non-current liabilities		**24,856,183**	**40,202,376**
Current liabilities			
Current borrowings, current portion of non-current borrowings and financial lease obligations	22, 23	32,758,823	32,887,340
Trade payables		59,602,964	55,879,495
Advances received		368,689	794,895
Warranty provision	21	1,816,698	1,250,954
Other current liabilities	25	5,825,696	14,776,834
Total current liabilities		**100,372,870**	**105,589,518**
Total equity and liabilities		**254,358,566**	**268,174,665**

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

Managing Director	Gediminas Čeika		11 April 2008
Financial Director	Loreta Nagulevičienė		11 April 2008

Statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Other distributable reserves	Retained earnings	Total equity
Balance as at 31 December 2005		**23,070,405**	**3,643,750**	**2,337,913**	**26,588,000**	**56,083,622**	**111,723,690**
Transfer to reserves	19	-	-	-	311,000	(311,000)	-
Net profit for the year		-	-	-	-	10,659,081	10,659,081
Total recognised income and expenses in 2006		-	-	-	-	10,659,081	10,659,081
Balance as at 31 December 2006		**23,070,405**	**3,643,750**	**2,337,913**	**26,899,000**	**66,431,703**	**122,382,771**
Transfer to reserves	19	-	-	44,824	7,188,600	(7,233,424)	-
Increase of share capital	1	756,960	9,083,520	-	-	-	9,840,480
Net (loss) for the year		-	-	-	-	(3,093,738)	(3,093,738)
Total recognised income and expenses in 2007		-	-	-	-	(3,093,738)	(3,093,738)
Balance as at 31 December 2007		**23,827,365**	**12,727,270**	**2,382,737**	**34,087,600**	**56,104,541**	**129,129,513**

Managing Director	Gediminas Čeika		11 April 2008
Financial Director	Loreta Nagulevičienė		11 April 2008

Cash flow statement

	2007	2006 (restated)
Cash flows from (to) operating activities		
Profit (loss) before tax	(2,967,956)	13,461,095
Adjustments for non-cash items:		
Depreciation and amortisation	15,395,157	15,359,227
Amortisation of grants and subsidies	(1,179,704)	(1,303,092)
Result from disposal of non-current assets	(241,638)	(2,098,920)
Write-off of non-current assets	242,033	12,557
Write-off of inventories	461,217	-
Change in allowance for trade receivables	262,194	(24,805)
(Gain) loss from foreign currency forward contracts	(571,021)	(3,975,521)
Change in warranty provision	720,786	(159,659)
Interest income	(1,477,031)	(2,056,132)
Interest expenses	3,682,153	3,534,398
	14,326,190	22,749,148
Changes in working capital:		
(Increase) in inventories	(7,050,708)	(1,179,779)
Decrease (increase) in trade and other receivables	6,705,552	(10,654,734)
Increase in trade payables and other payables	4,186,605	17,445,548
Income tax (paid)	(1,328,242)	(5,588,264)
Interest (paid)	(3,682,153)	(3,534,399)
Net cash flows from operating activities	**13,157,244**	**19,237,520**
Cash flows from investing activities		
(Acquisition) of non-current assets	(14,320,403)	(15,624,267)
Disposal of non-current assets	424,408	2,524,228
Loans granted to subsidiaries	-	(24,514,880)
Loans repaid by subsidiaries	16,422,518	16,042,427
Net cash flows from (to) investing activities	**2,526,523**	**(21,572,492)**

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

Cash flow statement (cont'd)

	2007	2006 (restated)
Cash flows from (to) financing activities		
Subsidies received	345,280	43,500
Proceeds from borrowings	11,394,945	29,543,413
(Repayment) of borrowings	(28,993,246)	(27,154,553)
Financing received according to sale and leaseback agreement	4,695,808	-
Financial lease (payments)	(1,856,475)	(436,741)
Net cash flows (to) financial activities	**(14,413,688)**	**1,995,619**
Net increase (decrease) in cash flows	**1,270,079**	**(339,353)**
Cash and cash equivalents at the beginning of the year	**835,771**	**1,175,124**
Cash and cash equivalents at the end of the year	**2,105,850**	**835,771**
Supplemental cash flow information		
Non-cash investing and financing activity		
Non-cash shares issue (set off against other current liabilities)	9,840,480	-
Non-cash acquisition of shares of the subsidiary OOO Techprominvest	-	9,840,480
Non-cash contribution to the share capital of the subsidiary UAB Almecha	1,345,785	-
Calculated but not received interest from loans to subsidiaries	(1,477,031)	(2,056,132)

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

Managing Director	Gediminas Čeika		11 April 2008
Financial Director	Loreta Nagulevičienė		11 April 2008

Notes to the financial statements

1 General information

AB Snaigė (hereinafter the Company) is a public company registered in the Republic of Lithuania. The address of its registered office is as follows:

Pramonės Str. 6,
Alytus,
Lithuania.

The Company is engaged in producing refrigerators and refrigerating equipment. The Company was registered on 1 April 1963. The Company's shares are traded on the Baltic Main List of the Vilnius Stock Exchange.

As at 31 December 2007 and 2006 the shareholders of the Company were:

	2007		2006	
	Number of shares held	**Percentage**	**Number of shares held**	**Percentage**
UAB Survesta	4,935,810	20.71%	4,910,900	21.29%
Other shareholders	18,891,555	79.29%	18,159,505	78.71%
Total	23,827,365	100%	23,070,405	100%

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2007 and 2006. As at 31 December 2007 and 2006 the Company did not hold its own shares.

In 2007 the share capital was increased by issuing 756,960 ordinary shares with the par value of LTL 1 each. The price of shares is LTL 13. The shares were paid for by a set-off of accounts payable for OOO Techprominvest shares acquired in 2006. The increased share capital was registered on 18 January 2007.

As at 31 December of 2007 and 2006 the Company had the following subsidiaries:

Company	Country of incorporation	Percentage of the shares held by the Company	Investment value (cost)	
			2007	**2006**
OOO Techprominvest	Russia (Kaliningrad)	100%	12,648,840	12,648,840
TOB Snaige Ukraina	Ukraine	99%	88,875	88,875
OOO Moroz Trade	Russia	100%	947	947
OOO Liga Servis	Russia	100%	1,028	1,028
UAB Almecha	Lithuania	100%	1,375,785	30,000
Total			**14,115,475**	**12,769,690**

As at 31 December 2007 and 2006, the Board of the Company comprised two members from the management of the Company and three representatives of UAB Hermis Capital and UAB Survesta (subsidiary of UAB Hermis Capital).

The subsidiary OOO Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. Since the acquisition date, the Company held 85% of OOO Techprominvest share capital. In 2006 AB Snaigė acquired the remaining 15% of OOO Techprominvest share capital; the acquisition was settled by 756,960 ordinary shares of AB Snaigė, which were issued with this purpose in 2007. The subsidiary is involved in the production of refrigerators and freezers, the major part of which are sold in Russia.

The part of share capital of OOO Techprominvest, controlled by the Company, is pledged to a bank as collateral for loans. The Company is obligated to not dispose of the major part of shares of the subsidiary OOO Techprominvest to third parties without a prior written permission of the bank and to not vote in the shareholders' meetings on disposal rent and pledging to third parties of non-current assets.

TOB Snaige Ukraina (Kiev, Ukraine) was established in 2002. Since the acquisition in 2002, the Company holds 99% of this subsidiary's share capital. The subsidiary provides sales and marketing services to the Company in the Ukrainian market.

1 General information (cont'd)

In 2004, OOO Moroz Trade (Moscow, Russia) was established. The Company acquired 100% of shares of OOO Moroz Trade in October 2004. The subsidiary provides sales and marketing services in the Russian market.

OOO Liga Servis (Moscow, Russia) was established in 2006. The subsidiary provides sales and marketing services in the Russian market.

UAB Almecha (Alytus, Lithuania) was established in 2006. The main activities of the company are production of refrigerating components and equipment. In 2007 the share capital of UAB Almecha was increased by LTL 1,346 which was paid in by the Company by a non-cash contribution transferring the non-current assets.

In 2007 the average number of employees of the Company was 1,528 (1,657 in 2006).

The Company's management authorised these financial statements on 11 April 2008. The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and request that the management prepares a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements for 2007 are as follows:

2.1. Basis of preparation

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

These are the separate financial statements of the Company. The financial statements of AB Snaigė and its subsidiaries were approved on 11 April 2008 and is prepared separately.

These financial statements are prepared on the historical cost basis, except for financial assets at fair value through profit or loss, which are carried at fair value.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Company has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures:

- IFRS 7 Financial Instruments: Disclosures.
- Amendments to IAS 1 Capital Disclosures.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 Scope of IFRS 2.
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures. This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements. This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are presented in Note 28.

IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies". This interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. The interpretation had no impact on the financial position or performance of the Company.

IFRIC 8 Scope of IFRS 2. This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are not issued to employees, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 9 Reassessment of Embedded Derivatives. IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The interpretation had no impact on the financial position or performance of the Company.

IFRIC 10 Interim Financial Reporting and Impairment. The Company adopted IFRIC Interpretation 10 as at 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Company.

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

- IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Company has not entered into share-based payment schemes; therefore this IFRS will not have significant impact for Company's accounting.

- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009 once adopted by the EU). IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 supersedes IAS 14 Segment Reporting.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

- IAS 1 Presentation of Financial Statements – Revised (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). IAS 1 has been revised to enhance the usefulness of the information presented in the financial statements. Revision includes number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements in a case of their retrospective restatement.

- IAS 23 Borrowing Costs – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

- IAS 27 Consolidated and Separate Financial Statements – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). Revised standard requires that changes in ownership interest in a subsidiary are accounted for as equity transactions. Also, accounting for losses incurred by the subsidiary was changed: such losses will be allocated between the controlling and non-controlling interests even if the losses exceed the non-controlling equity investment in the subsidiary. On a loss of control of a subsidiary, any retained interest will be re-measured to fair value and will impact the gain or loss recognised on disposal. In addition, revised standard provides more guidance as to when multiple arrangements should be accounted for as a single transaction. These most significant changes introduced by the revised standard will be applied prospectively, except for the multiple arrangements that have been accounted for as a single transaction – these arrangements require retrospective assessment.

- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact the financial statements of the Company.

- IFRS 3 Business Combinations – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). The scope of IFRS 3 has been revised to include combinations of mutual entities and combinations without consideration (dual listed shares). Also a number of changes are introduced in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period when the acquisition occurs, and future revenues reported. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standard will not be restated.

- IFRIC 11 IFRS 2 – Company and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007 once adopted by the EU). The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same Company in the individual financial statements of each Company entity.

- IFRIC 12 Service Concession Agreements (effective for annual periods beginning on or after 1 January 2008 once adopted by the EU). The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements.

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008 once adopted by the EU). This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

- IFRIC 14 IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008 once adopted by the EU). This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan.

Under the condition that the standards and interpretations have been endorsed by the European Commission, the Company intends to adopt these IFRSs and IFRIC in the period they become effective.

The Company expects that the adoption of the pronouncements listed above will have no significant impact on the Company's financial statements in the period of initial application, except for IAS 1 Presentation of Financial Statements – Revised and IAS 23 Borrowing costs – Revised.

<u>IAS 1 Presentation of financial statements – Revised</u>

This standard sets out new requirements on the presentation of the statement of changes in equity and introduces a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income" and requires a separate disclosure of all items reclassified from other comprehensive income to profit and loss as well as disclosure of the income tax relating to each component of other comprehensive income. Also, requirements related to the presentation of the financial statements in a case of their retrospective restatement are amended and new terminology, replacing "balance sheet" with "statement of financial position" and "cash flow statement" with "statement of cash flows", although the titles are not obligatory, is introduced. The Company is still estimating the impact of the adoption of this revision.

<u>IAS 23 Borrowing costs - Revised</u>

Currently all borrowing costs are expensed as incurred. The revised standard requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. When the Company adopts this standard, borrowing costs related to qualifying assets will be capitalised. The Company is still estimating the impact of the adoption of this revision.

2.2. Going concern

The financial statements for the year ended 31 December 2007 are prepared under the assumption that the Company will continue as a going concern.

2.3. Presentation currency

The Company's financial statements are presented in local currency of the Republic of Lithuania, Litas (LTL), which is the Company's functional currency. Lithuanian litas is pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2.4. Investments into subsidiaries

Investments into subsidiaries in the separate financial statements of the Company are stated at cost less impairment, if any.

2 Accounting principles (cont'd)

2.5. Intangible assets

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 their estimated useful lives (3 years).

The useful lives, residual values and amortisation method are reviewed annually.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual projects is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation periods from 1 to 8 years are applied. During the period of development, the asset is tested for impairment annually.

Licenses

Amounts paid for licences are capitalised and then amortised over their validity period.

Software

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

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

2.6. Property, plant and equipment

Property, plant and equipment are assets that are controlled by the Company, 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 measured. Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the asset recognition criteria are met. Replaced parts are written off.

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.

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

2 Accounting principles (cont'd)

2.6. Property, plant and equipment (cont'd)

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

Buildings and structures	15 - 63 years
Machinery and equipment	5 - 15 years
Vehicles	4 - 6 years
Other non-current assets	3 - 8 years

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

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.

2.7. Financial assets and liabilities

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

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

The category financial assets at fair value through profit or loss' includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investment held for trading are recognised in income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company have the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

2 Accounting principles (cont'd)

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 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. Unrealisable inventory is fully written-off.

Inventories in transit are accounted for in accordance with INCOTERMS-2000.

2.9. Receivables

Receivables are initially recorded at the fair value of the consideration given. Receivables are subsequently carried 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, deposits at current accounts, 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, net of expenses incurred. 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 the balance sheet date provides evidence that the substance of the liability at the balance sheet date was non-current.

2.12. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2 Accounting principles (cont'd)

2.13. 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 Company comprise factoring transactions with regress (recourse) right (the factor is entitled to returning the overdue claim back to the Company) and without regress (recourse) right (the factor is not entitled to returning the overdue claim back to the Company). Factored accounts receivable (with regress right) and related financing are recorded in accounts receivable caption and borrowings and financial lease obligations caption.

2.14. Financial lease and operating lease

Financial lease – the Company as lessee

The Company recognises 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 is applied. 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.

Direct expenses incurred by the lessee during the lease period are included in the value of the leased asset.

The depreciation is accounted for financial lease assets and it also gives rise to financial expenses in the 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 cannot be depreciated over the period longer than the lease term, unless the Company according to the lease contract, gets transferred their ownership after the lease term is over.

If the result of sales and lease back transactions is financial lease, any profit from sales exceeding the book value is not recognised as income immediately. It is deferred and amortised over the lease term.

Operating lease – the Company 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 recognised 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.

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 recognised immediately. If the sales price is lower than the fair value, any profit or loss is recognised 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 amortised 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 amortised over a period, during which the assets are expected to be operated.

2.15. Grants and subsidies

Grants and subsidies (hereinafter 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.

2 Accounting principles (cont'd)

2.16. Provisions

Provisions are recognised when 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. 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 an interest costs.

2.17. 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.

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 tax 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. Starting from 2007 the standard income tax rate in Lithuania will remain constant – 15%.

Tax losses can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments that can be carried forward for 3 consecutive years. The losses from disposal of securities and/or derivative financial instruments can only be used to reduce the taxable income earned from the transactions of the same nature.

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 assets have been recognised in the balance sheet to the extent the Company's 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 recognised in the financial statements.

2.18. Revenue recognition

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

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

Revenue from services is recognized on accrual basis when services are rendered.

2.19. 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 Accounting principles (cont'd)

2.20. Segment information

In these financial statements business segment is considered component of 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.

Geographical segment is considered component of the Company 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.

Business activities of the Company are structured as a sole primary business segment – manufacture of refrigerators and freezers. Business and geographical segment information is presented in these financial statements in Note 4.

2.21. Impairment of assets

Financial assets

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

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due according to the contractual terms of loans or receivables, impairment 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 for in the same caption of the income statement as the impairment loss.

2.22. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting 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 (Notes 2.6. and 13), amortisation (Notes 2.5. and 12), evaluation of impairment and provisions (Notes 2.16., 2.21. and 21), evaluation of deferred income tax valuation allowance and deferred tax recognition (Note 11). 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.

2.23. 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 are probable.

2 Accounting principles (cont'd)

2.24. Subsequent events

Post-balance sheet events that provide additional information about the Company'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.

2.25. 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 a certain Standard specifically requires such set-off.

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

3 Correction of errors

As of 31 December 2006, considering that the banks have not demonstrated to take any actions to request an early repayment of the loans, under the non-current liabilities caption the Company accounted for LTL 3,761 thousand liabilities in accordance with loan agreements, certain covenants of which were not fulfilled; therefore, the banks had the right to change the amounts of loans stated in the agreements as well as the maturity of the loans. According to IAS 1 requirements, liabilities can be classified as non-current only if the Company has an unconditional right to postpone the payment for 12 months after balance sheet date. Therefore, the aforementioned liabilities are presented in these financial statements as current liabilities.

	As stated in the financial statements for the year 2006	Adjustments	Amounts after adjustments in these financial statements
Non-current borrowings and financial lease obligations	39,233,456	(3,761,114)	35,472,342
Current borrowings and current portion of non-current borrowings and financial lease obligations	29,126,226	3,761,114	32,887,340
Total borrowings and financial lease obligations	68,359,682	-	68,359,682

The presented liabilities and deferred income tax adjustments had no effect on net profit (loss) of the previous periods and on the profit (loss) per share.

4 Segment information (in LTL thousand)

The Company's sole business segment (primary reporting format) is the production of refrigerators and specialised equipment. Segment information is presented in respect of the Company's geographical segments (secondary reporting format).

The Company's sales revenue in respect of the geographical segments in 2007 and 2006 (in LTL thousand):

	2007	2006
Russia	33,679	22,216
Ukraine	94,114	76,134
Western Europe	82,108	77,277
Eastern Europe	43,418	48,072
Lithuania	23,785	23,929
Other CIS countries	15,675	10,919
Other Baltic states	13,307	14,366
Other countries	588	175
	306,674	273,088

All assets of the Company in the year 2007 and as of 31 December 2006 and all acquisitions of non-current assets in 2007 and 2006 are connected with Lithuania's geographical segment.

5 Selling and distribution expenses

	2007	2006 (restated)
Transportation	4,097,186	4,158,484
Warranty service costs	4,012,530	2,650,373
Advertising	2,174,276	1,566,154
Salaries and social insurance	2,092,280	2,047,112
Market research, sales promotion and commissions to third parties	1,644,380	1,691,946
Insurance	435,053	520,758
Rent of warehouses and storage cost	373,160	624,368
Production dispatch cost	284,882	283,798
Certification cost	248,100	174,881
Business trips	138,011	343,743
Other	531,007	164,562
	16,030,865	14,226,179

6 Administrative expenses

	2007	2006 (restated)
Salaries and social insurance	6,984,477	6,627,741
Depreciation and amortisation	2,230,109	2,489,792
Professional services	731,109	243,993
Trainings	506,727	168,656
Communication expenses	426,028	624,629
Utilities	318,721	169,534
Utilisation of refrigerators	294,101	202,665
Notary legal services	293,044	7,993
Bonuses accrued for the reporting period	290,587	300,000
Car maintenance	282,133	256,993
Business trips	269,732	470,239
Change of allowance for receivables	262,194	(24,805)
Property tax	228,152	391,853
Current assets and stationery	210,320	352,378
Insurance	186,749	181,985
Maintenance of computers and software	176,617	56,946
Bank services	174,769	192,351
Security	163,859	102,857
Charity, Christmas presents, etc.	95,486	128,090
Personnel related costs	76,699	70,585
Other	2,327,822	1,386,539
	16,529,435	14,401,014

In 2007 the management of the Company changed the classification of expenses and classified the interest expenses as the financial expenses. Comparative information of 2006 was adjusted accordingly in order to correspond to the presentation of expenses of the year 2007.

7 Other operating income

	2007	2006
Income from transportation	1,579,462	1,316,589
Income from rent of premises	365,271	165,155
Gain on disposal of non-current assets	241,638	2,098,920
Income from rent of equipment	205,314	225,721
Income from mobile communications services	191,736	241,579
Other	718,865	92,722
	3,302,286	4,140,686

8 Other operating expenses

	2007	2006
Transportation expenses	1,350,865	1,150,567
Mobile communications expenses	199,931	237,438
Expenses from rent of equipment	163,963	188,233
Other	506,770	166,976
	2,221,529	1,743,214

9 Financial income

	2007	2006 (restated)
Foreign currency exchange gain	2,477,288	1,900,079
Interest income on loans granted *	1,477,031	2,083,211
Gain from foreign currency forward contracts	571,021	3,975,521
Gain of foreign currency translation transactions	12,547	169,522
	4,537,887	8,128,333

10 Financial expenses

	2007	2006 (restated)
Interest expenses *	3,682,153	3,534,399
Foreign currency exchange loss	2,998,804	3,134,616
Loss of foreign currency translation transactions	215,973	46,632
Other financial expenses	25,102	-
	6,922,032	6,715,647

*For the purpose of the income tax computations on the loans granted to subsidiaries the Company accounted for additional income from interest rate up to the market interest rate, the same amount is also included as interest expenses, which are considered as non-deductible expenses for purposes of income tax computations. Interest income and expenses for the year 2007 are presented in net value. Comparative information of 2006 was adjusted accordingly and is also provided in net value in these financial statements.

11 Income tax (in LTL thousand)

	2007	2006
Components of the income tax income (expenses)		
Income tax for the reporting year (expenses)	(163)	(2,666)
Deferred income tax income (expenses)	37	(136)
Income tax (expenses) recorded in income statement	(126)	(2,802)

	2007	2006
Deferred income tax asset		
Bonuses, vacation pay and other accruals	125	68
Warranty provision	378	324
Allowance of receivables	53	-
Other	8	-
Deferred income tax asset before valuation allowance	564	392
Less: valuation allowance	-	-
Deferred income tax asset, net	564	392
Deferred income tax liability		
Development costs	(740)	(569)
Capitalised development and repair costs	(118)	(154)
Deferred income tax liability	(858)	(723)
Deferred income tax, net	(294)	(331)

The reported amount of income tax attributable to the theoretical amount that would arise from applying income tax rate of the Company is as follows:

	2007	2006
Profit (loss) before tax	(2,968)	13,461
Income tax expenses computed using the statutory tax rate (18% and 19%)	534	(2,558)
Non-deductible expenses	(662)	(219)
Effect of change of income tax rate	2	(25)
Income tax (expenses) recorded in income statement	(126)	(2,802)

12 Intangible assets

	Development cost	Software, licenses	Total
Cost:			
Balance as at 31 December 2006	9,874,025	2,287,810	12,161,835
Additions	1,794,901	142,875	1,937,776
Disposals and write-offs	(541,179)	(388,626)	(929,805)
Balance as at 31 December 2007	11,127,747	2,042,059	13,169,806
Amortisation:			
Balance as at 31 December 2006	5,358,433	1,759,440	7,117,873
Charge for the year	1,152,591	273,049	1,425,640
Disposals and write-offs	(358,783)	(335,766)	(694,549)
Balance as at 31 December 2007	6,152,241	1,696,723	7,848,964
Net book value as at 31 December 2007	**4,975,506**	**345,336**	**5,320,842**
Net book value as at 31 December 2006	**4,515,592**	**528,370**	**5,043,962**

	Development costs	Software, licenses	Total
Cost:			
Balance as at 1 January 2006	8,439,250	2,181,447	10,620,697
Additions	1,634,958	338,137	1,973,095
Disposals and write-offs	(203,183)	(228,774)	(431,957)
Other reclassifications	3,000	(3,000)	-
Balance as at 31 December 2006	9,874,025	2,287,810	12,161,835
Accumulated amortisation:			
Balance as at 1 January 2006	4,076,898	1,646,688	5,723,586
Charge for the year	1,279,161	339,281	1,618,442
Disposals and write-offs	-	(224,155)	(224,155)
Other reclassifications	2,374	(2,374)	-
Balance as at 31 December 2006	5,358,433	1,759,440	7,117,873
Net book value as at 31 December 2006	**4,515,592**	**528,370**	**5,043,962**
Net book value as at 1 January 2006	**4,362,352**	**534,759**	**4,897,111**

The amortisation charge in 2007 amounting to LTL 1,403 thousand (LTL 1,550 thousand in 2006) was included into operating expenses in the income statement. The remaining part of the amortisation was included into the refrigerator manufacturing costs.

13 Property, plant and equipment

	Land, buildings and structures	Machinery and equipment	Vehicles	Construction in progress	Total
Cost:					
Balance as at 31 December 2006	18,580,059	94,200,825	17,597,622	4,816,995	135,195,501
Additions	-	11,292,601	1,090,026	-	12,382,627
Disposals and write-offs	-	(6,161,321)	(2,065,153)	-	(8,226,474)
Reclassifications	121,187	6,690,118	(1,994,310)	(4,816,995)	-
Balance as at 31 December 2007	18,701,246	105,496,064	15,154,344	-	139,351,654
Accumulated depreciation:					
Balance as at 31 December 2006	3,038,445	61,516,120	10,734,653	-	75,289,218
Charge for the year	819,269	11,337,624	1,812,624	-	13,969,517
Disposals and write-offs	-	(5,295,593)	(1,395,549)	-	(6,691,142)
Reclassifications	-	-	-	-	-
Balance as at 31 December 2007	3,857,714	67,235,287	11,474,592	-	82,567,593
Net book value as at 31 December 2007	**14,843,532**	**38,260,777**	**3,679,752**	**-**	**56,784,061**
Net book value as at 31 December 2006	**15,541,614**	**32,684,705**	**6,862,969**	**4,816,995**	**59,906,283**

13 Property, plant and equipment (cont'd)

	Land, buildings and structures	Machinery and equipment	Vehicles	Construction in progress	Total
Cost:					
Balance as at 1 January 2006	18,181,478	88,644,438	15,362,125	-	122,188,041
Additions	-	7,333,883	3,696,145	4,816,995	15,847,023
Disposals and write-offs	(259,060)	(1,374,980)	(1,205,523)	-	(2,839,563)
Reclassifications	657,641	(402,516)	(255,125)	-	-
Balance as at 31 December 2006	18,580,059	94,200,825	17,597,622	4,816,995	135,195,501
Accumulated depreciation:					
Balance as at 1 January 2006	2,127,785	51,988,775	9,771,400	-	63,887,960
Charge for the year	833,898	10,753,298	2,157,808	-	13,745,004
Disposals and write-offs	(25,537)	(1,297,920)	(1,020,290)	-	(2,343,747)
Reclassifications	102,299	71,967	(174,266)	-	-
Balance as at 31 December 2006	3,038,445	61,516,120	10,734,652	-	75,289,217
Net book value as at 31 December 2006	**15,541,614**	**32,684,705**	**6,862,970**	**4,816,995**	**59,906,284**
Net book value as at 1 January 2006	**16,053,693**	**36,655,663**	**5,590,725**	**-**	**58,300,081**

Under the construction in progress as at 31 December 2006 the Company accounted for property reconstruction in progress.

The depreciation charge of the Company's property, plant and equipment for 2007 amounts to LTL 13,970 thousand (LTL 13,745 thousand in 2006). In 2007 the amount of LTL 827 thousand (LTL 940 thousand in 2006) was accounted for as operating expenses in the income statement of the Company. The remaining amount of depreciation was included in the production cost.

On 31 December 2007, the Company's property, plant and equipment, with the net book value of LTL 21,694 thousand (LTL 27,946 thousand as of 31 December 2006) was pledged to banks as a collateral for the loans (Note 22).

14 Inventories

	2007	2006
Raw materials, spare parts and production in progress	30,082,303	26,799,249
Finished goods	10,839,444	7,533,007
	40,921,747	34,332,256

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

In order to secure bank loans, the Company pledged inventories with the gross value of LTL 19,300 thousand as at 31 December 2007 (as at 31 December 2006 – LTL 29,300 thousand).

Inventories amounting to LTL 275,554 thousand were recognised as an expense in 2007 (LTL 234,700 thousand in 2006) and are included in the cost of sales in the income statement.

15 Trade receivables

Trade receivables and their impairment as of 31 December was as follows:

	2007	2006
Trade receivables, gross	35,488,918	39,690,387
Less: allowance for doubtful trade receivables	(355,331)	(132,587)
	35,133,587	39,557,800

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

As at 31 December 2007 trade receivables with the carrying value of LTL 355 thousand (as at 31 December 2006 – LTL 133 thousand) were fully impaired.

Movements in the individually assessed impairment of trade receivables were as follows:

	2007	2006
Balance at the beginning of the period	(132,857)	(157,392)
Charge for the year	(293,243)	(11,556)
Write-off of trade receivables	35,208	-
Effect of the change in foreign currency exchange rate	4,512	8,524
Recovered amounts	31,049	27,837
Balance at the end of the period	(355,331)	(132,587)

Receivables are written off when it becomes evident that they will not be recovered.

The ageing analysis of trade receivables as at 31 December 2007 and 2006 is as follows:

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2007	28,761,891	5,379,230	224,522	326,957	14,421	426,566	35,133,587
2006	34,782,727	3,741,773	443,099	788	914	588,499	39,557,800

According to the factoring agreement with recourse, the amounts receivable were pledged to the factors of the Company. As at 31 December 2007 and 2006 the carrying amount of receivables pledged to the factors amounted to LTL 18,842 thousand and LTL 16,035 thousand, respectively.

16 Other current assets

	2007	2006
VAT receivable	1,066,453	984,581
Prepayments and deferred charges	318,769	224,742
Compensations receivable	12,167	725,271
Other receivables	71,357	88,829
	1,468,746	2,023,423

Compensations are receivables from suppliers for low-quality goods.

17 Cash and cash equivalents

	2007	2006
Cash at bank	2,102,152	833,774
Cash on hand	3,698	1,997
	2,105,850	835,771

The accounts of the Company in foreign currency and in litas up to LTL 10,000 thousand (LTL 10,000 thousand in 2006) are pledged as a collateral for the bank loan (Note 22).

18 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 at 31 December 2007 and 2006 the Company was in compliance with this requirement.

19 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. As at 31 December 2007 and 2006 the legal reserve of the Company was fully formed.

Non-restricted reserves

Other reserves are formed based on the decision of the General Shareholders' Meeting for special purposes. All non-restricted reserves before distributing the profit are transferred to retained earnings and redistributed annually under a decision of the shareholders.

As at 31 December 2007 other distributable reserves amounted to LTL 10,000 thousand (on 31 December 2006 – LTL 10,000 thousand) and comprised a reserve for own shares acquisition, a reserve for investments of LTL 23,648 thousand (on 31 December 2006 – 16,338 thousand) and other reserves for charity and support of LTL 90 thousand (on 31 December 2006 – 151 thousand) and LTL 350 thousand (on 31 December 2006 – 410 thousand) for social and cultural needs.

20 Subsidies

Balance as at 31 December 2005	10,315,100
Received during the year	43,500
Balance as at 31 December 2006	10,358,600
Received during the year	345,280
Balance as at 31 December 2007	10,703,880
Accumulated amortisation as at 31 December 2005	5,206,168
Amortisation during the year	1,303,092
Accumulated amortisation as at 31 December 2006	6,509,260
Amortisation during the year	1,179,704
Accumulated amortisation as at 31 December 2007	7,688,964
Net book value as at 31 December 2007	**3,014,916**
Net book value as at 31 December 2006	**3,849,340**

The subsidies were received for the renewal of production machinery and repair of buildings in connection with the elimination of CFC 11 element from the production of polyurethane insulation and filling foam, a subsidy for elimination of green house gases in the manufacturing of domestic refrigerators and freezers. Subsidies are amortised during the same period as the machinery and improvements or recognised as income when compensatory costs are incurred. The amortisation of subsidy is included in production cost against depreciation of machinery and improvements.

21 Warranty provision

The Company provides warranty of up to 3 years for the production sold. The provision for warranty repairs was estimated based on the expected cost of repairs and statistical warranty repair rates and divided respectively into long-term and short-term provisions.

Change in warranty provision during the year 2007 can be specified as follows:

	2007
As at 1 January	1,800,954
Charge for the year	6,683,486
Utilised	(5,962,700)
As at 31 December	2,521,740

Warranty provision is accounted for as at 31 December as:	**2007**
- non-current	705,042
- current	1,816,698
	2006
- non-current	550,000
- current	1,250,954

22 Borrowings

	31 December 2007	31 December 2006
		(restated)
Non-current borrowings		
Factoring liabilities and non-current borrowings	18,277,198	35,159,824
Current borrowings		
Current portion of non-current borrowings	31,900,584	32,616,466
	50,177,782	67,776,290

Non-current loans in the amount of LTL 18,277 are arranged at fixed interest rate based on the factoring agreement with recourse. The factoring agreement is valid until 28 February 2009. The rest of the loans have floating interest rates of 6-month LIBOR +1% margin, 6-month LIBOR + 1.1% margin, 6-month LIBOR + 1.2% margin, 1 month EURIBOR + 1.15% margin and 6-month VILIBOR + 1.1% margin.

On 31 December 2007, buildings with the net book value of LTL 11,217 thousand (2006 – LTL 10,045 thousand), machinery and equipment with the net book value of LTL 10,477 thousand (2006 – LTL 17,901 thousand), inventories with the net book value of LTL 19,300 thousand (2006 – LTL 29,300 thousand), cash inflows into the bank accounts up to LTL 10,000 thousand (2006 – LTL 10,000 thousand) and the major part of OOO Techprominvest shares are pledged as a collateral for loans from banks.

The Company was in default of certain loan covenants for loans amounting to LTL 23,623 as at 31 December 2007 (as at 31 December 2006 – LTL 22,783 thousand). During 2007 these loans were repaid on time; the bank did not take any action regarding non-compliance with the loan covenants. Liabilities related to these agreements as at 31 December 2007 and 2006 are accounted for under the current liabilities caption.

Borrowings at the end of the year in national and foreign currencies:

	2007	2006
Borrowings denominated in:		
EUR	19,197,912	38,868,183
USD	7,914,180	6,754,755
LTL	23,065,690	22,153,352
	50,177,782	67,776,290

As at 31 December 2007 the Company had unused funds in credit lines and overdrafts amounting to LTL 466 thousand (LTL 2,232 thousand as at 31 December 2006).

23 Financial lease obligations

Principal amounts of financial lease payables at the 31 December 2007 and 2006 are denominated in euros.

The interest rate on the financial lease obligations in euros varies depending on the 6-month EURRIBOR + 1.1% and 1,5%, 6-month LIBOR EUR + 1% and 1.2%.

Future minimal lease payments under the above-mentioned financial lease contracts as at 31 December 2007 are as follows:

	2007	2006
Within one year	994,064	342,866
From one to five years	2,747,158	336,211
Total financial lease obligations	3,741,222	679,077
Interest	(318,290)	(95,685)
Present value of financial lease obligations	3,422,932	583,392
Financial lease obligations are accounted for as:		
- current	858,239	270,874
- non-current	2,564,693	312,518

The assets leased by the Company under financial lease contracts consist of machinery, 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:

	2007	2006
Machinery and equipment	4,446,602	-
Vehicles	333,851	1,152,091
	4,780,453	1,152,091

24 Operating lease

The Company has concluded several contracts of operating lease. The terms of the lease do not include restrictions of the activities of the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2007 the lease expenses of the Company amounted to LTL 278 thousand (LTL 177 thousand in 2006).

25 Other current liabilities

On 31 December other current liabilities were as follows:

	2007	2006
Vacation reserve	2,083,152	1,601,988
Taxes payable	1,425,262	1,361,788
Salaries and related taxes payable	1,398,549	1,434,312
Accrued premiums and bonuses to the Board	300,000	451,206
Payables for the shares of OOO Techprominvest	-	9,840,480
Other payables and accrued expenses	618,733	87,060
	5,825,696	14,776,834

Terms and conditions of the trade payables and other payables liabilities:
- Trade payables are non-interest bearing and are normally settled over a term of 60 days.
- Other payables are non-interest bearing and have the settlement term up to six months.
- Interest payable is normally settled monthly throughout the financial year.

26 Basic and diluted earnings (loss) per share

	2007		2006	
	Number of shares	In circulation / 365 (days)	Number of shares	In circulation / 365 (days)
Shares issued as at 1 January	23,070,405	17	23,070,405	365
Increase in authorised capital	756,960		-	
Shares issued as at 31 December	23,827,365	348	23,070,405	
Weighted average of shares in issue	23,792,109	365	23,070,405	365
Net result for the year, attributable to the shareholders of the parent company	(3,093,738)		10,659,081	
Basic and diluted earnings (loss) per share	(0.13)		0.46	

27 Financial instruments

Fair value of financial instruments

The carrying amounts and fair values of the Company's financial assets and financial liabilities as of 31 December were as follows:

	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current receivables from subsidiaries	46,955,476	43,567,014	61,572,791	52,362,312
Receivables from subsidiaries	46,877,213	46,337,988	49,210,746	48,856,791
Cash and cash equivalents	2,105,850	2,105,850	835,771	835,771
Derivative financial instruments	587,526	587,526	-	-
Current receivables	35,217,111	35,217,111	40,371,900	40,371,900
Financial liabilities				
Fixed rate borrowings	18,277,198	18,258,844	15,553,814	15,538,195
Floating rate borrowings	31,900,584	31,900,584	52,222,489	52,222,489
Obligations under financial lease	3,422,932	3,422,932	583,379	583,379
Other financial liabilities	59,602,964	59,602,964	65,719,975	65,719,975

Fixed rate borrowings comprise current liabilities related to agreements of recourse factoring. The fair value of borrowings was calculated by discounting the expected future cash flows at the prevailing interest rates. The fair value of loans and other financial assets was calculated using market interest rates.

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, factoring liabilities and current borrowings approximates fair value.
(b) The fair value of trade and other current receivable approximates their carrying amounts.

The derivative financial instruments are carried at fair value, thus their fair value equals the carrying amount. The Company had no investments into unlisted entities as at 31 December 2007 and 2006.

The following table shows net gains (losses) of financial instruments included in the income statement:

	2007	2006
Financial assets held for trading	571,021	3,975,521
Loans and receivables	(262,194)	24,805

Net gains and losses of financial instruments include revaluation effect of foreign currency derivative financial instruments and impairment losses of receivables.

28 Capital and risk management

Credit risk

The maximum exposure of the credit as at 31 December 2007 and 2006 comprise balance values of receivables including the derivative financial instruments' value. As stated in Note 29, on 31 December 2007 the carrying amount of receivables from OOO Techprominvest and loans was LTL 92,282 thousand (LTL 110,505 thousand in 2006).

Except for receivables from subsidiaries, the concentration of the Company's receivables is fairly low. On 31 December 2007 receivables from 10 main clients of the Company accounted for approx. 38.35 % (47.81% on 31 December 2006) of the total receivables of the Company.

The credit policy implemented by the Company and credit risk is constantly controlled. Credit risk assessment is applied to all clients willing to get a payment deferral.

In accordance with the policy of receivables recognition as doubtful, the payments variation from agreement terms are monitored and prevention actions are taken in order to prevent overdue receivables in accordance with the standard of the Company "Trade Credits Risk Management Procedure".

According to the policy of the Company, receivables are considered to be doubtful if they meet the following criteria:

- the client is late with settlement for 60 and more days and the receivable is not insured;
- factorised clients late with settlement for 30 and more days;
- client is unable to fulfil the obligations assumed;
- reluctant to communicate with the seller;
- the turnover of management is observed;
- reorganisation process is observed;
- information about tax penalties, judicial operation and restrictions of the use of assets is observed;
- bankruptcy case;
- inconsistency and variation in payments;
- other criteria.

Interest rate risk

The major part of the Company's borrowings is with variable rates, related to LIBOR and EURIBOR, which creates an interest rate risk. As at 31 December 2007 and 2006 the Company did not use any financial instruments to manage interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity, other than current year profit impact.

	Increase/ decrease of basic points	Effect on the profit before tax (LTL thousand)
2007		
EUR	+ 100	(153)
LTL	+ 100	(200)
EUR	- 200	306
LTL	- 200	400
2006		
EUR	+ 100	(335)
LTL	+ 100	(196)
EUR	- 200	670
LTL	- 200	392

28 Capital and risk management (cont'd)

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents by using cash flows statements with liquidity forecasting for future periods. The statement comprises predictable cash flows of monetary operations and effective planning of cash investment if it is necessary.

The purpose of the Company's liquidity risk management policy is to maintain the ratio between continuous financing and flexibility in using overdrafts, bank loans, obligations, financial and operating lease agreements.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2007 and 2006 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans, financial lease and borrowings	3,623,014	28,512,414	623,395	20,841,891	-	53,600,714
Trade and other payables	21,733,180	37,869,784	-	-	-	59,602,964
Interest payable	-	401,145	80,943	-	-	482,088
Balance as at 31 December 2007	**25,356,194**	**66,783,343**	**704,338**	**20,841,891**	**-**	**113,685,766**
Interest bearing loans and borrowings	22,782,892	389,126	9,715,322	35,472,342	-	68,359,682
Trade and other payables	8,096,106	47,783,389	-	-	-	55,879,495
Interest payable	-	515,098	1,266,713	256,195	-	2,038,006
Balance as at 31 December 2006	**30,878,998**	**48,687,613**	**10,982,035**	**35,728,537**	**-**	**126,277,183**

Foreign exchange risk

Major currency risks of the Company occur due to the fact that the Company's significant part of the revenue is in US dollars and the borrowings are denominated in other foreign currencies.

To reduce the effect of foreign currency exchange fluctuation, the Company uses derivative financial instruments. In 2007 the Company arranged the foreign currency forwards with a bank for USD 15,540 thousand translation at a fixed rate. USD 3,340 thousand were executed in 2007. Derivative financial instruments are set to hedge from negative effect of change of foreign currency rate or cash flows from sales revenue in US dollars.

The table below summarises the maturity profile of the Company's derivative financial instruments as at 31 December 2007 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Contractual amounts payable	-	(9,428,800)	(19,329,040)	-	-	(28,757,840)
Contractual amounts receivable	-	9,516,271	19,829,096	-	-	29,345,367
Total undiscounted financial asset (liabilities)	**-**	**87,471**	**500,056**	**-**	**-**	**587,527**

The Company had no unsettled derivative financial instruments as at 31 December 2006.

28 Capital and risk management (cont'd)

Foreign exchange risk (cont'd)

The following table demonstrates sensitivity to a reasonably possible change in the foreign exchange rates of the Company's profit before tax:

	Increase (decrease) of LTL/USD exchange rate	Effect on the profit before tax, LTL thousand
2007	5%	(920)
	-5%	848
2006	5%	521
	-5%	(521)

Capital management

The Company manages share capital, share premium, legal reserves, reserves, foreign currency translation reserve and retained earnings as capital. The primary objectives of the Company's capital management are to ensure that the Company complies with the externally imposed capital requirements.

The Company manages its capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As described in Note 1, 756,960 ordinary shares with the nominal value of LTL 1 each were issued in 2007 for LTL 13 each. Funds from the issue were used to finance the acquisition of minority interest in the subsidiary OOO Techprominvest.

A company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 December 2007 and 2006 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Company.

29 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. The related parties of the Company and the transactions with related parties during 2007 and 2006 were as follows:

UAB Hermis Capital (same ultimate controlling shareholder);
UAB Genčių Nafta (same ultimate controlling shareholder);
UAB Hermis Fondų Valdymas (same ultimate controlling shareholder);
UAB Baltijos Polistirenas (companies controlled by members of management and their relatives);
UAB Astmaris (companies controlled by members of management and their relatives);
UAB Aljana (companies controlled by members of management and their relatives);
UAB Lisiplastas (companies controlled by members of management and their relatives);
UAB Astmaris (companies controlled by members of management and their relatives);
UAB Lanksti Linija (companies controlled by members of management and their relatives).

Subsidiaries:

OOO Techprominvest (100% of shares);
TOB Snaige Ukraina (99% of shares);
OOO Moroz Trade (100% of shares);
OOO Liga Servis (100% of shares);
UAB Almecha (100% of shares).

29 Related party transactions (cont'd)

Transactions carried out with subsidiaries:

	Purchases		Sales	
	2007	**2006**	**2007**	**2006**
		(restated)		(restated)
OOO Techprominvest	238,191	98,996	31,382,866	21,254,360
TOB Snaigė Ukraina	5,770,014	3,942,525	1,540,692	886,188
UAB Almecha	9,700,946	-	6,974,355	-
OOO Liga-Servis	13,222	12,637	-	-
	15,722,373	4,054,158	39,897,913	22,140,548

The Company has a policy to conduct subsidiary transactions on contractual terms. Outstanding balances at the year-end are unsecured, interest-free and settlement occurs in cash. There were no guarantees provided or received for any related party receivables or payables.

The carrying amount of loans and receivables from subsidiaries on 31 December:

	2007	**2006**
Non-current receivables		
Loans receivable from OOO Techprominvest	24,514,880	39,132,195
Non-current receivables from OOO Techprominvest for non-current assets	22,440,596	22,440,596
Total non-current receivables	46,955,476	61,572,791
Current receivables		
Trade receivables from OOO Techprominvest	37,084,266	38,884,734
Trade receivables from TOB Snaigė Ukraina	243,147	278,364
Trade receivables from UAB Almecha	1,307,355	-
Current portion of non-current loans receivable from OOO Techprominvest	8,242,445	10,047,648
Total current receivables	46,877,213	49,210,746
Total loans and receivables from subsidiaries	93,832,689	110,783,537

The analysis of receivables from subsidiaries and granted loans during the period on 31 December:

	Receivables from subsidiaries and granted loans neither past due nor impaired	Receivables from subsidiaries and granted loans past due but not impaired					
		Less than 30 days	**30 – 60 days**	**60 – 90 days**	**90 – 120 days**	**More than 120 days**	**Total**
2007	65,680,398	3,746,358	2,929,079	3,416,951	2,111,609	15,948,294	93,832,689
2006	79,787,752	2,036,991	1,655,442	259,258	177,740	26,866,354	110,783,537

On 2007 and on 31 December 2006 there were no signs of impairment of overdue amounts. As the Company controls its subsidiary OOO Techprominvest and manages its cash flows, the management of the Company assumes all receivables from this subsidiary will be recovered. Therefore, these amounts were not impaired on 2007 and 31 December 2006.

29 Related party transactions (cont'd)

Payables to subsidiaries as at 31 December:

	2007	2006
OOO Techprominvest	68,280	57,757
TOB Snaige Ukraina	199,285	102,204
OOO Liga-Servis	3,030	-
UAB Almecha	1,280,038	-
Total payables to subsidiaries	1,550,633	159,961

Transactions with other related parties:

2007	Purchases	Sales	Receivables	Payables
UAB Baltijos Polistirenas	4,399,357	-	-	805,689
UAB Astmaris	7,377,466	-	-	961,847
	11,776,823	-	-	1,767,536

2006	Purchases	Sales	Receivables	Payables
UAB Hermis Fondų Valdymas	52,752	-	-	-
UAB Lisiplastas	7,072,470	397,342	23,020	-
UAB Baltijos Polistirenas	2,481,889	-	-	-
UAB Astmaris	6,847,895	-	-	-
UAB Lanksti Linija	-	-	1,368,513	9,435
	16,455,006	397,342	1,391,533	9,435

In 2007 and 2006 the Company's transactions with UAB Baltijos Polistirenas, UAB Astmaris and UAB Lisiplastas represented acquisitions of production materials. In 2006 the Company purchased rent services from UAB Hermis Fondų Valdymas.

Financial and investment transactions with the related parties:

	2007			2006		
	Loans received	Repayment of loans	Interest paid	Loans received	Repayment of loans	Interest received
UAB Hermis Capital	12,500,000	12,500,000	42,011	20,500,000	20,500,000	33,767
UAB Genčių Nafta	3,500,000	3,500,000	37,178	-	-	-
	16,000,000	16,000,000	79,189	20,500,000	20,500,000	33,767

29 Related party transactions (cont'd)

The Company has signed several guarantee agreements, according to which it guaranteed payments to suppliers for the liabilities of the subsidiary OOO Techprominvest.

	Trade payable by the subsidiary	
	As of 31 December 2007	As of 31 December 2007
AB Panevėžio Stiklas	-	238,568
UAB Lisiplast	2,553,399	1,564,535
Worwag Polska	197,595	176,012

As of 31 December 2007 and 2006, there were no indications that the Company would have to perform payments according to the guarantee agreements in the near future.

<u>Remuneration of the management and other payments</u>

The management of the Company includes the chairman of the board, board members, the general manager and functional managers. Remuneration of the Company's and subsidiaries' management amounted to LTL 2,256 thousand in 2007 (LTL 2,323 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.

30 Subsequent events

On 5 March 2008 an agreement was signed with AB SEB Bankas for EUR 3,584 thousand credit limit combining previously received loans and setting new repayment maturities. EUR 580 thousand from the credit limit will have to be repaid in 2008, the remaining part till 1 March 2009.

On 15 February 2008 an agreement was signed with AB Bankas Hansabankas for LTL 20 million loan restructuring into EUR 5,792 thousand and repayment maturity till 15 February 2009.

In April 2008 the Company issued 200,000 bonds with the par value of LTL 100 each and the redemption price of LTL 100 each. The annual interest rate is 14%, the obligations expire in 367 days. Obligations can be converted to ordinary shares, the ratio of the conversion with ordinary shares of the Company is 1:18. Bonds are to be redeemed on 6 April 2009.

In March 2008 new loan agreements were signed with related parties, and the total cash funds received amount to LTL 7,100 thousand. The loans are repayable in 2008.