AB SNAIGĖ

Interim report for the 12 months of 2007

CONTENTS

I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the 12 months of 2007.

2. The basic data about the issuer

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

Authorized capital – 23,827,365 LTL

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Fax - +370 315 56 207; +370 315 56 242

E-mail – snaige@snaige.lt

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

Legal organization status – legal entity, public limited company

Registered as an enterprise on December 1, 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Statute of AB "Snaigė" was registered on January 18, 2007 in Alytus Department of Register of Legal Entities of the Republic of Lithuania.

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

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

The mass media unit – daily paper "Lietuvos Rytas".

II. FINANCIAL STATUS

8. Accounting Balance Sheet (in LTL)

Ref. No.	ASSETS	2007 12 31	2006 12 31
A.	**Non-current assets**	**119,522,155**	**124,056,863**
I.	INTANGIBLE ASSETS	17,609,646	17,356,669
II.	TANGIBLE ASSETS	97,925,574	103,532,482
II.1.	Land		
II.2.	Buildings	36,663,254	38,569,527
II.3.	Other non-current tangible assets	58,968,702	54,820,400
II.4.	Construction in progress and advance payments	2,293,618	10,142,555
III.	NON-CURRENT FINANCIAL ASSETS		
IV.	DEFERRED TAXES ASSETS	3,986,935	3,167,712
B.	**Current assets**	**129,579,432**	**133,070,208**
I.	INVENTORY AND CONTRACTS IN PROGRESS	62,302,257	55,871,283
I.1.	Inventory	62,302,257	55,871,283
I.2.	Advance payments		
I.3.	Contracts in progress		
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	62,576,884	72,382,575
III.	OTHER CURRENT ASSETS	715,731	11,270
IV.	CASH AT BANK AND ON HAND	3,984,560	4,805,080
C.	**Accrued income and prepaid expenses**		
	TOTAL ASSETS	**249,101,587**	**257,127,071**

Ref. No.	SHAREHOLDERS' EQUITY AND LIABILITIES	2007 09 30	2006 12 31
A.	**Capital and reserves**	**93,573,857**	**93,007,483**
I.	SHARE CAPITAL	36,554,635	26,714,155
I.1.	Authorized (subscribed) share capital	23,827,365	23,070,405
I.2.	Uncalled share capital (-)		
I.3.	Share premium (surplus of nominal value)	12,727,270	3,643,750
	Own shares (-)		
III.	REVALUATION RESERVE	-515,838	-986,564

IV.	RESERVES	36,486,171	29,236,913
V.	PROFIT (LOSS) BROUGHT FORWARD	21,048,889	38,042,979
B.	**Minority interest**	**10,833**	**7,368**
C.	**Financing (grants and subsidies)**	**3,014,916**	**3,849,340**
D.	**Accounts payable and liabilities**	**152,501,981**	**160,262,880**
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES	23,972,311	42,315,421
I.1.	Financial debts	20,841,891	39,233,456
I.2.	Trade creditors		
I.3.	Advances received on contracts in progress		
I.4.	Provisions		
I.5.	Deferred taxes		
I.6.	Other accounts payable and non-current liabilities	3,130,420	3,081,965
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES	128,529,670	117,947,459
II.1.	Current portion of non-current debts	32,758,823	29,420,029
II.2.	Financial debts		
II.3.	Trade creditors	84,693,316	67,346,955
II.4.	Advances received on contracts in progress	442023	794,895
II.5.	Taxes, remuneration and social security payable	6,508,857	5,422,121
II.6.	Provisions		
II.7.	Other accounts payable and current liabilities	4,126,651	14,963,459
II. 8.	Fair value of derivative financial instruments		
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**249,101,587**	**257,127,071**

9. Profit (Loss) Report (in LTL)

Ref. No.	ITEMS	2007 12 m.	2006 12 m.	2007 IV quarter	2006 IV quarter
I.	SALES AND SERVICES	410,815,909	351,826,739	107,169,445	103,596,470
II.	COST OF GOODS SOLD AND SERVICES RENDERED	361,623,128	301,511,532	97,033,941	89,206,465
III.	GROSS PROFIT	49,192,781	50,315,207	10,135,504	14,390,005
IV.	OPERATING EXPENSES	52,220,001	60,571,089	18,123,934	25,002,163
V.	PROFIT (LOSS) FROM OPERATIONS	-3,027,220	-10,255,882	-7,988,430	-10,612,158
VI.	OTHER ACTIVITY	252,871	2,283,374	-138,688	564,600
VI.1.	Income	2,725,320	4,614,883	590,064	1,249,296
VI.2.	Expenses	2,472,449	2,331,509	728,752	684,696
VII.	FINANCIAL AND INVESTING ACTIVITIES	-7,834,018	-2,155,365	-2,587,719	-3,185,128
VII.1.	Income	11,972,007	21,125,945	3,604,729	3,139,966
VII.2.	Expenses	19,806,025	23,281,310	6,192,448	6,325,094
VIII.	PROFIT (LOSS) FROM ORDINARY ACTIVITIES	-10,608,367	-10,127,873	-10,714,837	-13,232,686
IX.	EXTRAORDINARY GAIN				
X.	EXTRAORDINARY LOSS				
XI.	CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES	-10,608,367	-10,127,873	-10,714,837	-13,232,686
XII.	TAXES	867,187	457,394	1,305,314	-1,926,949
XII.1.	PROFIT TAX	136,664	457,394	-836,066	-1,443,526
XII.2.	Adjustment of deferred profit tax	1,027,244		353,412	1,200,445
XII.3.	Social tax	23,393		-115,836	-483,423
XIII.	MINORITY INTEREST	3,465	3,627	168	-1,034,698
XIV.	NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS)	-9,744,645	-10,581,640	-9,409,691	-11,139,990

10. Cash Flows Statement

Ref. No.		2007 12 m.	2006 12 m.
I.	**Cash flows from the key operations**		
I.1	Result before taxes	(10,608,367)	(10,127,873)
I.2	Depreciation and amortization expenses	20,853,972	20,144,648
I.3	Subsidies amortization	(1,179,704)	(1,303,092)
I.4	Result of sold non-current assets	(79,781)	(2,098,920)
I.5	Write-off of non-current assets	22,376	12,557
I.6	Write-off of inventories	743,348	
I.7	Depreciation of receivables	698,290	9,836,546
I.8	Non-realized loss on currency future deals	(571,021)	(4,760,721)
I.9	Change in provision for guarantee repair	680,501	210,324
I.10	Restoration of receivables depreciation	(726,322)	
I.11	Financial income		(33,767)
I.12	Financial expenses	3,682,699	3,716,161
	Cash flows from the key operations until decrease (increase) in working capital	**13,515,991**	**15,595,863**
II.1	Decrease (increase) in receivables and other liabilities	9,805,691	(5,803,068)
II.2	Decrease (increase) in inventories	(6,430,974)	4,889,301
II.3	Decrease (increase) in trade and other debts to suppliers	16,451,851	16,826,309
	Cash flows from the main activities	**33,342,559**	**31,508,405**
III.1	Interest received		33,767
III.2	Interest paid	(3,682,699)	(3,716,161)
III.3	Profit tax paid	(4,277,988)	(5,588,264)
	Net cash flows from the key operations	**25,381,872**	**22,237,747**

II.	**Cash flows from the investing activities**		
II.1	Acquisition of tangible non-current assets	(18,669,074)	(21,249,495)
II.2	Capitalization of intangible non-current assets	(2,906,929)	(2,050,711)
II.3	Sales of non-current assets	5,351,102	2,524,228
	Net cash flows from the investing activities		

III.	**Cash flows from the financial activities**		
III.1	Cash flows related to the shareholders of the company		
III.1.1	Issue of shares		
III.1.2	Shareholders' contributions for covering losses		
III.1.3	Sale of own shares		
III.1.4	Payment of dividends		
III.2	Cash flows arising from other financing sources		
III.2.1	Subsidies received	345,280	43,500
III.2.1.1	Loans received	199,218,305	121,971,293
III.2.1.2	Loans repaid	(217,043,463)	(123,799,723)
III.2.2	Finance lease received	4,601,892	
III.2.2.1	Payments of leasing (finance lease) liabilities	(1,824,863)	(531,015)
	Net cash flows from the financial activities	**(14,702,849)**	**(2,315,945)**

IV.	**Cash flows from extraordinary items**		
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
V.	**The influence of exchange rates adjustments on the balance of cash and cash equivalents**	**4,725,358**	**473,474**
VI.	**Net increase (decrease) in cash flows**	**(820,520)**	**(380,702)**
VII.	**Cash and cash equivalents at the beginning of period**	**4,805,080**	**5,185,782**
VIII.	**Cash and cash equivalents at the end of period**	**3,984,560**	**4,805,080**

11. Statement of Changes in Equity

	Paid up authorized capital	Share premium	Own shares (-)	Legal reserves		Other reserves					Retained earnings (losses)	TOTAL	Minority shareholders	TOTAL
				Compulsory	For acquiring own shares	For charity, donation	For social needs	For investments	Other reserves	Currency exchange reserve				
Balance as of December 31, 2005	**23,070,405**	**3,643,750**		**2,337,913**	**10,000,000**	**187,000**	**401,000**	**16,000,000**		**-1,288,563**	**48,922,761**	**103,274,266**	**23,994**	**103,298,260**
Dividends for year 2004												**0**		**0**
Acquisition of own shares during financial year						0	0					**0**		**0**
Formed reserves						-36,000	9,000	338,000			-311,000	**0**		**0**
Acquisition of own shares during financial year												**0**		**0**
Sale of own shares during financial year												**0**		**0**
Profit/loss of reporting period (2006)												**0**		**0**
Minority profits allocated to cover previous losses absorbed by parent												**0**		**0**
Total registered income and expense as of 2006										301,999	-10,581,640	**-10,279,641**	**-3,628**	**-10,283,269**
Year 2006 profit not registered in the Profit (Loss) account											12,858	**12,858**	**-12,998**	**-140**
Balance as of December 31, 2006	**23,070,405**	**3,643,750**	**0**	**2,337,913**	**10,000,000**	**151,000**	**410,000**	**16,338,000**	0	**-986,564**	**38,042,979**	**93,007,483**	**7,368**	**93,014,851**
Total registered income and expenses as of 2007											-9,744,645	**-9,744,645**		**-9,744,645**
Dividends for year 2006												**0**	**0**	**0**
Formed reserves				60,658	10,000,000	90,000	350,000	23,647,600	0		-34,148,258	**0**	**0**	**0**
Transfers from reserves					-10,000,000	-151,000	-410,000	-16,338,000	0		26,899,000	**0**	**0**	**0**
Acquisition of own shares during financial year											0	**0**	**0**	**0**
Sale of own shares during financial year												**0**		**0**
Minority profits allocated to cover previous losses absorbed by parent														**0**
Other changes	**756,960**	9,083,520								470,725		**10,311,205**		**10,311,205**
Non recognized profit (loss) in the profit/loss statement for the reporting period											-187	**-187**	**3,465**	**3,278**
Balance as of December 31, 2007	**23,827,365**	12,727,270	0	2,398,571	10,000,000	90,000	350,000	23,647,600	0	-515,839	21,048,889	**93,573,857**	**10,833**	**93,584,690**

12. Explanatory Notes

1 General information

AB “Snaigė” (hereinafter – the Company) is the enterprise registered in the Republic of Lithuania. The headquarters address:

Pramonės g. 6,

Alytus,

Lithuania.

The main activity of the company – manufacture of refrigerators and freezers. The Company was established on 1 April 1963. After privatization on 1 December 1992 the public company “Snaigė” was registered. On 1993 all the shares owned by the state were bought out. The Company’s shares are listed on Vilnius stock exchange official list.

As at 31 December 2007 and 2006 the major shareholders were as follows:

	2007 m.		2006 m.	
	Shares	**Percentage %**	**Shares**	**Percentage %**
UAB Survesta	4,935,810	20.71	4,910,900	21.29
Hansabank Clients	11,291,650	47.39	11,961,256	51.85
Skandinaviska Enskilda Banken Clients	2,537,131	10.65	1,958,668	8.49
SSBT AS Custodian For Eterrity Limited	808,000	3.39	783,000	3.39
Skandinaviska Enskilda Banken AB Finnish Clients	796,162	3.34	254,996	1.11
Other shareholders	3,458,612	14.52	3,201,585	13.87
In total	23,827,365	100.00	23,070,405	100.00

All the shares have the nominal value of 1 LTL, are ordinary and on 31 December 2006, 31 December 2007 were fully paid. The subscribed capital was increased in year 2007 to 23 827 365 LTL after issuing additional shares. None of the subsidiary companies had any shares of the Company as of 31 December 2006 and 31 December 2007.

The group consists of AB „Snaige“ and its subsidiary and associated companies (hereafter – the Group)

Company	Company‘s headquarters address	Shares owned by the group	Size of investment	Current year profit (loss)	Own equity	Main activity
OOO „Techprominvest“	Kaliningrad, Bolšaja Okrūžnaja, 1-a	100	46,264,316	(10,878,609)	-18,674,106	Manufacture and sales of refrigerators and coolers
TOB „Snaige Ukraina“	Kiev, Grushevski 28-2a/43	99	88,875	75,497	403,576	Sale, consulting, after sale servicing
OOO „Moroz Trade“	Moscow, Prospekt Mira 52	100	947	(129,446)	-7625,347	Sales and marketing activities
OOO „Liga Servis“	Moscow, Prospekt Mira 52	100	1028	184,654	289,892	Sales, marketing, transport activities

UAB Almecha	Pramonės 6, Alytus	100	1,375,785	738,215	1,973,111	Manufacture of equipment and machinery

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

The subsidiary Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. As of the acquisition the Company owns 85% of Techprominvest. During 2006 AB Snaigė acquired the remaining 15% of Techprominvest and as of 31 December 2006 it owns 100% of Techprominvest. The subsidiary is involved in production of refrigerators and fridges sold in Russia.

Snaige Ukraine (Kiev, Ukraine) was established in 2002. As of the acquisition in 2002 the Company owns 99% of Snaige-Ukraine. The subsidiary provides sales and marketing services to AB Snaige in the Ukrainian market.

On 13 May 2004, Moroz Trade (Moscow, Russia) was established. The Company acquired 100% of shares of Moroz Trade in October 2004. The subsidiary provides sales and marketing services to Techprominvest in the Russian market.

Liga Servis (Moscow, Russia) was established on 7 February 2006. The subsidiary provides sales and marketing services to Techprominvest in the Russian market.

UAB Almecha (Alytus, Pramonės 6 Lietuva) was established on 9 November 2006. The main activity of the company – manufacture of machinery and equipment.

As of 31 December 2007 the Group had 2479 employees (as of 31 December 2006 – 2265).

The Company‘s management did not authorize these financial statements. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2 Accounting principles

The main accounting principles used in preparation of financial accounts for 2007 are listed below:

2.1. Base of the preparation of financial accounts

The financial accounts for the 12 months of 2007 are prepared according to international financial reporting standards (IFRS), which are accepted in the European Union countries.

2.2. Financial accounting currency

Group's companies use legal currency of the corresponding countries while preparing financial accounts and reports. In this financial report all the amounts are expressed in national currency of Lithuania, Litas.

The amounts shown in these financial statements are: USD exchange rate as of 31 January 2007 – LTL 2.3572, average USD exchange rate – LTL 2.523, RUB exchange rate as of 31 January 2007 – LTL 0.96085, average exchange rate of RUB – LTL 0.98624, UAH exchange rate as of 31 January 2007 – LTL 0.46649, average exchange rate of UAH – LTL 0.50136.

Starting from 2 February 2002, Lithuanian Litas is pegged to EUR 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.

2.3. Principles of consolidation

The consolidated financial statements of the Group include AB Snaigė and its subsidiaries as well as associated companies. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement.

The purchase method of accounting is used for acquired businesses. The Company accounts for the acquired identifiable assets and liabilities of another company at their fair value at acquisition date. The difference of the acquired minority interest value in the Group's financial statements and cots of shares is accounted for as goodwill.

2.4. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The excess of the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment remaining after the reassessment of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination is recognized in the income statement immediately.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Subsidiaries are consolidated from the date when the Group acquires the actual control rights and are stopped being consolidated from the date these rights are renounced.

All other investments are accounted for according to TAS 39 ”Financial instruments: recognition and measurement”, as discussed in section 2.6.

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

Consolidated financial statements are prepared by applying the same accounting principles to similar transactions and other events under similar circumstances.

2.5. Intangible assets, except for goodwill

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives (3 years).

The useful lives, residual values and amortization method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

<u>Licenses</u>

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

Software

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

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

2.6. Property, plant and equipment

Property, plant and equipment, excluding construction in progress, are stated at historical cost, less accumulated depreciation and impairment loss. Property, plant and equipment are assets that are controlled by the Group, which is expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably defined and is higher then LTL 500. Likvidacinė vertė lygi 1 Lt. Ilgalaikis materialusis turtas apskaitomas įsigijimo verte, į kurią neįeina kasdieninės priežiūros išlaidos, atėmus sukauptą nusidėvėjimą ir įvertintus vertės sumažėjimo nuostolius. Įsigijimo vertė apima ilgalaikio materialiojo turto dalių pakeitimo išlaidas, kai jos patiriamos, jei šios išlaidos atitinka turto pripažinimo kriterijus, o pakeistos dalys nurašomos.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the income statement in the period the costs are incurred.

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

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

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

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. Investments and other financial assets

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

Financial assets at fair value through profit or loss

The category financial assets at fair value through profit or loss' include 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 recognized 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 Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortized cost. Gains and losses are recognized in income statement when the investments are derecognized or impaired, as well as through the amortization 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 amortized cost using the effective interest method. Gains and losses are recognized in income statement when the loans and receivables are derecognized or impaired, as well as through the amortization 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 recognized as a separate component of equity until the investment is derecognized 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.

2.8. Inventories

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

Inventories in transit are accounted for in accordance with INCOTERMS.

2.9. Receivables and loans granted

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

2.10. 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 and bank overdrafts.

2.11. Borrowings

Borrowing costs are expensed as incurred.

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

Borrowings are classified as current, if the Group does not comply with the provisions of the financing agreement that provide the creditor with a possibility to demand early repayment.

2.12. Derecognizing 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 derecognized when:

– the rights to receive cash flows from the asset have expired;
– the Group 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 Group has 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 has transferred control of the asset.
– Where the Group 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 recognized to the extent of the Group’s continuing involvement in the asset.

Financial liabilities

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

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 Group comprise factoring transactions with regress (recourse) right (the factor is entitled to returning the overdue claim back to the Group) and without regress (recourse) right (the factor is not entitled to returning the overdue claim back to the Group). The factoring expenses comprise a lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest expenses depending on the duration on the payment term set by the debtor. Factored accounts receivable (with regress right) and related financing are recorded in accounts receivable caption and liabilities to credit institutions caption in the financial statements.

2.14. Financial lease and operating lease

Financial lease – the Group as lessor

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

Operating lease – the Group as lessee

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

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

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

Operating lease – the Group as lessor

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

2.15. Grants and subsidies

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

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

The balance of unutilized grants is shown in the balance sheet caption “Grants and subsidies (deferred income)”.

2.16. Provisions

Provisions are recognized when the Group or the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. 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 recognized as an interest.

2.17. Income tax

The calculation of income tax is made using annual profit, after taking into account the influence of deferred income tax. The income tax is calcualted according to the requirements of the Republic of Lithuania. Income tax of foreign subsidiaries is calculated accorind to the tax laws of these countries.

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

The standard income tax rate in Russia – 24%, Ukraine – 25%.

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.

Tax losses in Russian Federation can be carried forward for 10 consecutive years and in Ukraine – for 1 year.

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 recognized in the balance sheet to the extent the Group's management believes it will be realized 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 realized, this part of the deferred tax asset is not recognized in the financial statements.

2.18. Revenue recognition

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

Revenue from sales of goods is recognized when delivery has taken place and transfer of risks and rewards has been completed. Revenue from services is recognized when services are rendered. Interest income is recognized on accrual basis (using the effective interest rate).

2.19. Expense recognition

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

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.

2.20. Foreign currencies

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

The accounting of subsidiaries is arranged in respective local currencies, which is their functional currency. Financial statements of foreign consolidated subsidiaries are translated to Litas at year-end exchange rates in respect to the balance sheet accounts, and at the average exchange rates for the year in respect to the accounts of the statement of income. The exchange differences arising on the translation are taken directly to equity. Upon disposal of the corresponding assets, the cumulative revaluation of translation reserves is recognized as income or expenses in the same period when the gain or loss on disposal is recognized.

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

2.21. Segment information

Business segment is considered component of the Group participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

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

For governing purpose Group's activities are organized as one main segment – manufacture of refrigerators and freezers. Financial information about the segments is provided in the part 3 of this note.

2.22. 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 amortized cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans or receivables, impairment is recognized in the income statement. The reversal of impairment losses previously recognized 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 recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

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 recognized in the income statement. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized 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.

2.23. 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 amortization, depreciation, evaluation of impairment and provisions. 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.

2.24. Contingencies

Contingent liabilities are not recognized 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 recognized in the financial statements but disclosed when an inflow or economic benefits are probable.

2.25. Subsequent events

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

2.26. Offsetting and comparative figures

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

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

3 Financial information by segments

The Group's only business segment (basis for primary reporting format) is the manufacturing of refrigerators and specialized equipment. Segment information is presented in respect of the Group's geographical segments (secondary reporting format).

Results for the year ended 31 December 2007 by geographical segments can be specified as follows:

	Western Europe	Eastern Europe	Baltic states	Ukraine	Russia	Lithuania	Unallo-cated	Total
Sales	82,254	46,436	13,307	97,071	136,623	18,862	16,263	410,816
Gross profit	7,200	5,544	1,499	10,451	13,633	3,502	7,364	49,193
Operating expenses	-	-	-	-	-	-	-51,967	-51,967
Profit (loss) from operating activities	7,200	5,544	1,499	10,451	13,633	3,502	-44,603	-2,774
Net finance expense	-	-	-	-	-	-	-7,834	-7,834
Loss before income tax	7,200	5,544	1,499	10,451	13,633	3,502	-52,437	-10,608
Income tax expenses	-	-	-	-	-	-	867	867
Net segments result	7,200	5,544	1,499	10,451	13,633	3,502	-51,570	-9,741
Segment's assets by client location	**8850**	**7194**	**3224**	**10579**	**16797**	**4951**	**197507**	**249102**
							155,517	155,517
Total liabilities							38,068	38,068

Cash flow from operating activities	(16,225)	(16,225)
Cash flow from investments activities	(14,703)	(14,703)
Cash flow from financing activities	(821)	(821)
Net cash flow	**21,576**	**21,576**

Results for the year ended 31 December 2006 by geographical segments can be specified as follows:

	Western Europe	Eastern Europe	Baltic states	Ukraine	Russia	Lithuania	Unallo-cated	Total
Sales	77,277	48,072	14,366	81,908	95,083	23,927	11,194	351,827
Gross profit	10,922	4,603	2,072	14,566	11,724	4,021	2,407	50,315
Operating expenses	-	-	-	-	-	-	(58,288)	(58,288)
Profit (loss) from operating activities	10,922	4,603	2,072	14,566	11,724	4,021	(55,881)	(7,973)
Net finance expense	-	-	-	-	-	-	(2,155)	(2,155)
Loss before income tax	10,922	4,603	2,072	14,566	11,724	4,021	(58,036)	(10,128)
Income tax expenses	-	-	-	-	-	-	(457)	(457)
Net segments result	10,922	4,603	2,072	14,566	11,724	4,021	(58,493)	(10,585)
Segment's acquisition of property, plant and equipment								
Segment's assets by client location	**18,104**	**3,447**	**3,231**	**10,082**	**23,649**	**4,945**	**193,669**	**257,127**
Total liabilities							164,112	164,112
Cash flow from operating activities							31,982	31,982
Cash flow from investments activities							(20,776)	(20,776)
Cash flow from financing activities							(2,316)	(2,316)
Net cash flow							(381)	(381)
Capital expenditure							**23,300**	**23,300**

4 Operating expenses

For the years ended 31 December 2007 and 2006 administrative expenses consisted of the following:

	2007	**2006**
Sales expenses		
Transportation	10,521,708	9,171,078

Rent of warehouses	185,576	3,946,329
Advertising	3,576,790	3,650,914
Warranty service costs	3,989,103	3,457,183
Salaries and social insurance	2,171,340	2,047,112
Commissions to third parties	492,039	1,833,298
Insurance	586,630	630,154
Business trips	138,011	353,234
Depreciation and amortization	125,969	139,163
Other	4,610,303	2,395,200
	26,397,469	27.623.665
Administrative expenses		
Salaries and social insurance	12,021,643	10,029,621
Allowance for trade accounts receivable	-371,010	9,836,546
Depreciation and amortization	2,738,106	2,758,694
Communication expenses	646,616	1,044,504
Business trips	640,510	848,986
Utilities	378,110	459,699
Property tax	150,437	391,853
Car maintenance	282,133	383,259
Insurance	361,588	323,715
Bonuses, payments to the Board accrued	290,587	300,000
Charity, Christmas presents, ect.	9,716	249,219
Other	8,674,096	6,321,328
	25,822,532	32.947.424
	52,220,001	60.571.089

Allowance for accounts receivable in year and 2006 are related to overdue receivables from clients in Russia.

5 Other operating income and expenses, net result

For the years ended 31 December net other activity income consisted of the following:

	2007	**2006**
Other operating income		
Income from transportation	1,579,462	1,316,589
Revenue of auxiliary departments	1,383	725,177
Gain on disposal of property, plant and equipment	259,460	2,098,920
Sales of materials and spare parts		60,316
Other	885,024	413,881
	2,725,320	4.614.883
Other operating expenses		

Transportation expenses	1,350,865	1,150,567
Expenses of auxiliary departments	1,097	509,806
Cost of sales of materials and spare parts		51,551
Other	1,120,487	619,585
	2,472,449	2.331.509
Other operating income and expenses, net	**252,871**	**2,283,374**

6 Financial income and expenses, net result

For the years ended 31 December finance income and expenses, net consisted of the following:

	2007	2006
Finance income		
Foreign exchange gain	11,323,850	15,122,856
Interest on loans granted		33,767
Gain on foreign currency derivatives	591,126	5,623,410
Other financial income	57,031	345,912
	11,972,007	21,125,945
Finance expenses		
Foreign exchange loss	15,715,764	16,996,823
Realized loss on foreign currency derivatives	20,105	1,515,473
Unrealized loss on foreign currency derivatives		862,689
Interest on borrowings	3,679,681	3,716,161
Other financial expenses	390,475	190,164
	19,806,025	23,281,310
Finance income and expenses, net	**(7,834,018)**	**(2,155,365)**

7 Non-current intangible assets

The balance sheet value of non-current intangible assets on 31 December 2007 was 17,609.6 thous. LTL (on 31 December 2006 – 17,356.7 thous. LTL)

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

8 Non-current tangible assets

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

	Balance sheet value on 31 December	
	2007	2006
Buildings and constructions	36,663,254	38,569,527
Other non-current assets	58,968,702	54,820,400

	2007	2006
Construction in progress and prepayments	2,293,618	10,142,555
In total:	**97,925,574**	**103,532,482**

Group's non-current tangible assets depreciation in 2007 is equal to 19 199 thous. LTL (in 2006 –18 524 thous. LTL)

9 Inventories

	2007	2006
Raw materials and spare parts	41,583,909	34,555,600
Production in progress	1,540,384	1,449,015
Finished goods	18,892,440	19,652,890
Other	285,524	213,778
	62,302,257	55,871,283
Less: net realizable value allowance		
	62,302,257	**55,871,283**

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 inventories are pledged up to a carrying amount of LTL thousand as of 31 December 2007 (as of 31 December 2006 – LTL 29,300 thousand).

10 Trade receivables

As of 31 December trade receivables were composed as follows:

	2007	2006
	64,345,768	75,427,158
Trade receivables, gross	11,527,355	11,969,133
Less: allowance for doubtful trade receivables	52,818,413	63,158,025

Trade receivables are non-interest bearing and are generally on 30-60 days terms.

As of 31 December 2007 trade receivables with the nominal value of 11,527 LTL thousand (as of 31 December 2006 – 11,969 LTL thousand) were impaired and fully provided for.

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

	2007	2006

Balance at the beginning of the period	- 11,969,133	-2,157,392
Charge for the year	-470,287	-10,106,331
Write-off of trade receivables		
Recovered receivables		
Effect of the change in foreign currency exchange rate	573,445	265,375
Balance in the end of the period	338,620	29,215
Balance on 31 December 2007	-11,527,355	-11,969,133

The ageing analysis of trade receivables as of 31 December 2007 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**
2006	58,596,920	3,741,773	504,087	13,399	914	600,932	63,458,025
2007	46,017,575	5,771,742	235,805	326,957	16,604	449,730	52,818,413

According to factoring with regress right agreement the Group has pledged trade receivables the balance values of which on 31 December 2007 and 31 December 2006 were respectively equal to 18,277 thous. LTL and 15,554 thous. LTL.

11 Other current assets

	2007	2006
VAT receivable	2,517,914	3,745,675
Prepayments and deferred charges	1,272,412	1,236,485
Compensations receivable from suppliers	1,214,817	86,241
Receivable for property, plant and equipment sold		80,000
Other receivable	5,468,059	4,087,419
Total other assets	**10,473,202**	**9,235,820**

Compensations from suppliers are received for bad quality goods.

12 Cash and cash equivalents

	2007	2006

Cash at bank	3,977,330	4,777,706
Cash on hand	7,230	27,374
	3,984,560	**4,805,080**

Company's accounts in foreign currencies and in Litas up to 10,000 thous. LTL are pledged to the bank as collateral for received loan.

13 Share capital

According to the Law on Companies of the Republic of Lithuania the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As of 31 December 2007 the Company was not in compliance with this requirement. On 11 September 2006 general shareholders' meeting took a decision to increase share capital by 756,960 shares up to 23,827,365 at a par value of 1 Litas. Shareholders' meeting also decided to set a price for 1 share of 13 Litas, to revoke priority to purchase the shares for existing shareholders and grant a right to purchase the new emission to the existing minority shareholders of Techporminvest.

14 Reserves

Legal reserve

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

Non-restricted reserves

Non-restricted (distributable) reserves are formed based on the decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can be used only for the purposes approved by the General Shareholders' Meeting.

Foreign currency translation reserve

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries.

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

15 Subsidies

Subsidies on 1 January 2006	**5,108,932**
Increase during period	43,500
Amortization during period	1,303,092
Net residual value 31 December 2006	**3,849,340**
Increase during period (2007)	345,280
Amortization during period (2007)	1,179,704
Net residual value 31 December 2007	**3,014,916**

Future periods' subsidies income consists of subsidies for renewal of manufacturing equipment and building repairs due to the CFC 11 ingredient abandonment in the manufacturing of polyurethane insulating material and filling foam manufacturing, elimination of greenhouse gas elimination in the refrigerators manufacturing processes, and subsidy for export development. Deferred subsidies amount is amortized during the same period as equipment and machinery, for which subsidies were received, and when compensated expenses are incurred. Subsidies amortization amount is included into costs of goods sold while decreasing equipment and buildings reconstruction, for which subsidies were received, depreciation

16 Provisions for guarantee related liabilities

Sold products are given from 3 to 10 years guarantees. Provisions for guarantee related services were made according to planned service expenses and refrigerators breakdowns statistics, and appropriately were divided into non-current and current provisions. Non-current provisions on 31 December 2007 were equal to 3,130 thous. LTL (2006 – 3,082 thous. LTL), current provisions on 31 December 2007 are equal to 807 thous. LTL (2006 – 550 thous.LTL).

17 Borrowings

	As of 31 December 2007	As of 31 December 2006
Non-current borrowings		
Bank borrowings secured by state guarantees		-
Bank borrowings secured by Company's assets	18,277,198	38,920,938
Other loans	2,564,693	312,518
	20,841,891	39,233,456
Current borrowings		
Current portion of non-current bank borrowings	23,623,014	29,085,948
Other current borrowings	9,135,809	334,081
	32,758,823	29,420,029
	53,600,714	68,653,485

The loans in the amount of LTL'000 1,498 are arranged at fixed interest rate of 3.9% and the rest of the loans are arranged at floating interest rates of 6 month LIBOR +1% margin, 6 month LIBOR + 1.1% margin, 6 month LIBOR + 1.2% margin, 1 and 6 month EURIBOR + 1.1% margin and 1 month EURIBOR + 1.15% margin.

The Group has 7 loans issued by Lithuanian banks.

On 31 December 2007 buildings, the residual value of which is equal to 11,218 thous. LTL (31 December 2006 – 33,664 thous. LTL), machinery and equipment, the residual value of which is 10,477 thous. LTL (31 December 2006 – 43,190 thous. LTL), inventories, the residual value of which is equal to 19,300 thous. LTL (31 December 2006 – 29,300 thous. LTL), cash receivables to the bank accounts up to 10,000 thous. LTL (31 December 2006 – 10,000 thous. LTL) and shares of "Techprominvest" for 2,808 thous. LTL (31 December 2006 – 2,808 thous. LTL) are pledged as a collateral for loans received from bank.

On 30 March 2007, the Group agreed with a bank on increased credit line of EUR 2,492 thousand (equivalent to LTL 8,606 thousand) (the credit line was not used as of 31 December 2006) and prolonged the maturity until 31 May 2008.

The company has not complied with required indicators identified in the loan agreements for the loans, the value of which was equal to 3,623,014 LTL on 31 December 2007 (31 December 2006 – 22,782,892 LTL). However, the loans are paid back during one year period, so they have no significant influence.

Parts of borrowings at the end of the year in national and foreign currencies:

	2007	**2006**
Borrowings denominated in:		
EUR	19,197,912	38,645,477
USD	7,914,180	6,746,865
LTL	23,065,691	22,383,948
	50,177,783	**67,776,290**

18 Financial leasing

The assets leased by the Group under financial lease contracts consist of machines, equipment and vehicles. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The terms of financial lease are from 3 to 5 years. The distribution of the net book value of the assets acquired under financial lease is as follows:

	2007	**2006**
Machines and equipment	3,189,209	-
Vehicles	233,723	583,379
	3,422,932	583,379

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

	2007	2006
EUR	-	-
LTL	3,422,932	583,379
	3,422,932	583,379

For financail lease liabilities floating interest rates are applied: 3 months EURIBOR +1.5 percent, 6 months LIBOREUR + 1 percent, and 6 months LIBOREUR + 1.2 percent, 6 month LOBOREUR + 1.3 percent and 12 months LIBOR + 1.4 percent.

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

	2007
Within one year	858,239
From one to five years	2,564,693
After five years	-
Total financial lease obligations	3,422,932

19 Operating lease

The group has formed several operating lease agreement. In the agreement conditions there are no limitations set for the Group's activities related to dividends, additional borrowings or additional long-term rent. In 2007 Group's operating lease expenses there equal to 278 thous. LTL (2006 – 177 thous. LTL).

20 Trade credits

The conditions of the above mentioned type of liabilities:

- Trade credits are non interest paying and approximate time to payment is equal to 60 days.
- Other amounts payable are non interest paying and approximate time to payment is equal to 60 days.
- Interests payable are usually set quarterly during the financial year.

21 Other current amounts payable

As of 31 December other creditors were composed as follows:

	2007	2006
Salaries and related taxes payable	3,872,453	3,421,261
Vacation reserve	2,336,404	2,000,860
Bonuses and payments to the Board accrued	300,000	300,000
Other taxes payable	2,126,927	3,235,215
For the shares of Techprominvest	-	9,840,480
Other payables and accrued expenses	116,724	336,810
Total other creditors	**8,752,508**	**19,134,626**

22 Basic and diluted earnings (loss) per share

	2007	2006
Shares issued 1 January	23,827,365	23,070,405
Average weighted number of shares in issue	23,827,365	23,070,405
Net result for the year, attributable to the parent company	(9,744,645)	(10,581,640)
Earnings (loss) per share	(0,41)	(0.46)

23 Risk and capital management

Credit risk

The Groups' partners' concentration is high enough. Trade receivables from the main 10 group's clients on 31 December 2007 constituted to 38.35% (47.81% on 31 December 2006) of all the groups trade receivables. The maximum amount of the credit risk on 31 December 2007 and 31 December 2006 is equal to balance sheet values of trade receivables and loans provided.

Established credit policy is being constantly controlled. All the clients willing to receive payment delay are checked and risk assessment is performed. The major part of trade receivables is insured.

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

Interest rate risk

The larger part of Groups loans is composed of loans with floating interest rates, which are floating together with LIBOR and creates interest rate risk.

The Group hasn't used any financial instruments to hedge against interest rate risk.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

Groups current ratio on 31 December 2007 was equal to 0.52 (on 31 December of 2006 – 0.65).

Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as is being involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency.

The parent company in 2007 has entered into forward exchange rate agreement with bank for 15,540,000 USD, from which 3,340,000 USD were actually exchanged. The derivative financial instruments are used to hedge sale income denominated in USD.

Monetary assets and liabilities stated in various currencies as of 31 December 2007 were as follows:

	Assets	Liabilities
LTL	10,728,167	54,919,363
EUR	22,551,708	75,710,529
USD	12,782,919	8,582,314
RUR	19,816,784	12,746,859
Other currencies	45,871	100,893
Total	**65,925,449**	**152,059,958**

24 Related parties transactions

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

Companies owned by management members and/or their close relatives:

2007	Purchases	Sales	Receivables	Payables
UAB „Hermis Capital"	42,011	-	-	
UAB „ Genčių nafta „	37,178	-	-	
UAB „Baltijos polistirenas"	4,399,357	-	-	
UAB „Astmaris"	7,377,466	-	-	
	11,856,012			

2006	Purchases	Sales	Receivables	Payables
UAB „Hermis Fondų Valdymas"	52,752	-	-	-
UAB „Hermis Capital"	-	33,767	-	-
UAB „Lisiplastas"	7,072,470	397,342	23,020	-
UAB „Baltijos polistirenas"	2,481,889	-	-	-
UAB „Astmaris"	6,847,895	-	-	-
UAB „Lanksti Linija"	-	-	9,435	1,368,513
	16,455,006	431,109	32,455	1,368,513