

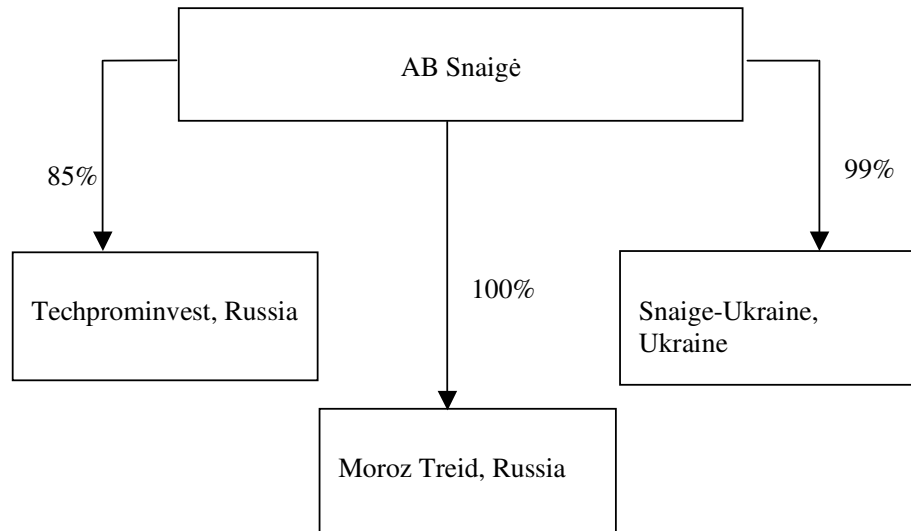
AB Snaigé

**Consolidated annual accounts
for the year 2004**

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Group structure



Parent company details

AB Snaigė

Telephone + 370 315 56206
Telefax + 370 315 56207
Company code 249664610
Registered office: Pramonės g. 6,
Alytus, Lithuania LT-62001

Supervisory Council

Dominykas Kašys (Chairman)
Martynas Česnavičius
Jamie Richard
Algis Pakalnis
Saulius Butkus

Board of Directors

Giedrius Barysas (Chairman)
Nerijus Dagilis
Titas Sereika
Albinas Valašinas
Virginija Graudinienė

Management

Mindaugas Šeštokas (Managing director)
Virginija Graudinienė (Finance director)
Albinas Valašinas (Technical director)
Sergei Butenko (Marketing director for Eastern countries)
Rimantas Zibertas (Marketing director for Western countries)
Darius Ivanauskas (Procurement director)
Algirdas Čyžius (Head of the refrigerator production department)

Auditors

KPMG Lietuva

Bankers

AB Hansabankas
AB Vilniaus Bankas
Vereins - und Westbank AG Vilnius branch
AB Nord/LB Lietuva

Financial highlights

LTL'000	2004	2003	2002	2001	2000
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Key figures

Turnover	293,367	269,417	247,317	194,475	132,742
Gross profit	63,476	50,851	46,740	29,590	12,782
Operating profit	27,091	26,343	26,134	10,991	-224
Profit before taxation	18,419	24,078	25,523	10,913	141
Profit for the year	15,158	21,502	21,587	10,198	261

Non-current assets	112,348	100,336	66,977	61,016	55,916
Current assets	122,020	85,110	62,024	52,815	35,701
Total assets	234,368	185,446	129,001	113,831	91,617
Share capital	23,070	23,070	23,070	23,070	23,070
Capital and reserves	91,438	80,078	77,233	56,013	48,548
Minority	-1,294	-171	0	0	0
Non-current liabilities	74,931	60,910	24,320	29,736	23,714
Current liabilities	69,293	44,629	27,448	28,082	19,355

Net cash flow from operating activities	-5,323	34,307	25,702	9,224	12,622
Net cash flow from investing activities	-26,420	-46,123	-18,903	-11,223	-8,640
Net cash flow from financing activities	30,511	17,483	-6,717	1,454	-4,084
Total cash flow	-1,232	5,667	82	-545	-102

Number of employees	2,485	1,866	1,856	1,849	n/a
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Financial ratios

Net profit ratio	6.8%	8.9%	10.6%	5.7%	n/a
Return on investment	7.9%	13.0%	20.3%	9.7%	n/a
Gross margin	21.6%	18.9%	18.9%	15.2%	9.6%
Current ratio	176.1%	190.2%	225.9%	188.1%	184.4%
Equity ratio	64.0%	76.0%	59.8%	49.2%	53.0%
Return on equity	19.2%	29.4%	32.4%	19.5%	0.1%

Financial highlights

Calculation of financial ratios

Net profit ratio	$\frac{\text{Profit/loss before tax etc.} \times 100}{\text{Turnover}}$
Return on investment	$\frac{\text{Profit/loss before tax etc.} \times 100}{\text{Total assets}}$
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Turnover}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Short-term creditors}}$
Equity ratio	$\frac{\text{Capital and reserves at year end} \times 100}{\text{Total liabilities at year end}}$
Return on equity	$\frac{\text{Profit for purposes of analysis} \times 100}{\text{Average capital and reserves}}$
Profit for purposes of analysis	Profit/loss on ordinary activities after tax

Management's statement on the accounts

The Board of Directors and the Management have today discussed and adopted the consolidated annual accounts and the report.

The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards. We consider that the accounting policies used are appropriate and that the consolidated annual accounts thus give a true and fair view.

We recommend the consolidated annual accounts to be approved at the General Meeting.

Vilnius, March 2005

Management:

Mindaugas Šeštokas
Managing Director

Board of Directors:

Giedrius Barysas
(Chairman)

Nerijus Dagilis

Titas Sereika

Albinas Valašinas

Virginija Graudinienė

Report of the auditor to the shareholders of AB Snaigė

Scope

We have audited the accompanying consolidated balance sheet of AB Snaigė as at 31 December 2004 and the related statements of income, movements on equity and cash flows for the year then ended.

Respective responsibilities of directors and auditors

These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of the opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Qualifications

The economy in Lithuania has been subject to hyperinflation which ceased to be from 1996. In accordance with IAS 29, an enterprise should treat the carrying amounts of the non-current assets indexed by the general price index in the financial reporting at the end of the period of hyperinflation as a basis for its subsequent financial statements. The enterprise has not applied the IAS 29 during the period of hyperinflation, its buildings are stated at historical cost and capitalised subsequent expenditure which amounts to Litas 9,837 thousand as at 31 December 2004. The external evaluation of buildings has not been performed. There were no practicable audit procedures that could be applied to estimate the effect of missing indexations on the financial statements and further improvements of buildings, for which we qualify.

The company has an overdue amount of Litas 2 981 thousand from a customer, for which a payment term is rolled over to the year 2005. No provision is made for the receivable, therefore we qualify our opinion for the amount mentioned.

Opinion

In our opinion, except for the above qualifications, the consolidated financial statements give a true and fair view of the financial position of AB Snaigė as at 31 December 2004, and of the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

Vilnius, 10 March 2005
KPMG Lietuva

Leif Rene Hansen
Danish State Authorised
Public Accountant

Domantas Dabulis
Certified Auditor

Profit and loss account

	Note	2004	2003
		Litas'000	Litas'000
Turnover	2	293,367	269,417
Production costs		-229,891	-218,566
Gross profit		63,476	50,851
Distribution expenses	4	-13,119	-8,905
Administrative expenses	5	-23,637	-15,649
Other operating income and costs, net	6	371	46
Operating profit		27,091	26,343
Financial income and expense, net	7	-8,672	-2,265
Profit before tax		18,419	24,078
Profit tax	8	-4,492	-2,749
Profit after tax		13,927	21,329
Minority interest		1,231	173
Net profit for the year		15,158	21,502
Earnings per share	9	0.66	0.93

Balance sheet

	Note	31/12 2004	31/12 2003
		Litas'000	Litas'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	105,833	95,110
Intangible assets	11	6,514	5,225
Investments		1	1
Total non-current assets		<u>112,348</u>	<u>100,336</u>
Current assets			
Inventories	12	53,876	38,189
Trade receivables		50,104	30,698
Other receivables	13	12,631	9,582
Cash and cash equivalents	14	5,409	6,641
Total current assets		<u>122,020</u>	<u>85,110</u>
TOTAL ASSETS		<u><u>234,368</u></u>	<u><u>185,446</u></u>

Balance sheet

	Note	31/12 2004	31/12 2003
		<u>Litas'000</u>	<u>Litas'000</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	23,070	23,070
Share premium		3,644	3,644
Own shares		0	-200
Legal reserve		2,338	2,338
Other reserve		26,588	12,135
Translation reserve		-1,003	0
Retained earnings		36,801	39,091
Total capital and reserves		<u>91,438</u>	<u>80,078</u>
Minority interest		<u>-1,294</u>	<u>-171</u>
Non-current liabilities			
Guarantee provision	16	897	865
Deferred tax	17	107	277
Deferred grants	18	6,369	7,628
Interest bearing loans and borrowings	19	67,558	52,140
Total non-current liabilities and charges		<u>74,931</u>	<u>60,910</u>
Current liabilities			
Interest bearing loans and borrowings	19	17,991	103
Trade creditors		37,751	35,240
Guarantee provision		963	0
Deferred tax		213	0
Other creditors	20	12,375	9,286
Total current liabilities		<u>69,293</u>	<u>44,629</u>
Total liabilities		<u>144,224</u>	<u>105,539</u>
TOTAL EQUITY AND LIABILITIES		<u>234,368</u>	<u>185,446</u>
Group entities	21		
Contingencies	22		
Staff costs	23		
Related party transactions	24		
Financial instruments	25		

Statement of changes in shareholders' equity

LTL'000	Note	Share capital	Share premium	Trea- sury shares	Legal reserve	Other reserve	Trans- lation reserve	Retained earnings	Total
Capital and reserves at 1 January 2003		23,070	3,644	0	2,338	12,135	0	36,046	77,233
Acquisition of own shares				-200					-200
Dividend for 2002								-18,457	-18,457
Net income for 2003								21,502	21,502
Capital and reserves at 31 December 2003		23,070	3,644	-200	2,338	12,135	0	39,091	80,078
Capital and reserves at 1 January 2004		23,070	3,644	-200	2,338	12,135	0	39,091	80,078
Allocation of reserves						14,453		-14,453	0
Dividend for 2003								-3,074	-3,074
Disposal of own shares				200				79	279
Net income for 2004								15,158	15,158
Translation reserve							-1,003		-1,003
Capital and reserves at 31 December 2004	15	23,070	3,644	0	2,338	26,588	-1,003	36,801	91,438

Cash flow statement

Litas'000	2004	2003
Net result	15,158	21,502
Adjustments for:		
Depreciation and amortisation	14,333	12,488
Amortisation of grants	-1,388	-981
Property, plant and equipment sold, written off, etc.	74	956
Deferred taxation	43	17
Provision for obsolete inventories	24	-157
Provision and written-off doubtful receivables	9	-49
Change in vacation reserve and other provisions	2,789	1,715
Interest expense/income, loss on disposal of investments	8,672	1,268
Minority interest	-1,231	-173
Accruals for current taxation	4,798	4,375
Net cash inflow from ordinary activities		
before any change in working capital	43,281	40,961
Change in trade and other receivables	-15,696	-5,265
Change in inventories	-22,479	-11,948
Change in trade creditors and other creditors	2,155	15,077
Net cash inflow from ordinary activities	7,261	38,825
Net interest received/paid	-8,672	-1,268
Profit tax paid/received	-3,912	-3,250
Net cash inflow from operating activities	-5,323	34,307
Acquisition of property, plant and equipment	-26,723	-45,991
Sale and acquisition of investments	-1	-2,117
Capitalisation of intangible fixed assets	-2,539	-1,490
Disposal of property, plant and equipment	2,843	3,475
Net cash outflow from investing activities	-26,420	-46,123
Shareholders:		
Acquisition of treasury shares	200	-200
Proceeds from sales of own shares	79	0
Dividend paid	-3,074	-18,457
Proceeds/payments of long-term borrowings	15,418	36,037
Proceeds/payments of short-term borrowings	17,888	103
Net cash inflow/(outflow) from financing, net	30,511	17,483
Net cash inflow/outflow from operating activities, investing activities and financing	-1,232	5,667
Cash and cash equivalents at 1 January	6,641	974
Cash and cash equivalents at 31 December	5,409	6,641

Notes to the accounts

1 Summary of significant accounting policies and practises

The joint stock company AB Snaigė (the Company), which is the parent company, is a public listed company domiciled in Alytus, Lithuania. The Company's shares are traded on the Official List of the National Stock Exchange of Lithuania (NSEL).

The consolidated financial statements of the Company for the year ended 31 December 2004 comprise the Company and its subsidiaries (together referred to as the "Group").

As at 31 December 2004, the Company owns 85% of Techprominvest, Russia (Kaliningrad). The subsidiary's financial statements are consolidated in the annual accounts of the Company.

As at 31 December 2004, the Company owns 99% of Snaige-Ukraine (Ukraine). The subsidiary's financial statements are consolidated in the annual accounts of the Company.

On 13 May 2004, Moroz Treid, Russia was established. The Company has acquired 100% shares of Moroz Treid in October 2004, however the actual control, directly or indirectly, to govern the financial and operating policies of the enterprise began from the establishment of Moroz Treid. The subsidiary's financial statements are consolidated in the annual accounts of the Company starting from the establishment of the company.

The Company is involved in the manufacturing of refrigerators and specialised equipment. The main products are consumer and commercial refrigerators.

As at 31 December 2004, the Group employed 2 485 employees (2003: 1,866 employees).

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB.

Basis of preparation

The consolidated financial statements are presented in Litas, rounded to the nearest thousand. They are prepared on the historical cost basis.

The preparation of the financial statements in accordance with IFRS requires from the management to make judgements, estimates and assumptions that affect on the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of

Notes to the annual accounts

making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates.

After the approval of the consolidated financial statements for the year 2003, bonuses and tantjemes amounting to Litas 1,565 thousand were paid to the Board and the Management of the Company. Therefore, the post balance sheet adjustment was made to the consolidated financial statements for the year 2003 as follows:

In thousand Litas	Result for 2003	Equity at 31/12/03
Financial statements before adjustments	23,067	81,643
Post balance sheet adjustments		
Bonuses and tantiemes accrued	-1,565	-1,565
Total adjustments	-1,565	-1,565
Adjusted financial statements	21,502	80,078

The accounting policies of the Company as set out below are consistent with those of the preceding year.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are the enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated when preparing the consolidated financial statements.

Effect of hyperinflation

In accordance with IAS 29, the financial statements prepared in hyperinflationary currency have to be restated using the general price index. Until 1996, the economy of Lithuania has

Notes to the annual accounts

been subject to hyperinflation because the cumulative inflation in 1994 to 1996 exceeded 100%. Due to lack of the appropriate general price indices, the financial statements were not restated in the years of the hyperinflation.

From 1996, the economy of Lithuania ceased to be hyperinflationary in terms of IAS 29. The restatement of the financial statements at the end of the hyperinflationary period and subsequent use of the carrying amounts as a basis for preparation of financial statements of subsequent periods was not made by the Company.

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litas at foreign exchange rates ruling at the dates the values were determined.

(ii) Financial statements of foreign operations

The Group's foreign operations in Russia and Ukraine are not considered to be an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations are translated to Litas at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Litas at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are stated at purchase price, including indexation in accordance with resolutions of the Government of Lithuania in 1991, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour cost and an appropriate proportion of production overheads.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major capital repairs expenditure, is capitalised.

Notes to the annual accounts

Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. The estimated useful lives are as follows:

- Buildings and constructions 15 - 63 years
- Plant and machinery 5 - 10 years
- Vehicles and other assets 3 - 8 years

Assets with the cost of less than Lit 500 and useful life less than 1 year are expensed in the year of acquisition.

Intangible fixed assets

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries as a difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Positive goodwill is stated at cost or deemed cost less accumulated depreciation and impairment losses (see accounting policy Impairment).

Positive goodwill recognised by the Company refers to the acquisition of the Russian subsidiary Techprominvest. The goodwill is amortised over 15 years.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, including design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and is expected to deliver future benefits. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Development costs initially recognized as an expense are not recognized as an asset in a subsequent period. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Notes to the annual accounts

Development costs that have been capitalized are amortized from the commencement of the commercial production of the product to which they relate on the units produced basis over the period of their expected benefit but not exceeding four years.

Other intangible assets

Other intangible assets (comprising computer software) that are acquired by the Company are stated at cost less accumulated amortisation. Computer software is amortised using the straight-line method over a 1 - 3 years period.

Investments

Investments held by the Company are classified as being available-for-sale under non-current assets and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

Available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investments.

Inventories

Inventories are stated at a lower cost or net realisable value . Cost is determined by the FIFO method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. Net realizable value is the estimate of the selling price in the ordinary course of business, less the selling expenses. Provision is made for slow moving or obsolete inventories.

Trade and other receivables

Trade receivables are carried at nominal value less provision for anticipated losses. An estimate is made for doubtful and hopeless receivables based on the review of all outstanding amounts at the year end.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash balances and call deposits.

Notes to the annual accounts

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount is the greater of the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Repurchase of own shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as own shares and presented as a deduction from the total equity. Any gain or loss resulting from disposal of own shares is recognised directly in equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Grants

Grants received relating to the acquisition of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Grants received as a compensation of expenses are recognised as income in the same period as the compensated expenditures.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the annual accounts

Guarantee of 2 to 10 years is provided for production sold. The provision for guarantee repairs is made based on the expected cost of repairs and statistical failure rates of production.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs are capitalised only when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably. Capitalisation commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to acquire the asset are complete.

Profit and loss account

Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement where delivery has been effected by the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Production costs

Cost of production comprises direct and indirect costs including depreciation and wages incurred in order to obtain the turnover for the year.

Notes to the annual accounts

Costs of imported products include the purchase price, transportation costs and customs cost.

Tax on result for the period

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting

A segment is a distinguishable component of the Company that is engaged in either providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Cash flow statement

The cash flow statement shows the company's inflows and outflows of cash during the period as well as the financial position at the end of the year. The cash flow is related to three major areas: operating activities, investing activities and financing.

The cash flow statement is drawn up in such a manner that net cash inflow/(outflow) from operating activities is presented indirectly based on operating income and charges in the profit and loss account.

Cash and cash equivalents include cash at bank and in hand and short-term securities stated under current assets.

Notes to the annual accounts

Net cash inflow/(outflow) from operating activities is calculated as the result of ordinary activities adjusted for non-cash operating items with the addition of an increase in, or reduction of, the working capital, net interest receivable or payable and extraordinary items and less corporation tax paid.

Working capital comprises current assets, excluding items included in cash and cash equivalents and short-term creditors, excluding bank loans, mortgage debt, taxation and dividends. Therefore, cash at bank and in hand and any securities stated under current assets are not included.

Net cash outflow/(inflow) from investing activities comprises acquisitions and disposals of fixed assets.

Additions are stated at cost. Disposals are stated at a sales price less related expenses.

Net cash inflow/(outflow) from financing comprises payments to and from shareholders as well as receipts from and repayment of mortgage debt and other long-term and short-term creditors not included under the working capital.

Notes to the annual accounts

2 Segment reporting

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

Results for 2004 by geographical segments can be specified as follows:

LTL'000	Western Europe	Eastern Europe	Baltic states	Ukraine	Russia	Lithua- nia	Other countries	Total
Revenue	77,499	48,859	13,685	84,564	30,248	30,650	7,862	293,367
Segment result	15,017	8,087	2,646	19,399	10,325	6,319	1,683	63,476
Unallocated expenses								-36,385
Operating profit								27,091
Net financing costs								-8,672
Profit before tax								18,419
Income tax expense								-4,492
Profit after tax								13,927
Minority interest								1,231
Net profit for the year								15,158
Segment assets				5,599	89,607	139,162		234,368
Segment liabilities				21	13,081	131,122		144,224
Capital expenditure				6	17,958	8,759		26,723

Notes to the annual accounts

Results for 2003 by geographical segment can be specified as follows:

LTL'000	Western Europe	Eastern Europe	Baltic states	Ukraine	Russia	Lithua- nia	Other countries	Total
Revenue	94,449	53,652	12,560	64,913	9,228	29,328	5,287	269,417
Segment result	16,969	8,814	2,468	14,845	439	6,405	911	50,851
Unallocated expenses								-24,508
Operating profit								26,343
Net financing costs								-2,265
Profit before tax								24,078
Income tax expense								-2,749
Net profit for the year								21,329
Minority interest								173
Net profit for the year								21,502
Segment assets				78	33,645	151,723		185,446
Segment liabilities				44	34,794	70,701		105,539
Capital expenditure				37	29,370	16,584		45,991

Notes to the annual accounts

3 Acquisition and disposal of subsidiaries

The acquisitions and disposal had the following effect on the Group's net assets and liabilities:

	2004	2003	
	Acquisition	Acquisition	Disposal
Litas'000			
Net identifiable assets and liabilities	1	11	-513
Ownership	100%	85%	100%
Proportion of identifiable net assets acquired/disposed	1	9	-513
Goodwill on acquisition	0	2,799	0
Consideration paid/ received	1	-2,808	691
Cash acquired / disposed	1	8	-373
Net cash outflow/ inflow	0	-2,800	318

On 13 May 2004 the Company established Moroz Treid, Russia, which is 100% owned.

On 26 March 2003 the Company acquired 85% ownership in Techprominvest, Russia (Kaliningrad).

In 2002, the company acquired 100% interest in General Frost (Slovakia). On 16 December 2003, the company sold its 100% holding in General Frost.

4 Distribution expenses

	2004	2003
	Litas '000	Litas '000
Transportation	7,005	4,110
Advertising	2,713	961
Guarantee service costs	568	592
Commissions	538	805
Salaries and social insurance	523	639
Insurance	351	438
Others	1,421	1,360
	<u>13,119</u>	<u>8,905</u>

Notes to the annual accounts

	<u>2004</u>	<u>2003</u>
	Litas '000	Litas '000
5 Administrative expenses		
Salaries and social insurance	8,535	6,597
Bonuses and tantjemes accrued	1,386	1,565
Depreciation	2,960	1,555
Tax expenses	1,928	1,777
Utilities and communication expenses	1,087	1,055
Charity, Christmas presents, etc.	736	433
Insurance	283	153
Representation	119	105
Others	6,603	2,409
	<u>23,637</u>	<u>15,649</u>
6 Other operating income		
Revenue of auxiliary departments	3,381	2,037
Sale of non-current assets	0	752
Others	384	26
	<u>3,765</u>	<u>2,815</u>
Other operating expenses		
Expenses of auxiliary departments	-2,749	-1,978
Written off assets	-119	-580
Amortisation of goodwill	-187	-140
Medical care	-86	-71
Other expenses	-253	0
	<u>-3,394</u>	<u>-2,769</u>
Other operating income and costs, net	<u>371</u>	<u>46</u>

Notes to the annual accounts

	2004	2003
	Litas '000	Litas '000
7 Financial income, net		
Foreign exchange transaction gain, net of loss	-6,211	-976
Interest expense on bank borrowings	-2,552	-1,132
Result from futures, net of loss	-151	0
Interest on loans	217	0
Interest income on bank deposits	25	11
Loss on disposal of shares of subsidiary General Frost (Slovakia)	0	-147
Others	0	-21
	<u>-8,672</u>	<u>-2,265</u>

Borrowing costs of Litas 125 thousand, which are directly attributable to the acquisition and construction of the production plant in Kaliningrad, were capitalised as part of the costs of the unfinished construction.

8 Profit tax		
Current tax	4,798	4,375
Tax refund for prior periods	-349	-1,643
Change in deferred taxation	43	17
Tax for the period	<u>4,492</u>	<u>2,749</u>

The reconciliation of the effective tax rate is as follows:

	2004	2003
Result before taxes	18,419	24,078
Timing intra-group differences	11,448	2,676
Change in temporary differences	415	1,452
Total permanent differences	1,626	962
Result on sale of own shares	79	0
Profit taxable at a rate of 15%	<u>31,987</u>	<u>29,168</u>
Profit tax expense	<u>4,798</u>	<u>4,375</u>

Notes to the annual accounts

The movement on the deferred tax account is as follows:

Litas '000	2004	2003
	Litas '000	Litas '000
1 January	-277	-260
Change in deferred tax	-43	-17
Deferred tax at 31 December	-320	-277

9 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The average number of ordinary shares reacquired by the Company is excluded from shares outstanding during the year.

	2004	2003
Net profit for the year	15,158	21,502
Weighted average number of shares in issue (thousand)	23,070	23,070
Basic earnings per share	0.66	0.93

As to the shareholders decision dated 18 June 2004, the nominal value of shares was changed from 15 Litas to 1 Litas, by issuing additional 14 shares for each shareholder proportionally to the current structure of the shareholders. Therefore the basic earnings per share for the year 2003 were restated, as if the share split happened in the beginning of 2003 year.

The Company has no dilutive potential shares or convertibles. The diluted earnings per share are the same as basic earnings per share.

Notes to the annual accounts

10 Property, plant and equipment

Litas'000	Buildings	Machinery and equipment	Vehicles and other assets	Construc- tion in progress	Total
Cost at 1 January	14,958	88,330	14,849	23,028	141,165
Additions	493	7,181	2,887	16,162	26,723
Disposals	-493	-1,506	-1,950	-1,007	-4,956
Write-off	-952	-2,526	0	-74	-3,552
Reclassifications	25,304	9,327	228	-34,859	0
Cost at 31 December	<u>39,310</u>	<u>100,806</u>	<u>16,014</u>	<u>3,250</u>	<u>159,380</u>
Depreciation at 1 January	1,255	38,039	6,761	0	46,055
Depreciation for the year	732	10,343	2,008	0	13,083
Disposals	0	-1,295	-818	0	-2,113
Write-offs	-952	-2,526	0	0	-3,478
Reclassifications	614	-1,056	442	0	0
Depreciation at 31 December	<u>1,649</u>	<u>43,505</u>	<u>8,393</u>	<u>0</u>	<u>53,547</u>
Net book value at 31 December	<u><u>37,661</u></u>	<u><u>57,301</u></u>	<u><u>7,621</u></u>	<u><u>3,250</u></u>	<u><u>105,833</u></u>
Net book value at 1 January	<u>13,703</u>	<u>50,291</u>	<u>8,088</u>	<u>23,028</u>	<u>95,110</u>
Depreciated over	15 - 63 years	5 - 10 years	3 - 8 years		

Non-current assets with a book value of Litas 612 thousand (2003:Litas 1,209 thousand) are rented under operational lease contracts to third parties.

Notes to the annual accounts

Depreciation has been allocated as follows:

	2004	2003
	Litas'000	Litas'000
Production and production development costs	11,966	10,298
Distribution, administrative and other costs	1,117	1,086
Total	13,083	11,384

Security

At 31 December 2004, property, plant and equipment with a carrying amount of Lit 41,608 thousand (2003: Lit 45,518 thousand) are pledged to secure bank loans (refer to Note 22).

Supplementary information of capacity of production and non-production buildings

As mentioned in Note 1 under Significant Accounting Policies, the non-current assets of the Company were not subject to restatement due to hyperinflation in the periods until 1996.

Below the supplementary information for the Company's premises acquired before 1996 is provided:

Type of buildings	Area, m2	Book value, 31/12/04, Litas'000
Production buildings	82,467	9,501
Non-production and administrative buildings	1,279	97
Other buildings	3,727	239
Total	87,473	9,837

Notes to the annual accounts

11 Intangible fixed assets

Litas'000	Goodwill	Develop- ment costs	Software, etc.	Total
Cost at 1 January	2,799	4,176	1,590	8,565
Additions during the period		1,583	956	2,539
Written off			-2	-2
Cost at 31 December	2,799	5,759	2,544	11,102
Amortisation at 1 January	140	2,108	1,092	3,340
Amortisation for the period	187	857	206	1,250
Depreciation of written-off assets			-2	-2
Amortisation at 31 December	327	2,965	1,296	4,588
Net book value at 31 December	2,472	2,794	1,248	6,514
Net book value at 1 January	2,659	2,068	498	5,225
Amortised over	15 years	1-3 years	1-3 years	

Amortisation is included under operating expenses, except for amortisation of goodwill that is included in other operating expenses.

	2004	2003
	Litas'000	Litas'000
12 Inventories		
Raw materials	27,066	20,697
Work in progress	1,045	1,022
Finished goods	25,764	8,712
Machinery and equipment to be sold to subsidiary Techprominvest (Russia)	0	7,232
Others	1	526
Net book value at 31 December	53,876	38,189

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

At 31 December 2004, inventories up to the carrying amount of Litas 19,500 thousand (2003: Litas 19,300 thousand) are pledged to secure bank loans (refer to Note 22).

Notes to the annual accounts

13 Other receivables

Receivables from the State	7,415	7,636
Prepayments and deferred charges	744	1,904
Other receivables	4,472	42
Net book value at 31 December	<u>12,631</u>	<u>9,582</u>

Other receivables include loan receivable from related parties. Refer to Note 24 for details on the related party transactions.

14 Cash and cash equivalents

Cash at bank	5,404	6,636
Cash in hand	5	5
Cash and cash equivalents at 31 December	<u>5,409</u>	<u>6,641</u>

At 31 December 2004, cash inflows into the bank accounts up to Litass 10,000 thousand (2003: Litass 10,000 thousand) are pledged to secure bank loans (refer to Note 22).

15 Capital and reserves

Share capital

The share capital comprises 23,070,405 ordinary shares with a nominal value of 1 Litass each and the total share capital of 23,070,405 Litass.

Reacquired own shares

Acquisition and disposal of own shares could be specified as follows:

	Number of shares, thousand	Own shares, 000Litas
At 1 January	1	200
Disposed own shares	-1	-200
At 31 December	<u>0</u>	<u>0</u>

The gain resulting from the disposal of own shares amounting to Litass 79 thousand is recognised directly in equity.

Notes to the annual accounts

Legal reserve

The legal reserve in the amount of Litas 2,338 thousand is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until the legal reserve and the share premium reach 10% of the authorised capital.

Other reserve

Other distributable reserves in the amount of Litas 26,588 thousand were formed according to the shareholders decision, dated 29 March 2004, and comprise a reserve for own shares acquisition of Litas 10,000 thousand, a reserve for investments of Litas 16,000 thousand and other reserves for charity and social needs of Litas 588 thousand.

Proposed dividend

The Company has proposed a dividend of Litas 1,384 thousand for the year 2004. By the time of the issuance of the financial statements, the dividend has not yet been approved by the shareholders' meeting.

16 Guarantee provision

The Company provides a guarantee of 2 to 10 years for the production sold. The provision for guarantee repairs has been made based on the expected cost of repairs and statistical failure rates of production, and, accordingly divided to long term and short term provisions.

17 Deferred tax

Litas'000	2004		2003	
	Temporary difference	Deferred tax (15%)	Temporary difference	Deferred tax (15%)
Vacation reserve	231	34	143	21
Issuance expenses	0	0	81	12
Guarantee provision	1,392	209	865	130
Capitalised repair expenditure	-1,374	-206	-1,548	-232
Capitalised development costs	-2,382	-357	-1,388	-208
Net book value at 31 December	-2,133	-320	-1,847	-277

Notes to the annual accounts

18 Deferred grants

	Deferred grant
Grants at 1 January	9,687
Additions during the period	129
Grants at 31 December	9,816
Amortisation at 1 January	2,059
Amortisation for the period	1,388
Amortisation at 31 December	3,447
Net book value at 31 December	6,369
Net book value at 1 January	7,628

Deferred grants comprise a grant of the production machinery and improvements of buildings in connection with the elimination of CFC 11 element from the production of polyethanolic insulation and filling foam, a grant for elimination of green house gases in the manufacturing of domestic refrigerators and freezers and a grant for export development programme. Deferred grants are amortised over the same period as the granted machinery and improvements and as compensated costs are incurred. Amortisation of grants is included in production cost against depreciation of granted machinery and improvements and compensated expenditure.

	2004	2003
	Litas'000	Litas'000
19 Interest bearing loans and borrowings		
Non-current liabilities		
Secured bank loans	66,822	51,735
Leasing obligations	736	405
Net book value at 31 December	67,558	52,140
Current liabilities		
Secured bank loans	17,619	0
Leasing obligations	372	103
Net book value at 31 December	17,991	103

Notes to the annual accounts

Terms and repayment schedule

	<u>Total</u>	<u>Up to 1 year</u>	<u>1 - 2 years</u>	<u>2 - 5 years</u>
Credit facility of EUR 21,024 thousand - variable at rate from 3.5% to 4.0 %	72,591	17,389	47,783	7,419
Credit facility of EUR 64 thousand - fixed at 10%	222	222	0	
Credit facility of LTL 8,568 thousand - variable at rate from 3.5% to 4.0%	8,568	0	8,568	
Credit facility of USD 1,207 thousand - fixed at 10%	3,060	8	3,052	
Finance lease of EUR 321 thousand - variable at rate from 3.5% to 4.0%	1,108	372	370	366
Total	<u>85,549</u>	<u>17,991</u>	<u>59,773</u>	<u>7,785</u>

	<u>2004</u>	<u>2003</u>
	Litas'000	Litas'000
20 Other creditors		
Taxes payable	7,309	5,240
Salaries and social insurance payable	1,915	1,506
Bonuses and tantiemes accrued	1,386	1,565
Vacation reserve	1,014	606
Other payables and accrued charges	751	369
Net book value at 31 December	<u>12,375</u>	<u>9,286</u>

	<u>2004</u>	<u>2003</u>
21 Group entities, ownership		
Techprominvest (Russia)	85%	85%
Snaige Ukraine (Ukraine)	99%	99%
Moroz Treid (Russia)	100%	n/a

Notes to the annual accounts

22 Contingencies

At 31 December 2004, property, plant and equipment with a carrying amount of Litas 41,608 thousand (2003: Litas 45,518 thousand) are pledged to secure bank loans.

At 31 December 2004, inventories up to the carrying amount of Litas 19,500 thousand (2003: Litas 19,300 thousand) are pledged to secure bank loans.

At 31 December 2004, cash inflows into the bank accounts up to Litas 10,000 thousand (2003: Litas 10,000 thousand) are pledged to secure bank loans.

Notes without reference

	<u>2004</u>	<u>2003</u>
	Litas'000	Litas'000
23 Staff costs		
Production costs	38,138	20,243
Selling, administrative and other expenses	8,058	7,934
	<u>46,196</u>	<u>28,177</u>

Staff costs include wages and salaries and emoluments for the management of Litass 1,758 thousand (2003: Litass 3,022 thousand).

The Company (including its subsidiaries) had 2,485 employees at the end of 2004 (2003: 1,866 employees).

24 Related party transactions

The related party transactions in 2004 were as follows:

In January 2004, by a decision of the Board, the company issued a loan of Litass 9 million to UAB Snavesta. The loan of Litass 4,8 million was repaid in April and Litass 1,9 million in May. The loan is secured by a restriction of rights of ownership of 300 thousand ordinary shares of AB Snaigė (no disposal, pledge of shares until settlement of the liability is possible). The maturity of the loan falls on 31 December 2005, the interest rate is fixed at above the interest rates paid by the company on its borrowings. Interest income amounted to Litass 96 thousand.

In 2004, the company rented premises in the centre of Vilnius for representation purposes from UAB Hermis Fondų Valdymas. The rent fees paid for 2004 amount to Litass 228 thousand.

Purchases from related companies during 2004 could be specified as follows in Litass thousand:

	<u>31 12 2004</u>
	Litas'000
Lisiplastas	6,810
Baltijos Polistirenas	305
Aljana	19

Notes without reference

Sales to related companies during 2004 could be specified as follows in Litass thousand:

	31 12 2004
	Litas'000
Lisiplastas	489
Lanksti Linija	3,551

25 Financial instruments

Financial risk management

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business. Derivative financial instruments are used to reduce exposure to fluctuations in currency exchange rates. The Company uses currency forward contracts to hedge its foreign currency risk and ensures that the net exposure is kept to an acceptable level. As at 31 December 2004, no currency futures were concluded.

Credit risk

Management has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Majority of the Company's trade receivables is insured. At the balance sheet date there were no significant concentrations of credit risk.

Foreign exchange risk

The Company incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than EUR. The currencies giving rise to this risk are the US Dollars, Russian RUB and Ukrainian UAH.

Notes without reference

Accounts receivable and payable in foreign currencies as at 31 December 2004 could be specified as follows:

In thousand Lit	EUR	USD	RUB	UAH	Other
Trade debtors	22,940	6,764	14,715	882	0
Other receivables	74	2,420	3,749	794	0
Cash	81	1,832	2,706	420	0
Borrowings	-73,921	-3,060	0	0	0
Trade creditors	-20,027	-1,036	-1,510	-20	-14
Other liabilities	-121	-246	-5,742	-1	0
Net position	<u>-70,974</u>	<u>6,674</u>	<u>13,918</u>	<u>2,075</u>	<u>-14</u>

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

Interest rate risk

The Company's borrowings are subject to variable interest rates, related to LIBOR and EURIBOR.

As at 31 December 2004 the Company did not use any financial instruments to hedge its interest rate risks.