Regulatory Announcement 56/2008 dated 31 December 2008

30 days summary: liquidity problems of Sfinks

The Management Board of Sfinks Polska S.A. (“Sfinks”) informs about serious liquidity problems discovered during the first 30 days of its service. The Management Board is surprised with the number of irregularities discovered in the Company that will have detrimental impact on the future liquidity of the business.

As a result of accelerated investment spending of 2008 (in excess of cash capability of the business) and poor performance of new markets, Sfinks is not capable of meeting scheduled repayments of credit facilities. Yesterday, despite negotiating efforts of new Management Board, the Company received from ING Bank Slaski S.A. a notice prolonging the payment of PLN 4.2 million for 2 weeks only, by 15 January 2009, as a part of the loan facility entered into on 30 June 2008 (RB 25/2008 dated 30 June 2008). Also, by the end of December 2008 the Company is supposed to pay another PLN 10.0 million under the loan agreement entered with Raiffeisen Bank Polska S.A. on 24 July 2007 (RB 70/2007 dated 25 July 2007). Today we received the confirmation that the payment has been extended – PLN 8.5 million is supposed to be paid by 31 March 2009 and the remaining amount (PLN 1.5 million) is supposed to be paid in three equal installments – by the end of December 2008, by the end of January and February 2009. The negotiations with these two banks still continue, however, as of today, Sfinks is not capable of meeting the above repayments in timely manner.

Additionally, on 8 October 2008 the previous management signed a loan agreement under which the Company borrowed PLN 2 million from an individual. At the same time Sfinks lent the equivalent of this amount in EUR to Sfinks France SAS seated in France. The Company has no shareholding at Sfinks France SAS. The original loan contract was defaulted and was immediately cancelled by the individual. At the moment this case is waiting for court to approve automatic execution of payment.

Additionally, previous management entered into a couple of transactions effectively swapping a significant part of debt into EUR. On 14 October 2008, Sfinks issued a currency call option for EUR 4.9 million at a strike price of 3.3 EUR/PLN with the maturity date of 14 April 2009. Prior to this, on 8 August 2008, Sfinks entered into currency interest rate swap for PLN 15.0 million at the conversion rate of 3.26 EUR/PLN with the underlying cash flows maturing until 31 December 2013. Unfortunately, currently both arrangements above have significant negative impact on the Company's financial standing. If the above transactions were closed today, the estimate loss would stand at around PLN -7 to -8 mill. The ultimate negative impact of both arrangements on year end results will be confirmed in the first days of January once the fair valuations of the above transactions are received.

Given the number of issues identified so far, the Management Board will be making a full Shareholder Business Review Report, including the results of the Q3 2008 financial statements review to be carried out by a new auditor (the preliminary timing of that is February 2009). The above items however deserve communication immediately because of their materiality (over 10% of the Company’s capital).

Legal act:
Ustawa o ofercie z dnia 29 lipca 2005 art. 56. ust. 1 punkt 2.