

AB SNAIGĒ
Quarter III, 2008 report

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I. GENERAL PROVISIONS

1. Accounting period of the report

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

2. The basic data about the issuer

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

Authorised capital – 23,827,365 LTL

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

Legal organisation status – legal entity, public limited company

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

II. FINANCIAL STATUS

AB “Snaigė” is a parent company situated in Lithuania with subsidiaries in Lithuania, Russia and Ukraine. The financial statements of the subsidiary companies are integrated into the consolidated financial statements. These financial statements have been composed in accordance with the international financial reporting standards (IFRS), which are accepted in the European Union countries.

8. Accounting Balance Sheet (in LTL)

Ref. No.	ASSETS	2008 09 30	2007 12 31
A.	Non-current assets	106,976,033	119,258,923
I.	FORMATION COSTS		
II.	INTANGIBLE ASSETS	17,448,730	17,451,146
III.	TANGIBLE ASSETS	84,148,838	97,925,574
III.1.	Land		
III.2.	Buildings	35,303,025	36,663,254
III.3.	Other non-current tangible assets	46,721,576	58,968,702
III.4.	Construction in progress and advance payments	2,124,237	2,293,618
IV.	NON-CURRENT FINANCIAL ASSETS		
V.	DEFERRED TAXES ASSETS	5,378,465	3,882,203
VI.	ACCOUNTS RECEIVABLE AFTER ONE YEAR		
B.	Current assets	143,468,310	126,254,156
I.	INVENTORY AND CONTRACTS IN PROGRESS	65,713,538	63,184,898
I.1.	Inventory	65,713,538	63,184,898
I.2.	Advance payments		
I.3.	Contracts in progress		
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	70,708,778	53,530,858
III.	INVESTMENTS AND TERM DEPOSITS		
IV.	CASH AT BANK AND ON HAND	1,287,084	3,984,560
V.	Other current assets	5,758,910	5,553,840
C.	Accrued income and prepaid expenses		
	TOTAL ASSETS	250,444,343	245,513,079

Ref. No.	SHAREHOLDERS' EQUITY AND LIABILITIES	2008 09 30	2007 12 31
A.	Capital and reserves	96,492,789	91,518,241
I.	SHARE CAPITAL	46,554,636	36,554,635

I.1.	Authorized (subscribed) share capital	27,827,366	23,827,365
I.2.	Uncalled share capital (-)		
I.3.	Share premium (surplus of nominal value)	18,727,270	12,727,270
	Own shares (-)		
III.	REVALUATION RESERVE	-592,677	-903,947
IV.	RESERVES	6,911,135	36,486,171
V.	PROFIT (LOSS) BROUGHT FORWARD	43,619,695	19,381,382
B.	Minority interest	3,465	3,913
C.	Financing (grants and subsidies)	2,196,931	3,014,916
D.	Provisions and deferred taxes	0	0
I.	PROVISIONS FOR COVERING LIABILITIES AND DEMANDS		
II.	DEFERRED TAXES		
E.	Accounts payable and liabilities	151,751,158	150,976,009
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES	39,066,572	23,029,025
I.1.	Financial debts	35,998,809	20,841,891
I.2.	Trade creditors		
I.3.	Advances received on contracts in progress		
I.4.	Other accounts payable and non-current liabilities	3,067,763	2,187,134
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES	112,684,586	127,946,984
II.1.	Current portion of non-current debts	35,087,070	32,758,823
II.2.	Financial debts		
II.3.	Trade creditors	62,840,083	82,319,881
II.4.	Advances received on contracts in progress	771,472	442,023
II.5.	Taxes, remuneration and social security payable	5,511,771	6,508,857
II.6.	Other accounts payable and current liabilities	8,474,190	5,917,400
II.7.	Fair value of derivative financial instruments		
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	250,444,343	245,513,079

9. Profit (Loss) Report (in LTL)

Ref. No.	ITEMS	2008 09 30	2008-07-01 – 2008-09-30	2007 09 30	2007-07-01 – 2007-09-30
I.	SALES AND SERVICES	278,699,640	110,322,293	303,646,464	124,668,251
I.1	Income of goods and other products sold	9,808,927	3,450,657	11,856,840	3,947,121
I.2	Income of refrigerators sold	268,890,713	106,871,636	291,789,624	120,721,130
II.	COST OF GOODS SOLD AND SERVICES RENDERED	241,360,608	92,904,842	264,589,187	109,069,111
II.1	Net cost of goods and other products sold	7,743,578	2,611,571	8,611,564	2,325,739
II.2	Net cost of refrigerators sold	233,617,030	90,293,271	255,977,623	106,743,372
III.	GROSS PROFIT	37,339,032	17,417,451	39,057,277	15,599,140
IV.	OPERATING EXPENSES	38,073,631	13,715,467	34,096,067	11,534,769
IV.1	Sales expenses	20,241,441	8,217,819	16,288,377	5,902,159
IV.2	General and administrative expenses	17,832,190	5,497,648	17,807,690	5,632,610
V.	PROFIT (LOSS) FROM OPERATIONS	-734,599	3,701,984	4,961,210	4,064,371
VI.	OTHER ACTIVITY	387,091	153,506	391,559	61,287
VI.1.	Income	1,857,346	918,669	2,135,256	717,634
VI.2.	Expenses	1,470,255	765,163	1,743,697	656,347
VII.	FINANCIAL AND INVESTING ACTIVITIES	-6,348,237	-719,992	-5,246,299	-3,139,066
VII.1.	Income	10,951,998	6,092,891	8,367,278	2,907,339
VII.2.	Expenses	17,300,235	6,812,883	13,613,577	6,046,405
VIII.	PROFIT (LOSS) FROM ORDINARY ACTIVITIES	-6,695,745	3,135,498	106,470	986,592
IX.	EXTRAORDINARY GAIN				
X.	EXTRAORDINARY LOSS				
XI.	CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES	-6,695,745	3,135,498	106,470	986,592
XII.	TAXES	1,422,890	191,458	298,898	-298,898
XIII.	PROFIT TAX	97,253	58,009	159,669	159,669
XIV.	Adjustment of deferred profit tax	1,520,143	249,467		
XV.	Social tax			139,229	139,229
XVI.	MINORITY INTEREST	448		3,297	-145
XVII.	NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS)	-5,272,407	3,326,956	-189,131	687,549

Cash Flows Statement

Ref. No.		2008-09-30	2007-09-30
I.	Cash flows from the key operations		
I.1	Result before taxes	(6,695,745)	106,470
I.2	Depreciation and amortization expenses	16,698,028	15,310,494
I.3	Subsidies amortization	(817,985)	(883,871)
I.4	Result of sold non-current assets	(21,215)	(75,198)
I.5	Write-off of non-current assets	668	21,729
I.6	Write-off of inventories		158,277
I.7	Depreciation of receivables		
I.8	Non-realized loss on currency future deals	(141,759)	
I.9	Change in provision for guarantee repair	216,359	(870,452)
I.10	Recovery of devaluation of trade receivables		
I.11	Influence of foreign currency exchange rate change	1,478,625	540,772
I.12	Financial income	(21,267)	(28,242)
I.13	Financial expenses	5,069,599	3,305,633
	Cash flows from the key operations until decrease (increase) in working capital	15,765,308	17,585,612
II.1	Decrease (increase) in receivables and other liabilities	(17,108,776)	(13,628,468)
II.2	Decrease (increase) in inventories	(2,528,640)	(2,161,706)
II.3	Decrease (increase) in trade and other debts to suppliers	(17,807,004)	15,555,321
	Cash flows from the main activities	(21,679,112)	17,350,759
		-	
III.1	Interest received		28,242
III.2	Interest paid	(2,952,186)	(3,305,633)
III.3	Profit tax paid	(1,578,744)	(3,740,455)
	Net cash flows from the key operations	(26,210,042)	10,332,913

II.	Cash flows from the investing activities		
II.1	Acquisition of tangible non-current assets	(2,078,410)	(7,839,776)
II.2	Capitalization of intangible non-current assets	(1,196,536)	(103,585)
II.3	Sales of non-current assets	272,704	2,568,698
II.4	Loans granted	(50,140)	
II.5	Loans regained	26,427	
	Net cash flows from the investing activities	(3,025,955)	(5,374,663)

III.	Cash flows from the financial activities	26,538,521	(7,675,971)
III.1	Cash flows related to the shareholders of the company		
III.1.1	Issue of shares		
III.1.2	Shareholders' contributions for covering losses		
III.1.3	Sale of own shares	9,900,000	
III.1.4	Payment of dividends		
III.2	Cash flows arising from other financing sources		
III.2.1	Subsidies received		345,280
III.2.1.1	Inflows from non-current loans	23,106,894	111,933,219
III.2.1.2	Loans repaid	(23,027,159)	(118,393,535)
III.2.2	Finance lease received		
III.2.2.1	Payments of leasing (finance lease) liabilities	(677,744)	(1,560,935)
III.3	Other decreases in the cash flows from financial activities	17,236,530	
	Net cash flows from the financial activities	26,538,521	(7,675,971)
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		
VI.	Net increase (decrease) in cash flows	(2,697,476)	(2,717,721)
VII.	Cash and cash equivalents at the beginning of period	3,984,560	4,805,080
VIII.	Cash and cash equivalents at the end of period	1,287,084	2,087,359

Statement of Changes in Equity

	Paid up authorised 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, 2006	23,070,405	3,643,750		2,337,913	10,000,000	151,000	410,000	16,338,000		-986,705	38,043,120	93,007,483	7,368	93,014,851
Dividends for 2007												0		0
Total registered income and expenses as of 2007						0	0			96,741	-189,131	-92,390	-18,432	-110,822
Formed reserves					10,000,000	-90,000	350,000	23,647,600			-34,087,600	0		0
Transfers from reserves						-151,000	-410,000	-16,338,000	0		26,899,000	0	0	0
Repurchase of own shares during the financial years												0		0
Sale of own shares during the financial years												0		0
Net profit / loss of the reporting period (2007)												0		0
Appropriated profit of the minority shareholders for covering previous losses, which have been defrayed by the major shareholders												0		0
Other changes	756,960	9,083,520										9,840,480		9,840,480
Non recognized profit (loss) in the profit/loss statement												0	15,136	15,136
Balance as of June 30, 2007	23,827,365	12,727,270	0	2,337,913	10,000,000	90,000	350,000	23,647,600	0	-889,964	30,665,389	102,755,573	4,072	102,759,645
Dividends for 2007												0		0
Total registered income and expenses as of 2007						0	0				-11,208,213	-11,208,213	-159	-11,208,372
Formed reserves				60,658	0						-60,658	0		0
Repurchase of own shares during the financial years												0		0
Net profit / loss of the reporting period (2007)												0		0
Appropriated profit of the minority shareholders for covering previous losses, which have been defrayed by the major shareholders												0		0
Other changes												-13,983		-13,983

UAB FMJ "Orion Securities"

III. EXPLANATORY NOTES

1 Basic information

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

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

Main shareholders of AB „Snaigė“ as of September 30, 2008 and December 31, 2007 were:

	September 30, 2008		December 31, 2007	
	Number of shares owned	Share of total capital, %	Number of shares owned	Share of total capital, %
UAB Survesta	6 820 687	24,51	4 935 810	20,71
Hansabank Clients	11 561 907	41,55	11 291 650	47,39
Skandinaviska Enskilda Banken Clients	3 501 647	12,58	2 537 131	10,65
SSBT AS Custodian For Eterity Limited	943 642	3,39	808 000	3,39
Skandinaviska Enskilda Banken AB Finnish Clients	992 747	3,57	796 162	3,34
Other shareholders	4 006 735	14,4	3 458 612	14,52
Total	27 827 365	100,00	23 827 365	100,00

All the shares (with nominal value 1 LTL. per share), are ordinary and were fully paid as for September 30, 2008 and December 31, 2007. Authorized share capital as of September 30, 2008 is equal to 27827365 LTL. Subsidiaries did not have any shares of AB „Snaigė“ as of September 30, 2008 and December 31, 2007. Company did not have any of their own shares.

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

Company	Company address	Share capital owned by Group, %	Investment value, LTL.	Current period profit (loss), LTL.	Main activity
OOO „Techprominvest“	Bolšaja Okružnaja, 1-a, Kaliningrad	100	67 846 761	(2 547 797)	Manufacturing and trade of refrigerators and freezers
TOB „Snaige Ukraina“	Gruševskio 28-2a/43, Kiev	99	88 875	26 078	Trade, consulting, service
OOO „Moroz Trade“	Prospekt Mira 52, Moscow	100	947	(171 088)	Trade and marketing services
OOO „Liga Servis“	Prospekt Mira 52, Moscow	100	1 028	335 219	Trade, marketing, logistics
UAB Almecha	Pramonės 6, Alytus	100	1 375 785	(468 718)	Manufacturing of machinery equipment

As of 30 September, 2008 Company's board consisted of 5 members, one of whom is an employee of Company.

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

From 28 July, 2008 Koval Sergei Petrovič was elected as a chairman of the board of AB „Snaigė“ subsidiary „Techprominvest“; whereas, AB „Snaigė“ managing director Gediminas Čeika and AB „Snaigė“ finance director Neringa Menčiūnienė were elected as the members of the board.

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

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

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

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

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

The number of employees in the Group as of 30 September, 2008 was 2228 (while on 31 December, 2007 – 2479).

2 Accounting principles

The main accounting principles used in preparation of Group's financial accounts as of 30 September, 2008:

2.1. Preparation basis of financial statement

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

2.2. Currency of financial statement

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

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

The valid currency exchange rates were:

	<u>2008-09-30</u>	<u>2007-12-31</u>
Russian Rouble	0,094956	0,096085
Ukrainian Hryvna	0,47426	0,46649
US Dollar	2,3974	2,3572

2.3. Principles of consolidation

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

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

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

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

2.4. Intangible assets, except for goodwill

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

Research and development

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

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

Licenses

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

Software

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

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

2.5. Tangible non-current assets

Tangible non-current assets are assets that are controlled by the Group, which is expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably defined and is higher than 500 LTL. Liquidity value is equal to 1 LTL.

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

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

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

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

Buildings and structures (excluding commercial buildings)	15 – 63 years
Machinery and equipment	5 – 10 years

Vehicles	6 – 7 years
Other assets	3 – 8 years

Construction in progress is stated at cost less accumulated impairment. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and put into operation.

2.6. Inventories

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

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

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

2.7. Receivables and loans granted

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

2.8. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits at current accounts, and other short-term highly liquid investments and bank overdrafts.

2.9. Borrowings

Borrowing costs are expensed as incurred.

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

2.10. Factoring

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

2.11. Financial lease and operating lease

Financial lease – the Group as lessor

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

Operating lease – the Group as lessee

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

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

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

Operating lease – the Group as lessor

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

2.12. Grants and subsidies

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

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

2.13. Provisions

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

2.14. Revenue recognition

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

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

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

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

2.15. Expense recognition

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

2.16. Foreign currencies

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

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

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

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

2.17. Segments

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

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

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

2.18. Subsequent events

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

2.19. Offsetting and comparative figures

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

3 Segment information

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

Results for the reporting period and year ended 31 December 2007 by geographical segments can be specified as follows (thous. LTL):

Group	Sales		Assets	
	2008-09-30	2007-09-30	2008-09-30	2007-09-30
Russia	93 564	100 457	96 342	90 594
Ukraine	65 551	67 381	205	727
Western Europe	73 997	65 989	-	-

Eastern Europe	24 077	32 889	-	-
Lithuania	10 817	14 188	153 897	177 901
Baltic Countries	4 103	9 402	-	-
Other countries from NVS	6 540	13 221	-	-
Other countries	51	119	-	-
Total	278 700	303 646	250 444	269 222

4 Operational expenses

Over reporting period, 9 months, the operational expenses were:

	<u>2008</u>	<u>2007</u>
Sales expenses	20 241 441	16 288 377
Administration expenses	17 832 190	17 807 690
Total:	38 073 631	34 096 067

5 Other income (expenses) – net result

Over reporting period, September 30 other income (expenses) were:

	<u>2008</u>	<u>2007</u>
Other operating income		
Income from logistics	936 619	1 156 783
Rent of fixed asset	507 607	406 469
Profit from sale of fixed asset	-6 995	268 039
Other	420 115	303 965
	<u>1 857 346</u>	<u>2 135 256</u>
Other operating expenses		
Transportation expenses	669 903	996 974
Rent of fixed asset	163 714	109 866
Other	636 638	636 857
	<u>1 470 255</u>	<u>1 743 697</u>
Other operating income (expense) – net result	<u>387 091</u>	<u>391 559</u>

6 Net result from financial activities

	<u>2008-09-30</u>	<u>2007-09-30</u>
Financial income		
Profit from currency exchange	10 190 595	8 328 456
Profit from foreign currency derivatives	412 127	
Other income from financial activities	349 276	38 822
	<u>10 951 998</u>	<u>8 367 278</u>
Financial expenses		
Loss from currency fluctuations	11 733 426	10 502 769
Realized loss from foreign currency derivatives	85 990	
Loss from revaluation of foreign currency derivatives	184 378	
Interest expenses	5 069 600	2 769 569
Other expenses from financial activities	226 841	341 238
	<u>17 300 235</u>	<u>13 613 577</u>
Net result from financial activities	<u>(6 348 237)</u>	<u>(5 246 299)</u>

7 Non-current intangible assets

The balance sheet value of non-current intangible assets on 30 September 2008 was 17448,7 thous. LTL (on 31 December 2007 – 17451,1 thous. LTL)

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

Over the 9 months of 2008, the Group has accumulated 1028,2 thous. LTL of non-current intangible assets depreciation.

8 Non-current tangible assets

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

	Balance sheet value	
	<u>2008-09-30.</u>	<u>2007-12-31.</u>
Buildings and constructions	35 303 025	36 663 254
Other non-current assets	46 721 576	58 968 702
Construction in progress and prepayments	<u>2 124 237</u>	<u>2 293 618</u>
Total:	84 148 838	97 925 574

Group's non-current tangible assets depreciation on 30 September, 2008 is equal to 15669,8 thous. LTL (in 2007 – 19199 thous. LTL)

9 Inventories

	<u>2008-09-30</u>	<u>2007-12-31</u>
Raw materials, spare parts and production in progress	33 589 222	43 163 462
Finished goods	31 778 626	19 735 912
Other	345 690	285 524
	<u>65 713 538</u>	<u>63 184 898</u>
Less: net realizable value allowance		-
	<u>6 5713 538</u>	<u>63 184 898</u>

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

10 Trade receivables

Trade receivables were composed as follows:

	<u>2008-09-30</u>	<u>2007-12-31</u>
Trade receivables from the Group companies	80 540 065	60 970 170
Less: allowance for doubtful trade receivables	(11 412 033)	(11 527 355)
Other receivables	1 580 746	4 088 043
	<u>70 708 778</u>	<u>53 530 858</u>

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

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

	<u>2008-09-30</u>	<u>2007-12-31</u>
Balance at the beginning of the period	-11 527 355	-11 969 133
Charge for the year		-470 287
Used		
Recovered receivables		
Currency exchange rate influence	115 322	573 445
Other changes		338 620
	<u>-11 412 033</u>	<u>-11 527 355</u>

The ageing analysis of trade receivables as of 30 September 2008 and 31 December 2007 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2007	42 241 977	5 771 742	235 805	726 957	189 244	277 090	49 442 815
2008	59 557 308	7 745 665	882 633	389 871	341 617	210 939	69 128 033

According to factoring with regress (recourse) right agreement the Group had pledged to the factoring agent amounts receivable and inventory, the balance sheet values of which on 30 September 2008 were 17052 thous. LTL and on 30 September 2007 – 18842 thous. LTL.

11 Other current assets

	<u>2008-09-30</u>	<u>2007-12-31</u>
VAT receivable	3 010 129	2 485 763
Prepayments and deferred charges	1 292 843	1 205 433
Compensations receivable from suppliers	203 674	216 728
Receivable for property, plant and equipment sold		
Fair value of currency futures	61 096	587 526
Other receivable	1 191 168	1 058 390
	<u>5 758 910</u>	<u>5 553 840</u>

Compensations from suppliers are received for bad quality goods.

12 Cash and cash equivalents

	<u>2008-09-30</u>	<u>2007-12-31</u>
Cash at bank	1 277 097	3 977 330
Cash on hand	9 987	7 230
	<u>1 287 084</u>	<u>3 984 560</u>

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

13 Share capital

According to the Law on Companies of the Republic of Lithuania the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As of 30 June 2008 the Company was in compliance with this requirement.

At the date of the reporting the legal reserve was not fully formed, due to the September increase in authorized capital. On 31 December, 2007 the legal reserve was fully formed.

14 Reserves

Legal reserve

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

Non-restricted reserves

Other reserves for special purposes are formed by shareholders decision. Before allocating profit all the allocatable reserves are transferred to retained earnings and each year are re-allocated by shareholders decisions. On 30 September 2008 other allocatable reserves consisted of 4,512.3 thous. LTL (30 September 2007 – 23,648 thous. LTL) of reserve for investments.

Foreign currency translation reserve

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

15 Subsidies

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
Increase during period (9 months of 2008)	0
Amortization during period (9 months of 2008)	817 985
Net residual value 30 September 2008	2 196 931

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 up to 10 years guarantees. Provisions for guarantee related services were made according to planned service expenses and refrigerators breakdowns statistics, and appropriately were divided into non-current and current provisions. Non-current provisions on 30 September 2008 were equal to 2773,4 thous. LTL (2007 – 1892.8 thous. LTL), current provisions on 30 September 2008 are equal to 1152,4 thous. LTL (2007 – 2 640.8 thous.LTL).

Changes over the reporting period were:

2007

1 January	4 533 650
Changes over reporting period	3 051 336
Used	3 631 474
Currency exchange rate change influence	(27 655)
30 September, 2008	3 925 857

17 Borrowings

	As of 30 September 2008	As of 31 December 2007
Non-current borrowings		
Bank borrowings secured by Company's assets	15 988 879	18 277 198
Other loans	17 475 240	-
Leasing	2 534 690	2 564 693
	<u>35 998 809</u>	<u>20 841 891</u>
Current borrowings		
Current portion of non-current bank borrowings	27 663 192	31 900 584
Other loans	7 213 379	-
Leasing	210 499	858 239
	<u>35 087 070</u>	<u>32 758 823</u>
Total	<u>71 085 879</u>	<u>53 600 714</u>

The loans with:

- limit of 12374,8 thous. LTL are arranged at floating interest rates of 6 month LIBOR +1.3% margin,
- limit of 20000 thous. LTL are arranged at floating interest rates of 6 month LIBOR +2.6% margin
- current debts of 7213 thous. LTL are arranged at fixed interest rate of from 10% to 14%

As of 30 September, building with a nominal value of 29916 thous. LTL (31 December 2007 32460 thous. LTL), equipment and machinery with a nominal value of 7107 thous. LTL (31 December 2007 19639 thous. LTL), inventories with a nominal value of 19300 thous. LTL (31 December 2007 19300 thous. LTL) and financial income in the bank accounts up to 12375 thous. LTL (31 December 2007 10000 thous. LTL) and the shares of 2808 thous. LTL (31 December 2007 2808 thous. LTL) of "Techprominvest" are collateralized for the bank loans.

Current debts received from concerned parties are not guaranteed with the assets of the Group.

In April 2008 Company issued 200000 of bonds each with the nominal value of 100 LTL and repurchase price of 100 LTL. Annual interest rate of the bonds is 14%, with the time to maturity of 367 days. Bonds can be converted into ordinary shares, conversion rate with the Company's ordinary shares is 1 to 18. Maturity date is 6 April 2009.

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

18 Financial leasing

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

	<u>2008-09-30</u>	<u>2007-12-31</u>
Machinery and equipment	2 646 748	3 189 209
Vehicles	98 441	233 723
	<u>2 745 189</u>	<u>3 422 932</u>

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

	<u>2008-09-30</u>	<u>2007-12-31</u>
EUR	-	-
LTL	2 745 189	3 422 932
	<u>2 745 189</u>	<u>3 422 932</u>

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

19 Operating lease

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

20 Trade credits

The conditions of the above mentioned type of liabilities:

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

21 Other current amounts payable

Other creditors were composed as follows:

	<u>2008-09-30</u>	<u>2007-12-31</u>
Salaries and related taxes payable	4 245 812	4 114 444
Vacation reserve	1 200 459	2 611 863
Bonuses and payments to the Board accrued	65 500	300 000
Taxes payable	4 445 236	2 598 300
Provisions for guaranty repair	1 152 428	2 640 850
Other payables and accrued expenses	<u>2 876 526</u>	<u>160 800</u>
Total other creditors	<u>13 985 961</u>	<u>12 426 257</u>

22 Basic and diluted earnings (loss) per share

	<u>2008-09-30</u>	<u>2007m.</u>
Shares issued 1 January	23 827 365	23 070 405
Average weighted number of shares in issue	24 119 336	23 792 109
Net result for the year, attributable to the parent company	<u>(5 272 407)</u>	<u>(11 412 480)</u>
Earnings (loss) per share	<u>(0,22)</u>	<u>(0,48)</u>

23 Risk and capital managementCredit risk

The Group has significant concentration of trading counterparties. The main ten customers of the Group on 30 September 2008 account for approximately 38.5% (42.3% as of 30 September 2007) of the total Group's trade receivables. The maximum sum of credit risk in the reporting period and on 31 December 2007 includes accounts receivables and loans provided.

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

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

Interest rate risk

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

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

Liquidity risk

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

The Group's current ratio as of 30 September 2008 was 0.69 (31 December 2007 it was 0.50).

Foreign exchange risk

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

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

24 Related parties transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the transactions with related parties during the 9 months of 2008 and 2007 were as follows:

UAB „Hermis Capital“ (same final controlling shareholder);

UAB „Genčių nafta“ (same final controlling shareholder);

AB „Kauno duona“ (same final controlling shareholder);

UAB „Meditus“ (same final controlling shareholder);

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

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

2008 (9 months)	Purchases	Sales	Accounts receivable	Accounts payables
UAB „Baltijos polistirenas“ raw materials	3 629 319	3 329	-	650 283
UAB „Astmaris“ raw materials	6 296 943	-	-	1 017 039
	9 926 262	3 329		1 667 322

2007 (31 December)	Purchases	Sales	Accounts receivable	Accounts payables
UAB „Baltijos polistirenas“ raw materials	4 399 357	-	-	805 689
UAB „Astmaris“ raw materials	7 377 466	-	-	961 847

UAB FMI "Orion Securities"

11 776 823

1 767 536

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

Financial and investment activities with related parties:

	2008 First half			2007		
	Loans Received	Loans Paid	Interest Payments	Loans Received	Loans Paid	Interest payments
UAB „Hermis Capital“	29 300 000	23 086 621	295 776	12 500 000	12 500 000	42 011
UAB „Genčių nafta“	8 750 000	8 750 000	190 137	3 500 000	3 500 000	37 178
AB „Kauno duona“	1 100 000	1 100 000	33 659	-	-	-
UAB „Baltijos polistirenas“	3 000 000	3 000 000	-	-	-	-
UAB „Meditus“	6 000 000	5 000 000	-	-	-	-
Total:	48 150 000	40 936 621	519 572	16 000 000	16 000 000	79 189

Over the 9 months of 2008 salary of senior management of the Company and its subsidiaries amounted to 2030,8 thous. LTL and 1015,9 thous. LTL in total (over 9 months of 2007 – 2826,5 thous. LTL and 1224,8 thous. LTL).