

AB „SNAIGĒ“

***Semi-annual consolidated financial accounts for year
2007***

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I. FINANCIAL STATUS

AB “Snaigė” is a parent company situated in Lithuania with the subsidiaries in Russia, Ukraine, and Lithuania. The financial statements of the subsidiary companies are integrated into the consolidated financial statements. The following financial statements have been composed in accordance with the International Accounting Standards.

1. Accounting Balance Sheet (in LTL)

Ref. No.	Items	2007.06.30	2006.12.31
A.	Fixed assets	127 010 133	124 056 863
I.	FORMATION COSTS		
II.	INTANGIBLE ASSETS	17 443 601	17 356 669
III.	FIXED TANGIBLE ASSETS	105 357 978	103 532 482
III.1.	Land		
III.2.	Buildings	37 595 143	38 569 527
III.3.	Other fixed tangible assets	49 985 538	54 820 400
III.4.	Construction in progress and advance payments	17 777 297	10 142 555
IV.	FIXED FINANCIAL ASSETS		
V.	Deferred taxes assets	4 208 554	3 167 712
VI.	ACCOUNTS RECEIVABLE AFTER ONE YEAR		
B.	Current assets	144 491 400	133 070 208
I.	INVENTORY AND CONTRACTS IN PROGRESS	61 801 740	55 871 283
1.1.	Inventory	61 801 740	55 871 283
1.2.	Advance payments		
1.3.	Contracts in progress		
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	80 150 654	72 382 575
III.	INVESTMENTS AND TERM DEPOSITS		
IV.	CASH AT BANK AND ON HAND	2 212 952	4 805 080
V.	Other current assets	326 054	11 270
	TOTAL ASSETS	271 501 533	257 127 071

Ref. No.	Shareholders' equity and liabilities	2007.06.30	2006.12.31
A.	Capital and reserves	101 489 562	93 007 483
I.	SHARE CAPITAL	36 554 635	26 714 155
I.1.	Authorized (subscribed) share capital	23 827 365	23 070 405
I.2.	Uncalled share capital (-)		
II.	SHARE PREMIUM (surplus of nominal value)	12 727 270	3 643 750
	Own shares (-)		
III.	REVALUATION RESERVE	-1 151 059	-986 564
IV.	RESERVES	36 425 513	29 236 913
V.	PROFIT (LOSS) BROUGHT FORWARD	29 660 473	38 042 979
B	Minority interest	3 926	7 368
C	Financing (grants and subsidies)	3 606 582	3 849 340
D	Provisions and deferred taxes		0
I.	PROVISIONS FOR COVERING LIABILITIES AND DEMANDS		
II.	DEFERRED TAXES		
E	Accounts payable and liabilities	166 401 463	160 262 880
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES	54 137 320	42 315 421
I.1.	Financial debts	50 955 716	39 233 456
I.2.	Trade creditors		
I.3.	Advances received on contracts in progress		
I.4.	Other accounts payable and non-current liabilities	3 181 604	3 081 965
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES	112 264 143	117 947 459
II.1.	Current portion of non-current debts	22 863 224	29 420 029
II.2.	Financial debts		
II.3.	Trade creditors	77 323 295	67 346 955
II.4.	Advances received on contracts in progress	1 386 489	794 895
II.5.	Taxes, remuneration and social security payable	6 776 219	5 422 121
II.6.	Other accounts payable and current liabilities	3 914 916	14 963 459
II.7.	Fair value of derivative financial instruments		
F	Accrued expenses and deferred income		
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	271 501 533	257 127 071

2. Profit (Loss) Report (in LTL)

Ref. No.	Items	2007.06.30	2006.06.30
I.	SALES INCOME	178 978 213	126,294,045
II.1	Income of goods and other products sold	7 909 719	6,025,436
II.2	Income of refrigerators sold	171 068 494	120,268,609
II.	COST OF GOODS SOLD	155 520 076	106,521,676
II.1	Net cost of goods and other products sold	6 285 825	5,422,840
II.2	Net cost of refrigerators sold	149 234 251	101,098,836
III.	GROSS PROFIT (LOSS)	23 458 137	19,772,369
IV.	OPERATING EXPENSES	22 561 298	22,617,181
IV.1	Sales expenses	10 386 218	12,211,742
IV.2	General and administrative expenses	12 175 080	10,405,439
V.	PROFIT (LOSS) FROM TYPICAL ACTIVITIES	896 839	-2,844,812
VI.	OTHER ACTIVITY	330 272	1,524,557
VI.1.	Income	1 417 622	2,605,805
VI.2.	Expenses	1 087 350	1,081,248
VII.	FINANCIAL AND INVESTING ACTIVITIES	-2 107 233	2,481,877
VII.1.	Income	5 459 939	14,505,839
VII.2.	Expenses	7 567 172	12,023,962
VIII.	PROFIT (LOSS) FROM ORDINARY ACTIVITIES	-880 122	1,161,622
IX.	EXTRAORDINARY GAIN		
X.	EXTRAORDINARY LOSS		
XI.	PROFIT (LOSS) BEFORE TAXES	-880 122	1,161,622
XII.	TAXES	379 000	3,080,013
XII.1.	Profit tax	309 535	2,303,968
XII.2.	Adjustment of deferred profit tax		79,543
XII.3.	Social tax	69 465	696,502
XIII.	Minority interest	3 442	934,154
XIII.	NET PROFIT (LOSS)	-1 255 680	-984 237

3. Cash Flows Statement (in LTL)

Ref. No.	Items	2007.06.30	2006.06.30
I.	Cash flows from the key operations		
I.1	Operating result before taxes	(880 122)	1 161 622
I.2	Depreciation and amortization expenses	10 151 514	10 836 904
I.3	Subsidies amortization	(588 038)	(651 546)
I.4	Return from sales of fixed assets	(88 853)	1 465 601
I.5	Fixed assets written-off	21 506	4 923
I.6	Write-off of inventory		
I.7	Devaluation of trade receivables		
I.8	Unrealized loss of future currency transactions		(1 007 734)
I.9	Change in provisions for warranty repair services	724 243	(1 018 577)
I.10	Financial income	(8 658)	(14 505 839)
I.11	Financial expenses	1 713 825	10 277 790
	Cash flows from operating activities against change in circulating assets	11 045 417	6 563 144
II.1.			
II.2.	Change (increase) in trade receivables and other debts	(7 768 079)	(4 846 746)
II.3.	Change (increase) in inventory	(5 930 457)	(20 592 270)
II.4.	Change (decrease) in trade payables and other debts to suppliers	5 432 489	(9 271 313)
	Cash flows from ordinary activities	2 779 370	(28 147 185)
III.1.	Interest received	8 658	
III.2.	Interest paid	(1 713 825)	(1 746 172)
III.3.	Profit tax paid	(1 949 642)	(3 000 470)
	Cash flows from operating activities, at net book value	(875 439)	(32 893 827)
IV.	Cash flows from the investing activities		
IV.1.	Acquisition of fixed tangible assets	(4 602 872)	(668 534)
IV.2.	Capitalization of fixed intangible assets	(96 048)	(205 871)
IV.3.	Inflows from sales of fixed assets	2 351 777	1 647 120
IV.4.	Loans granted		
IV.5.	Loans regained		
	Net cash flows from the investing activities	(2 347 143)	772 715

No.	Items	2007.06.30	2006.06.30
III.	Cash flows from the financial activities		
III.1	Cash flows related to the shareholders of the company	-	-
III.1.1	Issue of shares		
III.1.2	Shareholders' contributions for covering losses		
III.1.3	Inflows from sales of own shares		
III.1.4	Payment of dividends		
III.2	Cash flows arising from other financing sources	423 976	32 955 124
III.2.1	Subsidies received	345 280	43 500
III.2.1.1	Inflows from non-current loans	92 669 623	57 277 245
III.2.1.2	Loans repaid	(90 699 374)	(24 369 577)
III.2.2	Leasing received		217 613
III.2.2.1	Payments of leasing liabilities	(1 356 410)	(213 657)
III.3.	Other decreases in the cash flows from financial activities	(535 143)	
	Cash flows from financing activities, at net book value	423 976	32 955 124
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	206 478	144 656
VI.	Cash flows from ordinary activities, investments and financing activities, at net book value	(2 592 128)	(978 668)
VII.	Cash and cash equivalents at the beginning of period	4 805 080	5 185 782
VIII.	Cash and cash equivalents at the end of period	2 212 952	4 207 114

4. Statement of Changes in Equity

	Paid up authorized capital	Share premium	Own shares (-)	Legal reserves		Other reserves					Profit (loss) brought forward	TOTAL	Minority shareholders	TOTAL
				Compulsory	Acquisition of own shares	For charity and donation	For social needs and Christmas events	For investments	Other	Reserve for currency exchange				
Recalculated balance as of December 31, 2005	23,070,405	3,643,750		2,337,913	10,000,000	187,000	401,000	16,000,000		-1,288,563	48,922,761	103,274,266	23,994	103,298,260
Dividends for 2004												0		0
Formed reserves						-36,000	9,000	338,000			-311,000	0		0
Net profit / loss of the reporting period (2006)												0		0
Total registered income and expenses as of 2006											-984.237	-984.237		-984.237
Other changes									18.614	-345.384	38.193	-288.577	-982.002	-1.270.579
Year 2006 profit not registered in the Profit (Loss) account												0		0
Balance as of June 30, 2006	23,070,405	3,643,750	0	2,337,913	10,000,000	151,000	410,000	16,338,000	18.614	-1,633,947	47,665,717	102,001,452	-958,008	101,043,444
Total registered income and expenses as of 2006										647.383	-11,401,701	-10,754,318	-3,628	-10,757,946
Year 2006 profit not registered in the Profit (Loss) account												0		0
Other changes									-18.614		1,778,963	1,760,349	969,004	2,729,353
Balance as of December 31, 2006	23,070,405	3,643,750	0	2,337,913	10,000,000	151,000	410,000	16,338,000	0	-986,564	38,042,979	93,007,483	7,368	93,014,851
Total registered income and expenses as of 2007										-164,495	-1,255,680	-1,420,175	58,332	-1,361,843
Dividends for 2006												0	0	0
Formed reserves					10,000,000	90,000	350,000	23,647,600	0		-34,087,600	0	0	0
Transfers from reserves					-10,000,000	-151,000	-410,000	-16,338,000	0		26,899,000	0	0	0
Repurchase of own shares during the financial years											0	0	0	0
Other changes	756,960	9,083,520										9,840,480		9,840,480
Current year profit not registered in the Profit (Loss) account											61,774	61,774	-61,774	0
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	-1,151,059	29,660,473	101,489,563	3,926	101,493,489

II. EXPLANATORY NOTE

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. On the 30 June 2007, 23.61% of Company’s shares were owned by institutional investors of Lithuania, 5.61% by private individuals of Lithuania, and 70.78% by foreign institutions and private individuals.

The headquarters of AB „Snaigė“, which is a parent company of the group, is situated in Alytus, Pramonės str. 6.

The Company has established 5 subsidiary enterprises, as of 2006-03-31, including:

1. in Russian Federation:

- Refrigerator manufacturing company situated in Kaliningrad, at 4 Balshaja Okruzhnaja, 1-a “Techprominvest”. The company was established for the activities comprising manufacture and sales of refrigerators in Russian Federation. AB “Snaigė”, in line with the 15% subscribed capital purchase-sale agreement signed on the 28 December 2006 and share subscription agreement of the same date acquired the whole 100% of OOO “Techprominvest” shares, the value of which is 12 648 840 LTL.

- Sales company with 100 % of controlled portfolio amounting to 947 LTL, situated in Moscow, at prospekt Mira 52, “Moroz Trade“. The goal of this company is sales of refrigerators produced by OOO “Techprominvest” in Russian Federation.

- Sales company with 100 % of controlled portfolio amounting to 1028 LTL, situated in Moscow, at prospekt Mira 52, “Liga – Servis“. The goal of this company is the expansion of sales network and sales of refrigerators produced by OOO “Techprominvest” in Russian Federation.

2. In Lithuania

- manufacturing company UAB „Almecha“ with 100% of controlled portfolio amounting to 30 000 LTL, situated in Alytus, Pramonės str. 6. On 1 January 2007 the subscribed company’s capital was increased by property contribution to 13 75 785 LTL.

3. In Ukraine

- Sales company with 99 % of controlled portfolio amounting to 88 875 LTL, situated in Kiev, at Grushevski str. 28-2a / 43 “Snaige-Ukraine”. The company was acquired for increasing the sales of the products of AB “Snaigė in Ukraine.

The financial data of the mentioned companies were completely integrated into the consolidated statements of AB “Snaigė” for the first half of 2007.

During the first half of 2007 2396 employees were working in the company: 470 managers and specialists, 1926 workers.

The main activity of AB “Snaigė”: manufacturing of refrigerators, freezers, plastic products, equipment, transport services, trade of consumer goods, technical servicing of refrigerators and other activities allowed by the company’s statute.

The Company’s bookkeeping is done in compliance with the accounting principles effective in the Republic of Lithuania. These financial statements have been prepared in accordance with the Law on Bookkeeping, Law on Financial Statements of Companies, Law on Consolidated Financial Statements of the Republic of Lithuania, as well as Business Accounting Standards (BAS) of Lithuania and the International Accounting Standards (IAS). The inventory is written off in the statement using the FIFO method. Goods and services, and amounts payable and receivable in foreign currency are booked at the official exchange rate valid on the date of transaction. Provisions are accumulated with regard to future expenses related to warranty service of refrigerators, profit tax liabilities, amounts receivable and risk inventory in stock.

The balance of cash amounts receivable and liabilities in foreign currency available at the end of the quarter are accounted in Litas, using the official exchange rate valid at the end of the fiscal period.

Income and expenses are accounted in accordance with the principle of accumulation of the income and expenses from continuous activities.

Subsidiary companies are fully controlled by the Company. The balance items, revenues and costs, profit and loss, from transaction between the group companies are fully eliminated while preparing consolidated financial accounts.

The accounting of the groups is done using Litas currency, except for subsidiaries „Techprominvest“, „Moroz Trade“ and „Liga-Servis“ for which Russian Ruble is used and subsidiary company „Snaige Ukraine“, for which Ukrainian Hryvnia is used.

All the items of consolidated financial statements are expressed in Lithuanian Litas.

Currently company is not using derivative currency instruments due to extremely low USD exchange rate, as business plan is prepared using rate of 2.7 LTL for 1 USD.

Intangible assets include identifiable non-monetary assets without physical substance disposed by the enterprise expecting to obtain direct and indirect economic benefits from the use of such assets. At the moment of acquisition (production) intangible assets are recorded at the acquisition (production) cost. The balance sheet contains the residual value of intangible assets, which is calculated by deducting accumulated amortization from the acquisition cost. Amortization is calculated by applying the straight-line (linear) method. The liquidation value is not considered. The amortization costs related to development are recorded as the operating expenses of the Company, whereas the costs related to the software are attributed to the expense centers. Balance sheet item Intangible assets also includes goodwill (12 312 707 LTL). The intangible assets of the company amounts to 13.7% of total non-current assets. Expenses are accepted as non-current tangible assets if they satisfy the following criteria: the value of the assets is not less than 500 LTL; the assets are numerously incorporated into the production and service process by retaining their exterior form; depreciation of the assets lasts longer than one year; the enterprise can reasonably expect to obtain economic benefits from the assets in the future; the acquisition (production) cost of the assets can be reliably measured; the whole risk related to the tangible assets has been passed over to the enterprise. The liquidation value of non-current assets is equal to 1 LTL. Depreciation of the non-current assets is calculated by applying the straight-line (linear) method in years:

- Buildings: 15-63 years
- Machinery and equipment: 5-10 years
- Transport equipment and other assets: 3-8 years

At the moment of acquisition tangible assets are recorded at the acquisition cost. The balance sheet includes the acquisition cost of the tangible assets, less the accumulated depreciation.

Non-current assets constitute 46.8% of total company's assets. The biggest part of non-current assets is tangible assets (82.9%).

Current assets are equal to 53.2% of total company's assets; it has increased by 1.4% during the first half of 2007.

The major portion of the current assets includes:

1. Inventory (42.8 percent), which increased by 0.8 percent during the first half of 2007. The increase is a result of accumulation of finished production in the warehouses, to prepare for the increase in demand in summer.
2. Amounts receivable within one year (55.5%) have increased by 1.1% during the first half of current year. After evaluating receivables payment and inventories' realization risks the following provisions were formed for the date of 2007.06.30:

1. For illiquid inventories – 52 318 LTL
2. For receivables – 11 763 408 LTL
3. Provisions for guarantee servicing of the refrigerators – 3 608 676 LTL. Provisions formed are shown on the balance sheet: Accounts payable after one year and non-current liabilities – 3 181 604 LTL and accounts payable within one year and current liabilities – 427 072 LTL.

The share capital of the company amounts to 23 827 365 LTL (23 827 365 ordinary registered shares, the nominal value of a share being 1 LTL). The shares of the Company are listed on the Official list of Vilnius Stock Exchange.

The financial grants and subsidies amount to 3 606 582 LTL.

The amounts payable amount to 166 401 463 LTL, including the following:

- the amounts payable after one year – 54 137 320 LTL,
- amounts payable within one year – 112 264 143 LTL.
- trade debts – 77 323 295 LTL,
- current year portion of long-term debts – 22 863 224 LTL,
- advance payments received – 1 386 489 LTL,
- taxes, remuneration and social security – 6 776 219 LTL,
- other amounts payable and liabilities – 3 914 916 LTL.

As for the operating capital, Company uses loans from banks, which amount to 69 977 044 LTL and leasing contracts for acquisition of long term assets (3 841 896 LTL)

The company's gross consolidated profit from sales and services rendered during the first half of the current year amounted to 23 458 137 LTL; which is 3 685 768 LTL more than the profit received during the same period of the previous financial year. The revenues from the ordinary activities amounted to 178 978 213 LTL, whereas the expenses amounted to 155 520 076 LTL.

The consolidated operating expenses amount to 22 561 298 LTL, including:

- sales costs – 10 386 218 LTL;
- general and administrative expenses – 12 175 080 LTL.

The profit from other Company's activities amounted to 330 272 LTL, compared with the same period of the previous year it is 1 194 285 LTL less. It should be taken into account that large profit from other activities during 2006 is due to the sale of recreational complex in Šventoji city. Other operating income amounted to 1 417 622 LTL, whereas operating expenses amount to 1 087 350 LTL.

The loss from the financial investment activities amounted to 2 107 233 LTL.

	2007 IH	2006 IH
Revenues from financial investment activities (LTL)	5 459 939	14 505 839
Expenses of financial investment activities (LTL)	7 567 172	12 023 962

The Company has not gained any income or expenses from extraordinary activities, i.e., extraordinary profit or extraordinary loss during the first half of the current year.

The Company group earned a profit before tax of 3 534 099 LTL during the June of 2007, which is 2 948 184 LTL larger than in the June of 2006. However, since the beginning of the current year the Group has incurred a loss before taxes of 880 122LTL.

15. Information about the audit

There was no audit made for the financial reports of the I half of 2007.