SNAIGĖ

Snaige AB

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we Gediminas Čeika, Managing Director of Snaige, AB and Neringa Menčiūnienė, Finance Director of Snaige, AB hereby confirm that, to the best of our knowledge, the attached unaudited interim consolidated Snaige AB financial statements for the three month period of year 2012, prepared in accordance to the applied accounting standards, reflects the reality correctly and fairly shows issuer's assets, liabilities, financial position, profit or loss and cash flows of Snaige, AB.

Gediminas Čeika
Managing Director

Neringa Menčiūnienė
Finance Director

May 11, 2012

SNAIGĖ AB

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS OF 2012

CONTENTS

I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the three months of 2012.

2. The basic data about the issuer

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

Authorised capital – LTL 39,622,395

Address - Pramones str. 6, LT-62175 Alytus

Phone - (370-315) 56 206

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E-mail – snaige@snaige.lt

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 "Snaige" AB was registered on May 12, 2011 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 is available in the Budget and Accounting Department of "Snaige" AB at Pramones str. 6, Alytus on the days of I-IV from 7.30 to 16.30, and V from 7.30 to 14.00.

The mass media – daily paper „Kauno diena".

II. FINANCIAL STATUS

"Snaige" AB is the parent company situated in Lithuania with subsidiaries also 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.

1. Profit (Loss) Report (in LTL)

Ref. No.	ITEMS	31 03 2012	31 03 2011
I.	**SALES AND SERVICES**	**21,831,729**	**21,961,353**
I.1	Income of goods and other products sold	2,837,630	2,783,438
I.2	Income of refrigerators sold	18,994,099	19,177,915
II.	**COST OF GOODS SOLD AND SERVICES RENDERED**	**19,303,610**	**19,080,429**
II.1	Net cost of goods and other products sold	713,064	666,337
II.2	Net cost of refrigerators sold	18,590,546	18,414,092
III.	**GROSS PROFIT**	**2,528,119**	**2,880,924**
IV.	**OPERATING EXPENSES**	**4,207,449**	**4,685,282**
IV.1	Sales expenses	1,430,367	1,772,857
IV.2	General and administrative expenses	2,777,082	2,912,425
V.	**PROFIT (LOSS) FROM OPERATIONS**	**(1,679,330)**	**(1,804,358)**
VI.	**OTHER ACTIVITY**	**33,436**	**293,233**
VI.1.	Income	76,178	324,163
VI.2.	Expenses	42,742	30,930
VII.	**FINANCIAL AND INVESTING ACTIVITIES**	**(623,673)**	**(665,084)**
VII.1.	Income	1,404	263,900
VII.2.	Expenses	625,077	928,984
VIII.	**PROFIT (LOSS) FROM ORDINARY ACTIVITIES**	**(2,269,567)**	**(2,176,209)**
IX.	EXTRAORDINARY GAIN		
X.	EXTRAORDINARY LOSS		
XI.	**CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES**	**(2,269,567)**	**(2,176,209)**
XII.	**TAXES**	**0**	**0**
XII.1	PROFIT TAX		
XIII.	Adjustment of deferred profit tax		
XIV.	Social tax		
XV.	MINORITY INTEREST	53	77
XVI.	**NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS)**	**(2,269,514)**	**(2,176,132)**

2. Accounting Balance Sheet (in LTL)

Ref. No.	ASSETS	Notes	31 03 2012	31 12 2011
A.	**Non-current assets**		**56,722,717**	**57,091,539**
I.	INTANGIBLE ASSETS	7	**4,831,653**	**4,967,217**
II	TANGIBLE ASSETS	8	**29,452,688**	**30,701,361**
II.1.	Land			
II.2.	Buildings		9,501,878	9,508,019
II.3.	Other non-current tangible assets		19,889,019	20,700,707
II.4.	Construction in progress and advance payments		61,791	492,635
III.	**INVESTMENT ASSET**		**20,278,662**	**19,263,247**
IV.	**NON-CURRENT FINANCIAL ASSETS**			
IV. I	Deferred income tax asset		1,159,714	1,159,714
IV.II.	Other non-current assets		1,000,000	1,000,000
V.	ACCOUNTS RECEIVABLE AFTER ONE YEAR			
VI.	**Assets held for sale**		**2,298,964**	**2,144,363**
B.	**CURRENT ASSETS**		**35,297,703**	**30,078,201**
I.	INVENTORY AND CONTRACTS IN PROGRESS	9	14,892,706	13,231,841
I.1.	Inventories		14,892,706	13,231,841
I.2.	Advance payments			
I.3.	Contracts in progress			
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR		19,612,872	15,870,874
III.	INVESTMENTS AND TERM DEPOSITS			
IV.	CASH AND CASH EQUIVALENTS	12	777,125	960,486
V.	Other current assets		15,000	15,000
	Planned to sell non-current assets			
C.	**Accrued income and prepaid expenses**			
	TOTAL ASSETS		**94,319,384**	**89,314,103**

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Ref. No.	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 03 2012	31 12 2011
A.	**Capital and reserves**		**34,920,501**	**35,736,312**
I.	SHARE CAPITAL		**45,321,051**	**45,321,051**
I.1.	Authorized (subscribed) share capital		39,622,395	39,622,395
I.2.	Uncalled share capital (-)			
I.3.	Share premium (surplus of nominal value)		5,698,656	5,698,656
	Own shares (-)			
III.	REVALUATION RESERVE		(3,504,345)	(4,958,048)
IV.	RESERVES		4,016,955	4,016,955
V.	PROFIT (LOSS) BROUGHT FORWARD		(10,913,160)	(8,643,646)
	Current Profit (Loss)		(2,269,514)	(5,042,923)
	The previous year Profit (Loss)		(8,643,646)	(3,600,723)
B.	**Minority interest**		1,892	1,945
D.	**Provisions and deferred taxes**		**0**	**0**
I.	PROVISIONS FOR COVERING LIABILITIES AND DEMANDS			
II.	DEFERRED TAXES			
E.	**Accounts payable and liabilities**		**59,396,991**	**53,575,846**
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES		32,495,013	16,855,148
C	**Financing (grants and subsidies)**		847,058	934,133
I.1.	Financial debts		30,460,021	14,742,077
I.2.	Warranty provisions	16	684,540	684,540
I.3.	Deferred income tax liability		156,011	147,015
I.4.	Advances received on contracts in progress			
I.5.	Non-current employee benefits		347,383	347,383
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES		26,901,978	36,720,698
II.1.	Current portion of non-current debts		1,698,946	16,005,775
II.2.	Financial debts			
II.3.	Trade creditors		19,993,326	14,966,916
II.4.	Advances received on contracts in progress		213,033	216,184
II.5.	Taxes, remuneration and social security payable	21	3,047,660	3,277,967
II.6.	Warranty provisions	16	1,342,152	1,373,072
II.7.	Other provisions			
II.8.	Other current liabilities	21	606,861	880,784
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**94,319,384**	**89,314,103**

3. Cash Flows Statement

Ref. No.		31 03 2012	31 03 2011
I.	**Cash flows from the key operations**		
I.1	Result before taxes	(2,269,567)	(2,176,209)
I.2	Depreciation and amortization expenses	1,975,879	2,015,577
I.3	Subsidies amortization	(87,075)	(87,075)
I.4	Result of sold non-current assets	(20,581)	(39,715)
I.5	Write-off of non-current assets	6,598	4
I.6	Write-off of inventories	65,841	17,060
I.7	Depreciation of receivables		103,371
I.8	Non-realized loss on currency future deals		
I.9	Change in provision for guarantee repair	(30,920)	93,025
I.10	Recovery of devaluation of trade receivables		
I.11	Influence of foreign currency exchange rate change	6,480	(264,239)
I.12	Financial income (interest income)	(1,404)	(1,540)
I.13	Financial expenses (interest expenses)	618,597	840,296
	Cash flows from the key operations until decrease (increase) in working capital	**263,848**	**500,555**
II.1	Decrease (increase) in receivables and other liabilities	(3,741,998)	(1,720,276)
II.2	Decrease (increase) in inventories	(1,660,865)	(3,484,027)
II.3	Decrease (increase) in trade and other debts to suppliers	4,674,328	1,736,618
	Cash flows from the main activities	**(464,687)**	**(2,967,130)**
III.1	Other cash income		
III.2	Interest received		
III.3	Interest paid	(483,222)	(291,327)
III.4	Profit tax paid		
	Net cash flows from the key operations	**(947,909)**	**(3,258,457)**

IV.	**Cash flows from the investing activities**		
IV.1	Acquisition of tangible non-current assets	(670,761)	(428,033)
IV.2	Capitalization of intangible non-current assets	(676)	
IV.3	Sales of non-current assets	24,870	39,704
IV.4	Loans granted		
IV.5	Loans regained		
	Net cash flows from the investing activities	**(646,567)**	**(388,329)**

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III.	**Cash flows from the financial activities**	1,411,115	3,597,886
III.1	Cash flows related to the shareholders of the company		
III.1.1	Issue of shares		
III.1.2	Shareholders' contributions for covering losses		
III.1.3	Sale of own shares		
III.1.4	Payment of dividends		
III.2	Cash flows arising from other financing sources		
III.2.1	Subsidies received		
III.2.1.1	Inflows from non-current loans	2,287,320	4,339,114
III.2.1.2	Loans repaid	(301,617)	(105,539)
III.2.2	Finance lease received		
III.2.2.1	Payments of leasing (finance lease) liabilities	(71,152)	(204,780)
III.3	Other decreases in the cash flows from financial activities		
III.4.	Redemption of issued securities	(503,436)	(430,909)
	Net cash flows from the financial activities	**1,411,115**	**3,597,886**

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**	**(183,361)**	**(48,900)**
VII.	**Cash and cash equivalents at the beginning of period**	**960,486**	**1,970,839**
VIII.	**Cash and cash equivalents at the end of period**	**777,125**	**1,921,939**

4. Statement of Changes in Equity

	Paid up authorised capital	Share premium	Own shares (-)	Legal reserves		Other reserves			Retained earnings	TOTAL	Minority	TOTAL
				Compulsory	For acquiring own shares	For social needs	For investments	Currency exchange reserve				
Balance as of December 31, 2010	**30,735,715**	**5,698,656**	**0**	**2,828,472**	**0**	**30,000**	**1,830,000**	**(6,274,902)**	**(4,272,240)**	**30,575,701**	**1,475**	**30,577,176**
Total registered income and expenses as of 2011 IQ									(2,176,132)	**(2,176,132)**	**(78)**	**(2,176,210)**
Formed reserves												
Transfers from reserves												
Increase of authorized capital												
Other changes								63,290		**63,290**		**63,290**
Balance as of March 31, 2011	**30,735,715**	**5,698,656**	**0**	**2,828,472**	**0**	**30,000**	**1,830,000**	**(6,211,612)**	**(6,448,372)**	**28,462,859**	**1,397**	**28,464,256**
Total registered income and expenses as of 2011 II-IVQ									(2,866,791)	**(2,866,791)**	**548**	**(2,866,243)**
Formed reserves						30,000	1,158,483		(1,188,483)	**0**		**0**
Transfers from reserves						(30,000)	(1,830,000)		1,860,000	**0**		**0**
Increase of authorized capital	8,886,680									**8,886,680**		**8,886,680**
Other changes								1,253,564		**1,253,564**		**1,253,564**
Balance as of December 31, 2011	**39,622,395**	**5,698,656**	**0**	**2,828,472**	**0**	**30,000**	**1,158,483**	**(4,958,048)**	**(8,643,646)**	**35,736,312**	**1,945**	**35,738,257**
Total registered income and expenses as of 2012									**(2,269,514)**	**(2,269,514)**	**(53)**	**(2,269,567)**
Formed reserves												
Transfers from reserves												
Other changes								1,453,703		**1,453,703**		**1,453,703**
Increase of authorized capital												
Loss coverage												
Balance as of March 31, 2012	**39,622,395**	**5,698,656**	**0**	**2,828,472**	**0**	**30,000**	**1,158,483**	**(3,504,345)**	**(10,913,160)**	**34,920,501**	**1,892**	**34,922,393**

III. NOTES TO THE FINANCIAL STATEMENTS

1 General information

Snaigė AB (hereinafter the Company) is a public company registered in the Republic of Lithuania. The address of its registered office is as follows:

Pramonės Str. 6,
Alytus,
Lithuania.

The Company is engaged in producing refrigerators and refrigerating equipment. The Company was registered on 1 April 1963. The Company's shares are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius stock exchange.

Main shareholders of „Snaigė" AB were:

	March 31, 2012		December 31, 2011	
	Number of shares owned	Share of total capital, %	Number of shares owned	Share of total capital, %
VAIDANA UAB	23,716,668	59.86%	23,716,668	59.86%
Skandinaviska Enskilda Banken AB clients	1 ,536 ,389	3.88%	2,266,389	5.72%
Swedbank AS (Estonia) clients	1 ,992 ,939	5.03%	3,321,701	8.38%
Other shareholders	12 ,376 ,399	31.23%	10,317,637	26.04%
Total	**39,622,395**	**100%**	**39,622,395**	**100%**

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as of 31 March 2012 and 2011. As of 31 March 2012 and 2011 the Company did not hold its own shares.

On 18 April 2011 pursuant to the decision of convertible bonds owners 23,386 units of convertible bonds with the par value of EUR 100 (equivalent to LTL 345) each were converted into 8,886,680 ordinary registered shares of the Company with the par value of LTL 1 each (conversion ratio 380 shares for EUR 100 bond) and the share capital was increased accordingly. The increased share capital was registered on 12 May 2011.

On 12 December 2011 VAIDANA UAB acquired 17,602,215 ordinary registered shares of the Company with the par value of LTL 1 each, which represents 44.42% of the total shares of the Company and voting rights in the general meeting.

On 21 December 2011 VAIDANA UAB additionally acquired 6,114,453 ordinary registered shares of the Company (15.43% of total shares of the Company).

VAIDANA UAB is ultimately owned by Tetal Global Ltd.

The non-competitive offer for the remaining 15,905,727 ordinary shares of the Company with the par value of LTL 1 each (amounting to 40.14% of the total share capital) was announced on 21 March 2012 and is valid till 28 May 2012.

The Group consists of Snaigė AB and the following subsidiaries as of 31 March 2012 (hereinafter the Group) (the structure of the Group remains unchanged comparing to 2011):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
OOO Techprominvest	Russia (Kaliningrad)	100%	(528 ,851)	39 ,412 ,750
TOB Snaige Ukraina	Ukraine	99%	1 ,608	70 ,575
OOO Moroz Trade	Russia	100%	-	(14 ,541 ,245)
OOO Liga Servis	Russia	100%	(28 ,351)	(1 ,531 ,444)
UAB Almecha	Lithuania	100%	17 ,594	466 ,508

As of 31 March 2012 the Board of the Company comprised 2 employees of the Company and 4 representatives of Vaidana UAB. As of 31 December 2011 the Board of the Company comprised 2 employees of the Company and 4 representatives of Vaidana UAB.

In 2002 „Snaige“ AB bought „Techprominvest“ (Kaliningrad, Russia) in 2002. On 12 August 2009 due to global economic crisis and particularly unfavourable effect of it on the Group activities, the management of the Group made a decision to terminate the activities of Snaigė AB refrigerator factory OOO Techprominvest. Goodwill that arose during the acquisition of minority of the subsidiary in 2006 and 2007 amounting to LTL 12,313 thousand (at the moment of acquisition RUB 123,168 thousand) was written off as of 31 August 2009.

The Board of directors of the Company in its meeting on 30 September 2011 decided to sell 100% share capital of OOO Techprominvest held by Company through a public tender. It was also decided to convert the receivables in the amount of LTL 38,509 thousand from OOO Techprominvest into its share capital by increasing it up to 88,852,896 LTL.

The reduction of the credit commitment helped the subsidiary Techprominvest OOO to become more attractive to investors.

The share capital was increased in October 2011.

TOB Snaige Ukraina (Kiev, Ukraine) was established in 2002. Since the acquisition in 2002, the Company holds 99% shares of this subsidiary. The subsidiary provides sales and marketing services to the Company in the Ukrainian market.

On 13 May 2004, OOO Moroz Trade (Moscow, Russia) was established. The Company acquired 100% of shares of OOO Moroz Trade in October 2004. The subsidiary provides sales and marketing services in the Russian market. In 2011 and 2010 OOO Moroz Trade did not operate.

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

UAB Almecha (Alytus, Lithuania) was established on 9 November 2006. The main activities of the company are production of refrigerating components and equipment.

As of 31 March 2012 the number of employees of the Group was 775 (as of 31 March 2011 – 785).

2 Accounting principles

The principal accounting policies adopted in preparing the Group's financial statements as of 31 March, 2012 are as follows:

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

These financial statements are prepared on the historical cost basis.

2.2. Going concern

The Group's current assets exceeded current liabilities by LTL 8,396 thousand of 31 March 2012 (whereas in the year 2011, December 31st, the current liabilities exceeded current assets by LTL 6,642 thousand).

- liquidity ratios: gross replacement ratio was 1.31, quick recovery ratio – 0.76 (whereas on the year 2011 December 31st those ratios were respectively 0.82 and 0.47). In 2012 the Group incurred LTL 2,269 thousand pre-tax loss (on the year 2011 March 31st – LTL 2,176 thousand loss).
- commitment ratios: the ratio of debt/asset was 0.63 (whereas in the year 2011, March 31st 0.6)

Despite this, these financial statements for the three months of 2012 are prepared under the assumption that the Group will continue as a going concern at least 12 months from the balance sheet date. The going concern is based on the following assumptions:

- in 2012 the Group expects 22% increase in sales comparing to 2011 and additionally to optimize fixed costs;
- in order to finance the working capital the Group is planning to perform successful sales of finished goods and the continuation of cooperation only with trustful partners. Trade payables are planned to be decreased using free operational cash flowstrade payables are planned to be decreased using free operational cash flows;
- the majority shareholding in the Group has been acquired by a strategic investor, which is expected to positively influence the business development of the Group;
- at the date of release of these financial statements all convertible bonds have the maturity term ending in 2013 and all current borrowings were refinanced in 2012 at more favorable interest rates, as well as additional loan agreements have been signed, as disclosed in Note 18.

All obligations of the Company before the convrtible bonds holders have been fulfilled.

The direction of the Company agrees that all those assumptions above could be influenced of significant uncertainties, which could raise doubts about Company's ability to continue operating, because of the disability to realize its property and to implement its commitments by carrying out its normal activities. However despite all this the Company's direction expects that the Company will have enough resources to continue operating in the near future. Therefore, the Group has continued to adopt the going concern basis of accounting in preparing these financial statements.

2.3. Currency of financial statement

The Group's financial statements are presented in local currency of the Republic of Lithuania, Litas (LTL), which is the Company's functional and the Group's and Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign entity and translated at the balance sheet date rate.

The functional currency of the foreign entities OOO Techprominvest, OOO Moroz Trade and OOO Liga Servis is Russian rouble (RUB) and of Snaige Ukraina TOB - Ukrainian hryvnia (UAH). As of the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Snaigė AB (LTL) at the rate of exchange on the balance sheet date and their statement of comprehensive incomes are translated at the average monthly exchange rates for the reporting period. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in the shareholder/s equity caption relating to that particular foreign operation is transferred to the statement of comprehensive income.

Lithuanian litas is pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

The applicable exchange rates of the functional currencies as follows:

	31-03-2012	**31-12-2011**
RUB	0.088433	0.083334
UAH	0.32263	0.33243

2.4. Principles of consolidation

The consolidated financial statements of the Group include Snaigė AB and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

From 1 January 2010 losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. Prior to 1 January 2010 losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

Acquisitions and disposals of non-controlling interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the non-controlling interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

2.5. Intangible assets, except for goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised 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 amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives (1-8 years).

Research and development

Research costs are expensed as incurred. Development expenditure on an individual projects is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortization periods from 1 to 8 years are applied by the Group.

Licenses

Amounts paid for licences are capitalised and amortised over their validity period.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised 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 recognised as an expense when the restoration or maintenance work is carried out.

2.6. Tangible non-current assets

Property, plant and equipment, including investment property, are assets that are controlled by the Group, which are expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably measured. Property, plant and equipment and investment property is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of such assets when that cost is incurred if the asset recognition criteria are met. Replaced parts are written off.

The carrying values of property, plant and equipment property are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the statement of comprehensive income, whenever estimated.
An item of property, plant and equipment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

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 – 15 years
Vehicles	4 – 6 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.

2.7. Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Property, plant and equipment once classified as held for sale are not depreciated.

If the Group has classified an asset as held for sale, but the above mentioned criteria are no longer met, the Group ceases to classify the asset as held for sale and measure a non-current asset that ceases to be classified as held for sale at the lower of: its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell. The adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale and recorded in profit or loss in the period in which the criteria are no longer met.

2.8. Inventories

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable 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. Unrealisable inventory is fully written-off.

2.9. Receivables and loans granted

Receivables are initially recorded at the true value at the same moment as they were given. Later receivables and loans are accounted in justice to their depreciation.

2.10. Cash and cash equivalents

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

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

2.11. Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised as of 31 March 2012 and 31 December 2011.

Borrowings are initially recognised at fair value of proceeds received, net of expenses incurred. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings (except for the capitalised portion as discussed above).

Borrowings are classified as non-current if the completion of a refinancing agreement before the balance sheet date provides evidence that the substance of the liability at the balance sheet date was non-current.

2.12. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into. Subsequent to initial recognition and measurement, outstanding derivatives are carried in the statement of financial position at the fair value. Fair value is determined using the discounted cash flow method applying the effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. The Group had no derivative contracts outstanding as of 31 March 2012 and 31 December 2011.

Gain or loss from changes in the fair value of outstanding derivative contracts is recognised in the comprehensive income statement as they arise.

2.13. Factoring

Factoring transaction is a funding transaction wherein the company transfers to factor claim rights for determined fee. The companies alienate rights to receivables due at a future date according to invoices.
At the date of the making this statement the Group had not such transactions.

2.14. Financial lease and operating lease

Finance lease – the Group as lessee

The Group recognises finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the nominal interest rate of finance lease payment, when it is possible to determine it, in other cases, Group's composite interest rate on borrowings is applied. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Direct expenses incurred by the lessee during the lease period are included in the value of the leased asset.

The depreciation is accounted for finance lease assets and it also gives rise to financial expenses in the statement of comprehensive income for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets cannot be depreciated over the period longer than the lease term, unless the Group according to the lease contract, gets transferred their ownership after the lease term is over.

If the result of sales and lease back transactions is finance lease, any profit from sales exceeding the book value is not recognised as income immediately. It is deferred and amortised over the finance lease term.

Operating lease – the Group as lesse

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

The gains from discounts provided by the lessor are recognised 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 recognised immediately. If the sales price is lower than the fair value, any loss is recognised immediately, except for the cases when the loss is compensated by lower than market prices for lease payments in the future. The loss is then deferred and it is amortised 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 amortised over a period, during which the assets are expected to be operated.

2.15. Grants and subsidies

Grants and subsidies (hereinafter Grants) 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 (mainly received from the EU and other structural funds). Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised in the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the statement of comprehensive income, a relevant expense account is reduced by the amount of grant amortisation.

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 (mainly received from the EU and other structural funds). The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

2.16. Provisions

Provisions are recognised when the Group 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.

2.17. Non-current employee benefits

According to the collective agreement, each employee leaving the Company at the retirement age is entitled to a one-time payment. Employment benefits are recognised in the statement of financial position and reflect the present value of future payments at the date of the statement of financial position. The above mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in the statement of comprehensive income as incurred.

2.18. Revenue recognition

Revenue is recognised 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 recognised net of VAT and discounts.

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

Revenue from services is recognized on accrual basis when services are rendered.

In these consolidated financial statements intercompany sales are eliminated.

2.19. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans or receivables, impairment is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of the statement of comprehensive income as the impairment loss.

2.20. Subsequent events

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

2.21. Offsetting and comparative figures

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

3 Segment information

The Group's sole business segment identified for the management purposes is the production of refrigerators and specialised equipment, therefore this note does not include any disclosures on operating segments as they are the same as information provided by the Group in these financial statements.

Information for the reporting period 31 March 2012 and 31 March 2011 with respect to geographical location of the Group's sales and assets (in LTL thousand) is presented below:

Group	Total segment sales revenue		Inter-segment sales		Sales revenue		Total assets by its location *	
	2012	2011	2012	2011	2012	2011	2012	2011
Russia	1,795	361	-	(10)	1,795	351	23,366	28,153
Ukraine	8,446	7,547	-	(23)	8,446	7,524	63	22
Western Europe	7,939	10,497	-	-	7,939	10,497	-	-
Eastern Europe	1,450	1,663	-	-	1,450	1,663	-	-
Lithuania	4,538	4,528	(3,003)	(3,087)	1,535	1,441	70,890	69,638
Other CIS countries	505	376	-	-	505	376	-	-
Other Baltic states	162	109	-	-	162	109	-	-
Other countries	-	-	-	-	-	-	-	-
Total	**24,835**	**25,081**	**(3,003)**	**(3,120)**	**21 ,832**	**21,961**	**94,319**	**97,813**

* Assets located not in Lithuania mainly comprise property, plant and equipment, inventories and accounts receivable.

Transactions between the geographical segments are generally made on commercial terms and conditions. Inter-segments sales are eliminated on consolidation.

In 2012 first quarter the sales to the buyers Severin Elektrogeräte GmbH and S.A. Conforama respectively comprised 11.93 % and 9.69 % of total sales (in 2011 respectively 9.06 % and 7.63%).

4 Cost sales

	31 03 2012	31 03 2011
Raw materials	14,378,584	14,494,277
Salaries and wages	1,234,043	1,257,671
Depreciation and amortisation	1,051,804	981,952
Other	2, 639,179	2,346,529
Total:	**19,303,610**	**19,080,429**

Other income	**31 03 2012**	**31 03 2011**
Income from transportation services	31,958	56,145
Income from rent of premises	1,910	195,647
Gain on disposal of property, plant and equipment	20,468	39,715
Income from rent of equipment	731	629
Other	21,111	32,027
	76,178	**324 ,163**

5 Operatin expenses

	31 03 2012	31 03 2011
Sales expenses	1,430,367	1,772,857
General and administrative expenses	2,777,082	2,912,425
	4,207,449	**4,685,282**

6 Other operating expenses

Transportation expenses	21,000	21,243
Rent of fixed asset	-	564
Rent of equipment	-	-
Loss from sale of fixed asset	-	-
Other	21,742	9,123
	42,742	**30,930**

7 Net result from financial activities

	31 03 2012	31 03 2011
Financial income		
Profit from currency exchange	-	262,360
Gain of foreign currency translation transactions	-	-
Interest income and other	1,404	1,540
	1,404	**263,900**

8 Financial expenses

	31 03 2012	31 03 2011
Interest expenses	618,597	840,296
Foreign currency exchange loss, net	5,894	-
Other	586	88,688
	625,077	**928,984**

9 Non-current intangible assets

	Balance sheet value	
	31 03 2012	31 03 2011
Development costs	4,669,763	4,910,162
Software, license	51,643	57,055
Other intangible assets	110,247	-
Total:	**4,831,653**	**4,967,217**

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

Over the 3 months of 2012, the Group has accumulated LTL 194 thousand (3 months of 2011 - LTL 189 thousand) of non-current intangible assets depreciation.

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10 Non-current tangible assets

	Balance sheet value	
	31 03 2012	**31 12 2011**
Land and buildings	9,501,878	9,508,019
Machinery and equipment	18,106,994	19,033,637
Vehicles and other	1,782,025	1,667,070
Construction in progress and advance payments	61,791	492,635
Total:	**29,452,688**	**30,701,361**

Investment asset	20,278,662	19,263,247
Assets held for sale	2,298,964	2,144,363
Total:	**52,030,314**	**52,108,971**

The depreciation charge of the Group's property, plant and equipment on 31 March, 2012 amounts to LTL 1,782 thousand (LTL 1,827 thousand for 2011). The amount of LTL 1,413 thousand for 2012 (LTL 1,447 thousand for 2011) was included into production costs. The remaining amount of LTL 369 thousand including depreciation of investment property (LTL 380 thousand for 2011) was included into administration expenses in the Group's statement of comprehensive income.

At 31 March 2012 buildings of the Group with the net book value of LTL 7,297 thousand (as of 31 December 2011 – LTL 7,359 thousand) and machinery and equipment with the net book value of LTL 5,506 thousand (as of 31 December 2011 – LTL 5,870 thousand) were pledged to banks as a collateral for the loans (Note 18).

The liabilities to the owners of ordinary bonds are secured by the pledge of machinery and equipment with the net book value of LTL 2,120 thousand as of 31 March 2012 (as of 31 December 2011 – LTL 2,344 thousand) (Note 18).

In order to assure the proper fulfilment of Group's liabilities to suppliers according to legal proceedings, the rights to machinery and equipment with the net book value of LTL 954 thousand as of 31 March 2012 (as of 31 December 2011 – LTL 1,047 thousand) were limited by law.

11 Inventories

	31 03 2012	**31 12 2011**
Raw materials, spare parts and production in progress	10,295,973	8,198,991
Finished goods	5,172,918	5,627,944
Other	18,909	-
	15,487,800	13,826,935
Less: net realizable value allowance	(595,094)	(595,094)
	14,892,706	**13,231,841**

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

As described in Note 18, in order to secure the repayment of bank loans, the Group pledged inventories with the value of not less than LTL 10,500 thousand as of 31 March 2012 (as of 31 December 2011 – LTL 10,500 thousand).

12 Trade receivables

Trade receivables were composed as follows:

	31 03 2012	31 12 2011
Trade receivables from the Group companies	31,000,813	26,306,167
Less: allowance for doubtful trade receivables	(14,009,015)	(13,115,430)
	16,991,798	**13,190,737**

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

As of 31 March 2012 trade receivables with the carrying value of LTL 14,009 thousand (as of 31 December 2011 – LTL 13,115 thousand) were impaired and fully provided for. Change in valuation allowance for doubtful trade receivables was included within administration expenses.

The Group's trade receivables from Western countries and former and current CIS countries amounting to LTL 6,733 thousand as of 31 March 2012 (LTL 4,157 thousand as of 31 December 2011) were insured by credit insurance Atradius Sweden Kreditförsäkring Lithaunia branch.

Movements in the individually assessed impairment of trade receivables were as follows:

	31 03 2012	31 12 2011
Balance at the beginning of the period	(13,115,430)	(13,585,026)
Charge for the year	(231,085)	(87,431)
Write-offs of trade receivables	-	224,893
Effect of the change in foreign currency exchange rate	(662,500)	279,495
Amounts paid	-	52,639
Balance in the end of the period	**(14,009,015)**	**(13,115,430)**

The ageing analysis of trade receivables as of 31 March 2012 and 31 December 2011 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2012	14,117,492	2,398,869	108,345	105,908	102,233	158,951	**16,991,798**
2011	9,748,804	2,218,263	526,531	233,792	286,157	177,190	**13,190,737**

As of 31 March 2012 and 31 December 2011 the Group had no factoring with recourse agreements, therefore no limitations on disposable assets were present.

13 Other current assets

	31 03 2012	31 12 2011
Prepayments and deferred expenses	1,462,425	1,704,548
VAT receivable	738,392	535,286
Compensations receivable from suppliers	59,705	60,072
Restricted cash	15,000	15,000
Other receivables	1,879,232	1,811,345
Less: valuation allowance for doubtful other receivables	(1,518,680)	(1,431,114)
	2,636,074	**2,695,137**

Change in valuation allowance for doubtful other receivables was included within administration expenses.

Movements in the individually assessed impairment of other receivables were as follows:

	31 03 2012	31 12 2011
Balance at the beginning of the period	(1,431,114)	(1,469,690)
Charge for the year	-	-
Effect of the change in foreign currency exchange rate	(87,566)	37,800
Amounts paid	-	776
Balance in the end of the period	(1,518,680)	(1,431,114)

14 Cash and cash equivalents

	31 03 2011	31 12 2011
Cash at bank	764,923	952,623
Cash on hand	12,202	7,863
	777,125	**960,486**

As of 31 March 2012 the accounts of the Group in foreign currency and Litas up to LTL 10,085 thousand (up to LTL 12,085 thousand in 2011) are pledged as a collateral for bank loans (Note 18).

15 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 on the 31 of March, 2012 and of 31 December 2011, the Company was in compliance with this requirement.

16 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital.

As of 31 March 2012 the legal reserve amounted to LTL 2,829 thousand.

Non-restricted reserves

Other reserves are formed based on the decision of the General Shareholders' Meeting for special purposes. All distributable reserves before distributing the profit are transferred to retained earnings and redistributed annually under a decision of the shareholders.

As of 31 March 2012 other distributable reserves consisted of a reserve for investments amounting to LTL 1,158 thousand (as of 31 December 2011 - LTL 1,158 thousand) and reserve for social and cultural needs amounting to LTL 30 thousand (as of 31 December 2011 – LTL 30 thousand).

Foreign currency translation reserve

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

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

17 Subsidies

Subsidies on 1 January 2010	10,703,880
Increase during period	-
Subsidies on 31 December 2010	10,703,880
Increase during period	-
Subsidies on 310 December 2011	10,703,880
Increase during period	-
Subsidies on 31 March 2012	10,703,880
Accumulated amortization on 1 January 2010	9,103,143
Amortization during period	318,304
Accumulated amortization on 31 December 2010	9,421,447
Amortization during period	348,300
Accumulated amortization on 31 December 2011	9,769,747
Amortization during period	87,075
Accumulated amortization on 31 March 2012	9,856,822
Net residual value 31 March 2012	**847,058**

The subsidies were received for the renewal of production machinery and repairs of buildings in connection with the elimination of CFC 11 element from the production of polyurethane insulation and filling foam, and for elimination of green house gases in the manufacturing of domestic refrigerators and freezers. Subsidies are amortised over the same period as the machinery and other assets for which subsidies were designated when compensatory costs are incurred. The amortisation of subsidies is included in production cost against depreciation of machinery and reconstruction of buildings for which the subsidies were designated.

18 Provisions for guarantee related liabilities

The Group provides a warranty of up to 2 years for the production sold since 1 January 2009 (up to 3 years before 1 January 2009). The provision for warranty repairs was accounted for based on the expected cost of repairs and statistical warranty repair rates and divided respectively into non-current and current provisions.

Changes over the reporting period were:

	31 03 2012
1 January,	2,057,612
Changes over reporting period	169,743
Used	(200,663)
Foreign currency exchange effect	
31 March, 2012	**2,026,692**

The postponements of warranty obligations accounted for the 31st of March:

	31 03 2012
- Long-term	684,540
- Shot-term	1,342,152

	31 12 2011
- Long-term	684,540
- Shot-term	1,373,072

19 Borrowings

	31 03 2012	31 12 2011
Non-current borrowings		
Non-current borrowings with fixed interest rate	10,843,142	6,543,142
Non-current borrowings with variable interest rate	12,316,879	898,935
Ordinary bonds	7,300,000	7,300,000
	30,460,021	14,742,077
Current borrowings		
Convertible bonds	-	-
Ordinary bonds	349,596	853,032
Current borrowings with fixed interest rate	1,182,350	5,776,468
Current borrowings with variable interest rate	167,000	9,305,123
	1,698,946	15,934,623
Total	**32,158,967**	**30,676,700**

On 16 June 2010 the Company issued 10,000 units of ordinary bonds with the par value of EUR 100 each and yielding 10%. The Company is obliged to redeem 416 units of bonds and pay accrued interest on the 20th day of each month during the validity period and redeem 432 units of bonds at maturity date on 15 June 2012. The liabilities to the owners of ordinary bonds are secured by the pledge of machinery and equipment with the net book value of LTL 2,344 thousand as of 31 December 2011.

On 18 April 2011 the Company issued 30,000 units of convertible bonds with the par value of LTL 100 each with the annual yield of 9%.

On 2 May 2011 the Company issued 43,000 units of convertible bonds with the par value of LTL 100 each, with the annual yield of 9%, redemption date 2 May 2013, interest is paid annually. The purpose is the refinancing of part of the convertible bonds emission issued in 2010 with the maturity date of 11 April 2011. Bonds and accrued interest, which in 2012 March 31 amounted to LTL 387 thousand covered in the form of long-term loans. Interest on the bonds is payable at the time of their maturity, with the exception of 30,000 units bond holder to whom the interest shall be paid on the last day of the quarter time in the quarter.

On 18 April 2011 pursuant to the decision of convertible bonds owners 23,386 units of convertible bonds with the par value of EUR 100 (equivalent to LTL 345) each were converted into 8,886,680 ordinary registered shares of the Company with the par value of LTL 1 each and the share capital was increased accordingly (Note 1).

Borrowings with variable interest rate bear 6-month VILIBOR + from 3.5 % till 4 %, but not less than 6.5 % annual interest rate as of 31 March 2012 (6 month EUR LIBOR + 3.88% - 3.1 % annual interest rate as of 31 December 2011). Borrowings with the fixed interest rate bear 9 - 14% annual interest rates.

As of 31 March 2012 buildings with the carrying amount of LTL 7,297 thousand (as of 31 December 2011 – LTL 7,359 thousand), machinery and equipment with the net book value of LTL 5,506 thousand (as of 31 December 2011 – LTL 5,870 thousand), inventories with the net book value of not less than LTL 10,500 thousand (as of 31 December 2011 – LTL 10,500 thousand), cash inflows into the bank accounts up to LTL 10,085 thousand (as of 31 December 2011 – LTL 12,085 thousand), as well as the right of claim for inflows from OOO Techprominvest, according to the agreement signed between AB Snaige and OOO Techprominvest on 30 April 2010, was pledged to the banks for loans provided (as further described in Note 1 this inflow rightwas reduced significantly in 2011 after the major part of the amount was capitalized in the process of OOO Techprominvest share capital increase). In addition LTL 1,000 thousand cash deposit accounted for in other non-current assets was restricted and pledged to banks until May 2015.

Investicijų ir Verslo Garantijos,UAB (entity owned by the government of the Republic of Lithuania) guaranteed the long term fixed rate borrowing repayment in total of LTL 5,000 thousand until 24 May 2015.

Borrowings at the end of the year in national and foreign currencies:

	31 March 2012	31 December 2011
Borrowings denominated in:		
EUR	3,583,744	3,250,061
USD	-	-
LTL	28,575,223	27,426,639
	32,158,967	**30,676,700**

Repayment schedule for non-current borrowings, except for convertible and ordinary bonds, is as follows:

	Fixed interest rate	Variable interest rate
2012	1,531,947	167,000
2013 – 2017	18,143,142	12,316,878
After 2017	-	-
	19,675,089	**12,483,878**

20 Financial leasing

The Group has notfinancial lease payables on 31 March,2012.

Principal amounts of financial lease payables as of 31 March 2012 and 31 December 2011 are denominated in EUR.

The variable interest rates on the financial lease obligations in EUR vary depending on the 6-month EURIBOR + 1.1% margin, 6-month LIBOR EUR + 1% and 1.2% margin.

Future minimal lease payments under the above-mentioned financial lease contracts are as follows:

	31 03 2012	31 12 2011
Within one year	-	71,321
From one to five years	-	-
Total financial lease obligations	-	71,321
Interest	-	(169)
Present value of financial lease obligations	-	71,152
Financial lease obligations are accounted for as:		
- current	-	71,152
- non-current	-	-

The assets leased by the Group under financial lease contracts consist of machinery, 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:

	31 03 2012	31 12 2011
Machinery and equipment	-	2,123,131
Vehicles	-	-
	-	2,123,131

21 Operating lease

The Group has concluded several contracts of operating lease of land and premises. The terms of lease do not include restrictions of the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. In 2012 IQ the lease expenses of the Group amounted to LTL 64 thousand (LTL 79 thousand in 2011 IQ).

The most significant operating lease agreement of the Group is the non-current agreement of AB “Snaige” signed with the Municipality of Alytus for the rent of the land. The payments of the lease are reviewed periodically; the maturity term is on July 2, 2078.

Future lease payments according to the signed lease contracts are not defined as contracts might be cancelled upon the notice.

22 Other current liabilities

	31 03 2012	31 12 2011
Accrued interest on convertible bonds (Note 18)	419,773	349,028
Salaries and related taxes	1,859,690	2,039,592
Vacation reserve	1,187,971	1,238,375
Other accrued interest	129,688	128,723
Other taxes payable	378,296	217,514
Other payables and accrued expenses	(320,897)	185,519
	3,654,521	**4,158,751**

Terms and conditions of other payables:

- Other payables are non-interest bearing and have the settlement term up to six months.
- Interest payable is normally settled monthly throughout the financial year.

23 Basic and diluted earnings (loss) per share

	31 03 2012	31 12 2011
Shares issued 1 January	39,622,395	30,735,715
Weighted average number of shares	-	36,432,929
Net result for the year, attributable to the parent company	(2,269,514)	(5,042,923)
Basic (loss) per share, in LTL	(0,06)	(0,138)

24 Risk and capital management

Credit risk

The maximum exposures of the credit as of 31 March 2012 and as of 31 December 2011 comprise the carrying values of receivables, cash and cash equivalents.

Concentration of trading counterparties of the Group is average. As of 31 March 2012 amounts receivable from the main 10 customers of the Group accounted for approximately 51.47 % (58.64 % as of 31 December 2011) of the total Group's trade receivables.

The credit policy implemented by the Group and credit risk is constantly controlled. Credit risk assessment is applied to all clients willing to get a payment deferral.

The Group's trade receivables amounting to LTL 6,733 thousand as of 31 March 2012 (LTL 4,157 thousand as of 31 December 2011) were insured by credit insurance Atradius Sweden, Lithuanian branch.

In accordance with the policy of receivables recognition as doubtful, the payments variations from agreement terms are monitored and preventive actions are taken in order to avoid overdue receivables in accordance with the standard of the Group entitled "Trade Credits Risk Management Procedure".

According to the policy of the Group, receivables are considered to be doubtful if they meet the following criteria:

- the client is late with settlement for 60 and more days, receivable amount is not covered by insurance and it does not come from subsidiarines;
- factorised clients late with settlement for 30 and more days;
- client is unable to fulfil the obligations assumed;
- reluctant to communicate with the seller;
- turnover of management is observed;
- reorganisation process is observed;
- information about tax penalties, judicial operation and restrictions of the use of assets is observed;
- bankruptcy case;
- inconsistency and variation in payments;
- other criteria.

With the help of the contract of suretyship No. 2012-02-12 the company with current and future development of the all its assets, guarantees for „Vaidana" UAB on the appropriate execution of the obligations to Šiaulių bankas AB, for 4 million bank credit granted to it.

The Group's management believes that its maximum exposure is equal to the trade receivables netted with allowance losses recognized as at the balance sheet date.

A significant part of trade receivables is insured (Note 11).

Interest rate risk

The part of the Group's borrowings is with variable rates, related to LIBOR, VILIBOR and EURIBOR, which creates an interest rate risk. As of 31 March 2012 and 2011 the Group did not use any financial instruments to manage interest rate risk.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents by using cash flows statements with liquidity forecasting for future periods. The statement comprises predictable cash flows of monetary operations and effective planning of cash investment if it is necessary.

The purpose of the Group's liquidity risk management policy is to maintain the ratio between continuous financing and flexibility in using overdrafts, bank loans, bonds, financial and operating lease agreements.

The Group seeks to maintain sufficient financing to meet the financial liabilities on time. Additionally, in 2012 the restructuring of maturity terms of some financial obligations and the additional monetary funds to finance the operations of the Company have been implemented.

Foreign exchange risk

The Company significantly reduced income earned in US dollars, in this way receivable incomes became very close to the commitments in USD. Lliabilities in US dollars as of 31 March 2012 were only 208 thousand US dollars (as of 31 December 2011 were only 166 thousand US dollars). Consequently, foreign exchange risk decreased because most of income is earned in euros, Litas is pegged to euro at the rate of 3.4528 litas for 1 euro.

Capital management

The Group manages share capital, share premium, legal reserves, reserves, foreign currency translation reserve and retained earnings as capital. The primary objective of the Group's capital management is to ensure that the Group complies with the externally imposed capital requirements and to maintain appropriate capital ratios in order to ensure its business and to maximise the shareholders' benefit.

The Group manages its capital structure and makes adjustments to it in the light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As described in Note 1, 8,886,680 ordinary shares with the nominal value of LTL 1 each were issued in 2011.

A company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 March 2012 and as of 31 December 2011 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Group.

25 Commitments and contingencies

On 25 June 2009 a claim for the debt of LTL 2,049 thousand was filed against the Company by A/S Comfitt Glass (hereinafter the Plaintiff) at Kaunas County Court. According to the Plaintiff, the debt was for delivered and not paid goods. The Company disagreed with the part of the claimed debt amounting to LTL 489 thousand, since a part of the goods was not actually delivered to the Company. On 12 February 2010 Kaunas County Court adopted a decision to satisfy the claim and adjudged the debt of LTL 2,049 thousand of the Company for the benefit of the Plaintiff along with LTL 126 thousand interest and 6% legal interest on the adjudged amount to be calculated from the day the proceedings started until the day the court decision is executed. In 2010 the Company appealed to the Appeal Court of Lithuania. On 5 October 2010 the Appeal Court of Lithuania announced that repayment of total adjudged amount shall be paid in two instalments: LTL 1,096 thousand shall be paid until 1 February 2011 and the remaining amount including 6% of legal interest shall payable in equal parts until 12 February 2012 on a monthly basis. The Company did not fulfill this Appeal court decision during 2012 and 2011.

According to the bailiff's decision on February 2011, the amount of LTL 566 thousand was written – off from the Company's bank account and as at 31 December 2011 the amount was in the bailiff's bank account. The Company appealed against this bailiff's decision.

The company also has objected the claim for loss of production. On the financial report's day, the vendor provided a part of production, however, due to the large discrepancies in the quality of the output, the production was returned to the supplier. Negotiations are currently underway with the supplier concerning the possible preparation of the quality requirements for the compliance of the production.

The Company acknowledged a part of the adjudged amount in total of LTL 1,681 thousand as at 31 March 2012 (LTL 1,560 thousand for unpaid goods, LTL 121 thousand interest and court expenses) and additionally accounted for LTL 25 thousand of legal interest payable in administration expenses for 2011 (LTL 220 thousand for 2010 and 2009).

The Company did not acknowledge a part of the adjudged amount in total of LTL 489 thousand (and 6% legal interest charged on it) as the goods for the mentioned payable were not delivered by the supplier. The Company expects either the delivery of the goods for the adjudged amount and corresponding recognition of trade payable thereof or to win the ongoing legal process with respect to LTL 489 thousand

(and 6% legal interest charged on it), and therefore did not recognise the provision for the above mentioned amount in the financial statements as of 31 March 2012 and as of 31 December 2011.

As at 31 March 2012 the litigation is ongoing with Format Sp.z.o.o., regarding their claim on proceeding breaches against the Company. The Company appealed against the court decision regarding the proceeding breaches (the claim was cleared by the court, however interest calculated did not agree to the agreement conditions).The Company expected to win this case, and therefore the interests are accounted according to the agreement terms. The accumulated interest amount is equal to LTL 78 thousand, during 2012 – LTL 4 thousand. The amount is included under the other payables and short term liabilities

VAIDANA UAB, the buyer of the Company's shares, acting with Russian company POLAIR.

At the moment the Purchaser holds 23,716,668 ordinary registered shares of the Company, constituting 59.86 percent of all shares and votes carried by them at the general meeting of shareholders of the Company.
At the reporting date the mandatory tender offer about 15,905,727 ordinary registered shares of the Company with the par value of LTL 1 each, constituting 40.14% of shares and votes carried by them at the general meeting of shareholders of the Company there is not published yet.

On 26 January 2012 the amendment of the credit agreement concerning the schedule of credit repayment was signed with Šiauliu Bankas, AB. Under this January - February 2012 agreement, repayable credit (LTL 600 thousand), was postponed to July - August 2012.

On 28 March 2012 the credit line contract was signed with „AB Šiaulių bankas“ on additional granting credit of LTL 5 000 thousand. with a duration of 6 months VILIBOR and a fixed margin of 3,5% of annual interest and return by the term from 5 June 2015 till 27 March 2017.

On 28 March 2012 with AB „Šiaulių bankas“ agreements were signed on:

LTL 8.300 ths. Amendments of the schedule of credit repayment were made and annual interest rate of 6,5% was fixed. The loan will be repaid in accordance with this agreement, in the following terms:

LTL 300 thousand on 5 September 2012 while the remaining amount evenly over the period 2014 January - 2017 December.

LTL 6.785 ths. Amendment of the schedule of credit repayment . Under this agreement the loan will be repaid gradually during the period of January 2014 - December 2016.

On 22 March 2012 with „Swedbank“ AB Amendment of the Treaty was signed by the credit line on the credit line increase EUR 405 thousand and the loan withholding to 31 March 2013.

The company's shareholder „Vaidana“ UAB acquired all the company's issued bonds 2011 in 04-05 month (73 thousand units, each with a value of LTL 100). Procedure for the payment of interest and redemption of the bonds have not changed (read more in Note 18).

26 Related party transactions

According to IAS 24 *Related Party Disclosures*, the parties are considered related when one party can unilaterally or jointly control other party or have significant influence over the other party in making financial or operating decisions or operation matters, or when parties are jointly controlled and if the members of management, their relatives or close persons who can unilaterally or jointly control the Group or have influence on it. To determine whether the parties are related the assessment is based on the nature of relation rather than the form.

Amber Trust II S.C.A. (former shareholder);

Hermis Capital UAB (companies controlled by members of management and their close relatives);

Meditus UAB (company controlled by members of management and/or their close relatives).

VAIDANA UAB (shareholder);

OAO Polair (related shareholders).

The related parties of the Group and the transactions with related parties during 2012 and 2011 were as follows:

Amber Trust II S.C.A. (former shareholder);

OAO Polair (related shareholders);

VAIDANA UAB (shareholder);

The Group has a policy to conduct related party transactions on commercial terms and conditions. Outstanding balances at the year-end are unsecured, interest-free and settlement occurs in cash. There were no guarantees provided or received for any related party receivables or payables. As of 31 March 2012 and as of 31 December 2011 the Group has not recorded any impairment of receivables from related parties.

31 December, 2012	**Purchases**	**Sales**	**Accounts receivable**	**Accounts payables**
OAO „ Polair“ (refrigerators)	-	1,122,650,,	1,122,650	
	-	**1,122,650**	**1,122,650**	

2011	**Purchases**	**Sales**	**Accounts receivable**	**Accounts payables**
OAO „ Polair“	-	-	-	
	-	-	-	

Financial and investment activities with related parties:

	31 March 2012			**31 March 2011**		
	Loans received	**Repayment of loans**	**Interest paid**	**Loans received**	**Repayment of loans**	**Interest paid**
Amber Trust II S.C.A.	-	-	-	-	423,058	141,859
Amber Trust II S.C.A.	-	-	25,000	-	-	-
	-	**-**	**25,000**	**-**	**423,058**	**141,859**

On 31 December 2009 transfer of claim agreement was signed between Amber Trust II SCA and Meditus UAB according to which Amber Trust II SCA has undertaken the right to claim the outstanding LTL 1,000 thousand loan bearing 14% annual interest rate from AB Snaige and accrued interest in total of LTL 423 thousand.

During 2011 the Group repaid LTL 423 thousand of loan and LTL 142 interest and as of 31 December 2011 the claim was fully settled.

In 2012 March 31, the company has not been entered into indemnity agreements under which were guaranteed suppliers for subsidiary OOO „Techprominvest" and „Almecha" UAB debt.

Remuneration of the management and other payments

Remuneration of the Company's and subsidiaries' management amounted to LTL 319 thousand and LTL 81 thousand, respectively, in 2012 IQ (325 thousand and LTL 76 thousand in 2011 IQ, respectively). The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

27 Subsequent events

The General Meeting of shareholders of Snaige AB was held on 30 April 2012. At the meeting following resolutions were made:

- Approved the Company's financial statements for the year 2011.
- Approved the distribution of profit (loss) (LTL 45.4 thousand – to reserves foreseen by law, LTL 30 thousand - for social and cultural needs and LTL 2 021 thousand – to reserve for investments).
- Elected „Ernst & Young Baltic" UAB for 2012 auditing purposes of annual financial statements.