

AB SNAIGĖ

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of AB Snaigė

Report on Financial Statements

We have audited the accompanying financial statements of AB Snaigė, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), which comprise the statement of financial position as of 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

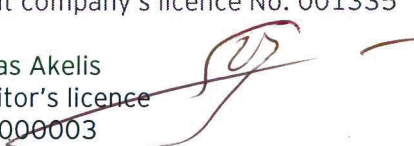
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2011 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2011.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

A handwritten signature in dark ink, appearing to be 'J. Akelis', is written over the text of the auditor's name and licence number.

The audit was completed on 25 April 2012.

Statement of comprehensive income

	Notes	2011	2010
Sales	3	114,522,873	116,103,510
Cost of sales	4	(98,637,815)	(99,022,520)
Gross profit		15,885,058	17,080,990
Selling and distribution expenses	5	(6,293,297)	(6,516,613)
Administrative expenses	6	(7,043,576)	(7,442,938)
Other income	7	1,024,029	838,721
Other expenses	8	(736,803)	(638,371)
Operating profit (loss)		2,835,411	3,321,789
Financial income	9	826,246	373,081
Financial expenses	10	(3,790,531)	(4,453,610)
(Loss) before income tax		(128,874)	(758,740)
Income tax	11	1,037,000	87,223
Net profit (loss)		908,126	(671,517)
Other comprehensive income		-	-
Total comprehensive income, net of tax		908,126	(671,517)
Basic profit (loss) per share	27	0.02	(0.02)

The accompanying notes are an integral part of these financial statements.

Managing Director	Gediminas Čeika	25 April 2012
Financial Director	Neringa Menčiūnienė	25 April 2012

Statement of financial position

	Notes	As of 31 December 2011	As of 31 December 2010
ASSETS			
Non-current assets			
Intangible assets	12	4,966,217	4,912,956
Property, plant and equipment	13	28,429,651	29,029,158
Investments into subsidiaries	1	37,822,384	1,466,635
Receivables from subsidiaries	31, 1	-	35,757,375
Deferred income tax asset	11	1,155,330	118,330
Other non-current assets	23	1,000,000	1,000,000
Total non-current assets		73,373,582	72,284,454
Current assets			
Inventories	14	12,388,526	11,417,275
Trade receivables	15	12,485,199	14,223,412
Receivables from subsidiaries	31	1,334,272	1,458,451
Other current assets	16	2,315,578	1,943,085
Cash and cash equivalents	17	893,333	1,779,046
Total current assets		29,416,908	30,821,269
Total assets		102,790,490	103,105,723

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

Statement of financial position (cont'd)

	Notes	As of 31 December 2011	As of 31 December 2010
EQUITY AND LIABILITIES			
Equity			
Share capital	1, 18	39,622,395	30,735,715
Share premium	18	5,698,656	5,698,656
Legal reserve	19	2,782,737	2,782,737
Reserves	19	1,188,483	1,860,000
Retained earnings (deficit)		908,126	(671,517)
Total equity		50,200,397	40,405,591
Liabilities			
Non-current liabilities			
Warranty provision	21	684,540	624,418
Subsidies	20	934,133	1,282,433
Non-current borrowings and financial lease obligations	23, 24	14,742,077	11,633,095
Non-current employee benefits	22	347,383	359,828
Total non-current liabilities		16,708,133	13,899,774
Current liabilities			
Current borrowings, current portion of non-current borrowings and financial lease obligations	23, 24	15,873,775	25,150,822
Trade payables		14,853,494	16,241,806
Advances received		167,161	627,492
Warranty provision	21	1,370,062	1,993,555
Other current liabilities	26	3,617,468	4,786,683
Total current liabilities		35,881,960	48,800,358
Total equity and liabilities		102,790,490	103,105,723

The accompanying notes are an integral part of these financial statements.

Managing Director	Gediminas Čeika	25 April 2012
Financial Director	Neringa Menčiūnienė	25 April 2012

Statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Other distributable reserves	Retained earnings (deficit)	Total equity
Balance as of 1 January 2010		27,827,365	18,727,270	2,782,737	1,860,000	(13,028,614)	38,168,758
Net (loss) for the year		-	-	-	-	(671,517)	(671,517)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	(671,517)	(671,517)
Increase of share capital	1	2,908,350	-	-	-	-	2,908,350
Transfer from share premium	19	-	(13,028,614)	-	-	13,028,614	-
Balance as of 31 December 2010		30,735,715	5,698,656	2,782,737	1,860,000	(671,517)	40,405,591
Net profit for the year		-	-	-	-	908,126	908,126
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	908,126	908,126
Increase of share capital	1	8,886,680	-	-	-	-	8,886,680
Transfer from other distributable reserves	19	-	-	-	(671,517)	671,517	-
Balance as of 31 December 2011		39,622,395	5,698,656	2,782,737	1,188,483	908,126	50,200,397

The accompanying notes are an integral part of these financial statements.

Managing Director	Gediminas Čeika	25 April 2012
Financial Director	Neringa Menčiūnienė	25 April 2012

Cash flow statement

	Notes	2011	2010
Cash flows from (to) operating activities			
Net result for the year after tax		908,126	(671,517)
Adjustments for non-cash items:			
Depreciation and amortisation	12,13	6,542,658	6,734,501
(Amortisation) of subsidies	20	(348,300)	(318,304)
Result from disposal of non-current assets	7	(98,041)	(8,895)
Write-off of non-current assets	13	369	296,976
Write-off of inventories		571	19,430
Change in allowance for trade receivables, inventories and deferred tax asset		(1,047,352)	184,890
Change in provisions	21	(575,816)	(719,510)
Interest (income)	9	(5,294)	(13,216)
Interest expenses	10	2,986,701	4,078,171
		8,363,622	9,582,526
Changes in working capital:			
(Increase) decrease in inventories		(935,686)	2,578,606
Decrease in trade and other receivables		1,465,256	732,022
(Decrease) in trade payables and other payables		(3,418,493)	(7,837,074)
Advance income tax returned		-	135,120
Net cash flows from (to) operating activities		5,474,699	5,191,200
Cash flows from (to) investing activities			
(Acquisition) of non-current assets	12,13	(4,902,230)	(1,145,678)
Interest received		5,294	13,216
Disposal of non-current assets		168,036	8,901
Net cash flows (to) investing activities		(4,728,900)	(1,123,561)
Cash flows from (to) financing activities			
Issue of convertible bonds		3,000,000	4,784,527
Proceeds from borrowings		11,595,966	6,000,000
Interest (paid)		(2,088,763)	(1,158,636)
(Repayment) of borrowings		(13,305,503)	(12,433,537)
Financial lease (payments)		(833,212)	(801,982)
Net cash flows (to) financing activities		(1,631,512)	(3,609,628)
Net (decrease) increase in cash flows		(885,713)	458,011
Cash and cash equivalents at the beginning of the year		1,779,046	1,321,035
Cash and cash equivalents at the end of the year	17	893,333	1,779,046
Additional cash flows information:			
Non cash activity:			
Convertible bonds converted to shares (Note 1)		8,886,680	2,908,350
The receivables from OOO Techprominvest converted to share capital of this subsidiary (Note 1)		38,509,000	-

The accompanying notes are an integral part of these financial statements.

Managing Director	Gediminas Čeika	25 April 2012
Financial Director	Neringa Menčiūnienė	25 April 2012

Notes to the financial statements**1 General information**

AB Snaigė (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.

As of 31 December 2011 and 2010 the shareholders of the Company were:

	2011		2010	
	Number of shares held	Percentage	Number of shares held	Percentage
UAB Vaidana	23,716,668	59.86%	-	-
Skandinaviska Enskilda Banken AB clients	2,266,389	5.72%	3,720,698	12.11%
Swedbank AS (Estonia) clients	3,321,701	8.38%	15,004,428	48.82%
Other shareholders	10,317,637	26.04%	12,010,589	39.07%
Total	39,622,395	100%	30,735,715	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 December 2011 and 2010. As at 31 December 2011 and 2010 the subsidiaries and associated companies did not hold the Company's shares. The Company did not hold its own shares.

On 18 April 2011 pursuant to the decision of convertible bond 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 UAB Vaidana 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 UAB Vaidana additionally acquired 6,114,453 ordinary registered shares of the Company (15.43% of total shares of the Company).

UAB Vaidana is ultimately owned by Tetral Global Ltd.

The non-competitive public 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.

As at 31 December 2011 the Board of the Company comprised 2 representatives of AB Snaigė and 4 representatives of UAB Vaidana (as at 31 December 2010 - 1 representative of UAB Hermis Capital and 3 representatives of Swedbank AS clients).

AB SNAIGÉ**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

(all amounts are in LTL unless otherwise stated)

1 General information (cont'd))

As of 31 December of 2011 and 2010 the Company owned the following subsidiaries:

Company	Country	Percentage of the shares held by the Company	Investment value (cost)	Profit (loss) of 2011	Shareholders' equity as of 31 December 2011
OOO Techprominvest	Russia (Kaliningrad)	100%	106,355,749*	(9,023,453)	37,559,807
TOB Snaige Ukraina	Ukraine	99%	88,875	40,643	71,150
OOO Moroz Trade	Russia	100%	947	-	(13,702,805)
OOO Liga Servis	Russia	100%	1,028	(134,754)	(1,415,624)
UAB Almecha	Lithuania	100%	1,375,785	200,754	448,914
Total investments into subsidiaries			107,822,384		
Impairment of investments into subsidiaries (OOO Techprominvest)*			(70,000,000)		
Total investments into subsidiaries, net			37,822,384		

The subsidiary OOO Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. AB Snaigė acquired 85% share capital of this company. The remaining 15% of share capital was acquired in 2006. The Company then became the sole shareholder of OOO Techprominvest.

* The Board of directors of the Company in its meeting held on 30 September 2011 decided to sell 100% share capital of OOO Techprominvest 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 (estimated by the year end exchange rate). The share capital was increased in October 2011. Consequently investment cost was increased appropriately and additional impairment in amount of LTL 2.1 mln have been recorded (which previously have been assigned to the loans receivable from the subsidiary).

The above mentioned increase of share capital / decrease in the liabilities of OOO Techprominvest was executed in order to make the entity more attractive to potential investors, however in the absence of proposals the public tender to sell 100% share capital of OOO Techprominvest held by Company was canceled by the management decision as at 14 November, 2011.

TOB Snaige Ukraina (Kiev, Ukraine) was established in 2002. Since the acquisition in 2002 the Company holds 99% of this subsidiary's share capital. 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 in 2006. The subsidiary provides sales and marketing services in the Russian market.

UAB Almecha (Alytus, Lithuania) was established in 2006. The main activities of the subsidiary are production of refrigerating components and equipment to the Parent.

In 2011 the average number of employees of the Company was 625 (637 in 2010).

The Company's management approved these financial statements on 25 April 2012. The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and request that the management prepares a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements for 2011 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 are the separate financial statements of the Company. These financial statements are prepared on the historical cost basis.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 24 Related Party Disclosures (Amended)
- IAS 32 Classification on Rights Issues (Amended)
- Improvements to IFRSs (May 2010).

The adoption of the above mentioned standards or interpretation had no impact on the financial statements or performance of the Company, except as described below:

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e. split between consideration and post combination expenses.

The effect of this amendment has no impact on the financial statements of the Company, since the Company did not have significant NCI or business acquisitions during 2011.

IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The effect of this amendment has no impact on the financial statements of the Company, as the Company does not have such financial instruments.

IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Company reflects the revised disclosure requirements in the statement of changes in equity.

IAS 27 Consolidated and Separate Financial Statements: This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier. The Company reflects the revised disclosure requirements in these financial statements.

2. Accounting principles (cont'd)**2.1. Basis of preparation (cont'd)**

Other amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- *IFRS 1 First-time adoption;*
- *IAS 34 Interim Financial Reporting;*
- *IFRIC 13 Customer Loyalty Programmes.*

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income

The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. This amendment has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment provides a practical solution to the problem of determining whether an entity that is measuring deferred tax related to investment property, measured using the fair value model, expects to recover the carrying amount of the investment property through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. This amendment has not yet been endorsed by the EU. The implementation of this amendment will have no impact on the financial statements of the Company, as the Company does not have investment properties.

IAS 19 Employee Benefits (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. This amendment has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IAS 27 Separate Financial Statements (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IAS 28 Investments in Associates and Joint Ventures (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. This amendment has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements

The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. This amendment has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 9 Financial Instruments - Classification and Measurement

The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities at fair value through profit or loss. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. This standard has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 10 Consolidated Financial Statements

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 11 Joint Arrangements

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 12 Disclosures of Involvement with Other Entities

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 13 Fair Value Measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. This standard has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (stripping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity

2. Accounting principles (cont'd)**2.1. Basis of preparation (cont'd)**

asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. IFRIC 20 has not yet been endorsed by the EU. Interpretation will have no impact on the Company's financial statements, as the Company is not involved in mining activity.

All above mentioned IFRSs and IFRIC Interpretations will be adopted on the date they become approved effective and adopted by the EU.

2.2. Going concern

The Company's current liabilities exceeded current assets by LTL 6,465 thousand as of 31 December 2011 (LTL 17,979 thousand as of 31 December 2010), liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 0.82 (0.63 in 2010), quick ratio ((total current assets – inventories) / total current liabilities) – 0.47 (0.40 in 2010). In 2011 the Company earned LTL 908 thousand profit (in 2010 incurred loss of LTL 672 thousand).

Despite this, these financial statements for the year ended 31 December 2011 are prepared under the assumption that the Company will continue as a going concern for at least 12 months from date of financial statements preparation date. The ability to continue as a going concern is based on the following assumptions and management plans:

- the majority shareholding in the Company has been acquired by a strategic investor, which is expected to positively influence the business development of the Company;
- in 2012 the Company expects ~22% increase in sales comparing to 2011 and additionally to optimize fixed costs of production and administration. In order to finance the working capital the Company 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 flows;
- 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 32.

Management has concluded that the above mentioned assumptions involve some degree of uncertainty related to the realization of the 2012 sales plans and cost optimization initiatives. However, management has evaluated the improved Company's financial situation and other factors stated above and concluded that the degree of uncertainties related to the financial position of the Company has further decreased and is less significant comparing to 2010. The management expects that the Company will have adequate resources to continue in operational existence for the foreseeable future. Therefore, the Company has continued to adopt the going concern basis of accounting in preparing these financial statements.

2.3. Presentation currency

The Company's financial statements are presented in local currency of the Republic of Lithuania, Litas (LTL), which is the Company's functional currency. 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.

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position.

2.4. Investments into subsidiaries

Investments in subsidiaries are measured at cost less impairment in the statement of financial position of the Company. Accordingly, the investment is initially recognised at cost, being the fair value of the consideration given subsequently adjusted for any impairment losses. The carrying value of the investment is tested for impairment when events or changes in circumstances indicate that the carrying value may exceed the recoverable amount of the investment. If such indications exist, the Company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its estimated recoverable amount, the investment is written down to its recoverable amount (higher of the two: fair value less costs to sell and value in use). Impairment loss is recognised in the statement of comprehensive income as financial expense for the period. The recoverable value of investment into OOO Tehprominvest as of 31 December 2011 was assessed on the basis of the fair value of the company's main asset - investment property – which was estimated by management using market price per square meter of similar premises in similar locations identified by independent property valuers.

2. Accounting principles (cont'd)**2.5. Intangible assets**

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).

The useful lives, residual values and amortisation method are reviewed annually.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual projects is recognised as an intangible asset when the Company 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 by applying amortisation periods from 1 to 8 years. During the period of development, the asset is tested for impairment annually.

Licenses

Amounts paid for licences are capitalised and then 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 Company 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.

The Company has no intangible assets with indefinite useful lifetime.

2.6. Property, plant and equipment

Property, plant and equipment are assets that are controlled by the Company, 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 are 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 property, plant and equipment 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 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 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.

2 Accounting principles (cont'd)**2.6 Property, plant and equipment (cont'd)**

The Company estimates the value of property, plant and equipment whenever there is an indication that the property, plant and equipment may be impaired. An impairment loss is recognised in the statement of comprehensive income, whenever estimated.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less inevitable costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The usage amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash generating units, are further explained in Note 13.

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

Buildings and structures	15 - 63 years,
Machinery and equipment	5 - 15 years,
Vehicles	4 - 6 years,
Other non-current assets	3 - 8 years.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

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. Inventories

Inventories, comprising raw materials, spare parts and finished goods, 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.

2.8. Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term equal to or less than 3 months.

2 Accounting principles (cont'd)**2.9. Financial assets and liabilities**

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

As of 31 December 2011 and 2010 the Company had no financial assets at fair value through profit or loss, held-to-maturity investments, and available for sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given less directly attributable transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables and loans is evaluated when the indications leading to the impairment of accounts receivables are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts and accounts receivable are derecognised (written-off) when they are assessed as uncollectible.

2.10. 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 in 2011 and 2010.

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 statement of financial position date provides evidence that the substance of the liability at the statement of financial position date was non-current.

Convertible bonds are separated into liability and equity components based on the terms of the contract (if applicable).

On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2.11. 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 forwards 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 Company had no derivative contracts outstanding as of 31 December 2011 and 2010.

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

2 Accounting principles (cont'd)**2.12. De-recognition of financial assets and liabilities**Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.13. Finance lease and operating leaseFinance lease – the Company as a lessee

The Company recognises finance leases as assets and liabilities in the balance sheet 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, Company'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 Company 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 lease term.

Operating lease – the Company as a lessee

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are 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, 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 Accounting principles (cont'd)**2.14. Subsidies**

Subsidies received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related subsidies (mainly received from EU and other structural funds). Assets received free of charge are also allocated to this group of subsidies. The amount of the subsidies related to assets is recognised in the financial statements as used in parts according to the depreciation of the assets associated with this subsidy. In the statement of comprehensive income, a relevant expense account is reduced by the amount of subsidy amortisation.

Subsidies received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the subsidies, which are not subsidies related to assets, are considered as subsidies related to income (mainly received from EU and other structural funds). The income-related subsidies 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 subsidy.

2.15. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest costs.

2.16. 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.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

2.17. Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

Since 1 January 2010 15% income tax rate has been established for indefinite period.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets have been recognised in the balance sheet to the extent the Company's management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2 Accounting principles (cont'd)**2.18. Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company 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.

2.19. Impairment of assetsFinancial assets

Financial assets are reviewed for impairment at each statement of financial position date.

For financial assets carried at amortised cost, whenever it is probable that the Company 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 (except for the development costs during the period of product development, which are assessed annually). 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 income statement as the impairment loss.

2.20. Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to going concern assumption (Note 2.2), depreciation (Notes 2.6. and 13), amortisation (Notes 2.5 and 12), evaluation of provisions, non-current employee benefits and impairment of accounts receivable, inventories, investments and property, plant and equipment (Notes 1 and 2.4, 12, 13, 14, 15, 21 and 22), evaluation of deferred income tax valuation allowance and deferred tax recognition (Note 11). Future events may occur, which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

The detailed assumptions used to determine the recoverable amount of intangible assets and property, plant and equipment are further explained in Note 13.

2.21. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits are probable.

2.22. Subsequent events

Subsequent events that provide additional information about the Company'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.

2.23. 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.

Presentation of comparatives figures was changed to reflect current presentation of items better.

3 Segment information (in LTL thousand)

The Company's sole business segment is the production and sales 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 Company in these financial statements.

Information with respect to geographical location of the Company sales is presented below (in LTL thousand):

	2011	2010
Western Europe	38,253	45,515
Ukraine	49,476	41,414
Lithuania	11,202	12,017
Eastern Europe	8,091	8,361
Other CIS countries	4,469	6,925
Other Baltic states	1,274	1,161
Russia	1,758	641
Other countries	-	70
	<u>114,523</u>	<u>116,104</u>

All assets of the Company as of 31 December 2011 and 2010 are located in Lithuania and all acquisitions of non-current assets in 2011 and 2010 are connected with it.

In 2011 the sales to the buyers: Gmbh Severi Elektrogerate (Germany) comprised 9.06% and S.A. Conforama (France) comprised 7.63 % of total sales (9.14% and 10.34%, respectively, in 2010).

4 Cost of sales

	2011	2010
Raw materials	72,937,064	75,197,120
Salaries and wages	8,576,302	9,266,519
Depreciation and amortization	4,077,703	4,761,963
Other	13,046,746	9,796,918
	<u>98,637,815</u>	<u>99,022,520</u>

5 Selling and distribution expenses

	2011	2010
Transportation	3,347,091	3,277,364
Warranty service costs	808,646	1,003,295
Salaries and social security	843,973	846,795
Market research, sales promotion and commissions to third parties	524,973	611,470
Insurance	160,166	333,277
Certification cost	103,149	179,012
Advertising	226,463	145,842
Rent of warehouses and storage cost	57,774	61,955
Business trips	53,601	53,577
Other	167,461	4,026
	<u>6,293,297</u>	<u>6,516,613</u>

6 Administrative expenses

	2011	2010
Wages, salaries and social security	4,533,371	3,859,444
Change of allowance for receivables	24,642	308,418
Depreciation and amortisation	841,843	829,012
Non-current employee benefits (Note 22)	(12,445)	(29,566)
Taxes other than income	236,418	281,767
Other	1,419,747	2,193,863
	<u>7,043,576</u>	<u>7,442,938</u>

7 Other income

	2011	2010
Income from transportation services	284,164	231,366
Income from rent of premises	146,782	147,000
Income from mobile communications services	15,452	50,593
Gain on disposal of non-current assets	98,041	8,895
Income from rent of equipment	5,648	7,615
Income from sale of raw and other material	473,942	393,252
	<u>1,024,029</u>	<u>838,721</u>

8 Other expenses

	2011	2010
Transportation expenses	308,914	234,523
Mobile communications expenses	14,759	46,592
Expenses from rent of equipment	120,299	118,083
Cost of raw and other material disposed	292,831	239,173
	<u>736,803</u>	<u>638,371</u>

9 Financial income

	2011	2010
Foreign currency exchange gain	812,205	357,158
Interest income on deposits	5,294	13,216
Gain of foreign currency translation transactions	8,747	2,707
	<u>826,246</u>	<u>373,081</u>

10 Financial expenses

	2011	2010
Interest expenses*	2,986,701	4,078,171
Foreign currency exchange loss	786,730	345,256
Loss of foreign currency translation transactions	17,100	8,520
Other	-	21,663
	<u>3,790,531</u>	<u>4,453,610</u>

* Interest expenses decrease appeared mainly due to decreased borrowing interest rates.

11 Income tax (all amounts are in LTL thousands)**Components of the income tax income (expenses)**

	2011	2010
Current income tax for the reporting year (expenses)	-	-
Deferred income tax income	1,037	87
Income tax income recorded in the statement of comprehensive income	<u>1,037</u>	<u>87</u>

Deferred income tax asset

	31 December 2011	31 December 2010
Tax losses carried forward for indefinite period	2,369	2,368
Warranty provision	308	398
Allowance for receivables	295	648
Bonuses, vacation pay and other accruals	109	66
Other	54	68
Deferred income tax asset before valuation allowance	<u>3,135</u>	<u>3,548</u>
Less: valuation allowance	<u>(1,214)</u>	<u>(2,652)</u>
Deferred income tax asset, net	<u>1,921</u>	<u>896</u>

Deferred income tax liability

	31 December 2011	31 December 2010
Development costs	(729)	(721)
Capitalised repair costs	<u>(37)</u>	<u>(57)</u>
Deferred income tax liability	<u>(766)</u>	<u>(778)</u>
Deferred income tax, net	<u>1,155</u>	<u>118</u>

Deferred income tax asset is recognised in the amount, which is expected to be realized in the foreseeable future. As of 31 December 2011 and 2010 the management of the Company doubted whether the entire deferred income tax asset related to the tax loss carry forward and accounts receivable allowances will be realized in the foreseeable future, therefore only a more certain part was recognized.

AB SNAIGÉ**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

(all amounts are in LTL unless otherwise stated)

11 Income tax (all amounts are in LTL thousands) (cont'd)

The reported amount of income tax attributable to the theoretical amount that would arise from applying income tax rate of the Company (15%) is as follows:

	2011	2010
(Loss) before tax	(129)	(759)
Income tax income (expenses) computed using the effective tax rate	19	114
Change of deferred income tax asset valuation allowance	1,438	(135)
Non-deductible expenses	(420)	108
Income tax income (expenses) recorded in in the statement of comprehensive income	1,037	87

12 Intangible assets

	Development cost	Software, licenses	Total
Cost:			
Balance as of 31 December 2010	13,561,669	1,610,282	15,171,951
Additions	683,678	44,170	727,848
Disposals and write-offs	-	(1,420)	(1,420)
Balance as of 31 December 2011	14,245,347	1,653,032	15,898,379
Accumulated amortisation:			
Balance as of 31 December 2010	8,672,247	1,586,748	10,258,995
Charge for the year	662,938	11,649	674,587
Disposals and write-offs	-	(1,420)	(1,420)
Balance as of 31 December 2011	9,335,185	1,596,977	10,932,162
Net book value as of 31 December 2011	4,910,162	56,055	4,966,217
Net book value as of 31 December 2010	4,889,422	23,534	4,912,956

	Development costs	Software, licenses	Total
Cost:			
Balance as of 1 January 2010	12,881,948	1,597,213	14,479,161
Additions	679,721	26,814	706,535
Disposals and write-offs	-	(13,745)	(13,745)
Balance as of 31 December 2010	13,561,669	1,610,282	15,171,951
Accumulated amortisation:			
Balance as of 1 January 2010	8,063,840	1,563,895	9,627,735
Charge for the year	608,407	36,598	645,005
Disposals and write-offs	-	(13,745)	(13,745)
Balance as of 31 December 2010	8,672,247	1,586,748	10,258,995
Net book value as of 31 December 2010	4,889,422	23,534	4,912,956
Net book value as of 1 January 2010	4,818,108	33,318	4,851,426

12 Intangible assets (cont'd)

Total amount of amortisation expenses is included into administration expenses in the in the statement of comprehensive income. Part of non-current intangible assets of the Company with the acquisition value of LTL 8,258 thousand as of 31 December 2011 was fully amortised (LTL 8,250 thousand as of 31 December 2010) but was still in use.

13 Property, plant and equipment

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total
Cost:					
Balance as of 31 December 2010	14,466,694	100,123,572	14,540,711	-	129,130,977
Additions	-	2,967,585	315,460	2,055,514	5,338,559
Disposals and write-offs	-	(812,908)	(930,758)	-	(1,743,666)
Reclassifications	-	125,777	(125,777)	-	-
Balance as of 31 December 2011	14,466,694	102,404,026	13,799,636	2,055,514	132,725,870
Accumulated depreciation:					
Balance as of 31 December 2010	4,270,230	82,843,080	12,988,509	-	100,101,819
Charge for the year	571,619	4,700,223	596,229	-	5,868,071
Disposals and write-offs	-	(812,791)	(860,880)	-	(1,673,671)
Reclassifications	-	112,951	(112,951)	-	-
Balance as of 31 December 2011	4,841,849	86,843,463	12,610,907	-	104,296,219
Net book value as of 31 December 2011	9,624,845	15,560,563	1,188,729	2,055,514	28,429,651
Net book value as of 31 December 2010	10,196,464	17,280,492	1,552,202	-	29,029,158

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Total
Cost:				
Balance as of 1 January 2010	14,869,592	101,199,670	14,305,880	130,375,142
Additions	-	381,314	57,829	439,143
Disposals and write-offs	(402,898)	(705,269)	(575,141)	(1,683,308)
Reclassifications	-	(752,143)	752,143	-
Balance as of 31 December 2010	14,466,694	100,123,572	14,540,711	129,130,977
Accumulated depreciation:				
Balance as of 1 January 2010	3,888,021	79,426,957	12,083,671	95,398,649
Charge for the year	488,770	4,692,336	908,390	6,089,496
Disposals and write-offs	(106,561)	(705,205)	(574,560)	(1,386,326)
Reclassifications	-	(571,008)	571,008	-
Balance as of 31 December 2010	4,270,230	82,843,080	12,988,509	100,101,819
Net book value as of 31 December 2010	10,196,464	17,280,492	1,552,202	29,029,158
Net book value as of 1 January 2010	10,981,571	21,772,713	2,222,209	34,976,493

13 Property, plant and equipment (cont'd)

The depreciation charge of the Company's property, plant and equipment for 2011 amounts to LTL 5,868 thousand (LTL 6,089 thousand in 2010). In 2011 LTL 169 thousand (LTL 184 thousand in 2010) was accounted for as administration expenses in the statement of comprehensive income of the Company. The remaining amount of depreciation was included in the production cost.

As of 31 December 2011 the part of the Company's property, plant and equipment, with the net book value of LTL 12,896 thousand (LTL 13,195 thousand as of 31 December 2010) was pledged to banks as a collateral for the loans and the part of the Company's machinery and equipment, with the net book value LTL 2,344 thousand were pledged to bondholders as a collateral for ordinary bonds (Note 23). 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 1,047 thousand as of 31 December 2011 were limited by law.

Impairment assessment

On 31 December 2011 and 2010 the Company has performed the impairment test of intangible assets and property, plant and equipment evaluating their value in use.

The whole Company was defined as a cash generating unit (CGU). The recoverable value of CGU is established based on the calculation of value-in-use following post-tax cash flow forecasts according to financial budgets of five years, which have been approved by the top management. The cash flow forecast generally comprises fourteen years (expected period of use of non-current assets) in 2011 (twelve years in 2010). Having performed the impairment test, the management did not identify any CGU impairment.

Calculation of CGU value in use as of 31 December 2011 and 2010 is particularly dependent upon the following assumptions:

	As of 31 December 2011	As of 31 December 2010
Post tax discount rate / pre-tax discount rate ¹⁾	12.5% / 12.5%	13% / 13%
Average annual revenue growth rate for the forecasted five-year period ²⁾	11%	8%
Average gross margin for the forecasted five-year period ³⁾	26%	25%
Growth rate applied for the extrapolation of cash flows after the five-year period ⁴⁾	1%	1%

1) For the cash flow discounting the Company applies weighted average cost of capital (post-tax), which includes the required return on equity and debt considering the level of risk of invested capital;

2) Sales growth rate (cash flow forecast reflects a growing demand for production since 2012 due to the following factors: the planned recovery of the overall economic environment; due to lower sales volume until 2012, production at wholesale and retail warehouses, as evaluated by the management, should already be sold out, therefore more new orders are expected; the suspended Eastern market credit insurance significantly affected the sales of the Company (as many orders are received from CIS countries, which may not be processed as the possibility to insure the creditworthiness of clients does not exist), and as far as known by the management of the Company the possibility to re-instate the credit insurance for the Eastern markets is being discussed, which would have a significant effect on the growth of sales of the Company. The promotional campaign in Ukraine during 2012 will have a positive effect for Company's sales growth. Also, in December 2011 the Company was acquired by Tetral Global Ltd, which also owns OAO POLAIR - producer of commercial fridges. The coming of this strategic investor is expected positively impact sales in these ranges: 1) sales in Russia of the Company's produced commercial CD refrigerators with EcoPolair brand; 2) sales in Russia of refrigerators with Snaige brand; 3) the part of Polair refrigeration production transfer to Alytus factory and sales of it in West markets. OAO POLAIR starting 2012 already placed additional orders to the Company (these orders do not require significant investment into new equipment or material redevelopment) and provided with some distribution channels, therefore the Company's management and new owners believe that planned figures are achievable;

3) At the evaluation of the management of the Company the gross profit margin in the cash flow forecast is assessed before depreciation expenses of non-current assets with reference to currently earned gross margin on main production sales. In the cash flow forecast the management of the Company assumes that variable functional costs should increase at the same rate as sales do, and the fixed costs are expected to be maintained at the optimal level by the Company;

4) The growth rate does not exceed the expected average increase rate of the industry.

In the opinion of the management of the Company, the most important and most change-like assumptions are the expected sales growth and gross margin. The following table represents the impairment charge of non-current assets expressed as a percentage of their net book values as of 31 December of the respective financial year in response to changes in the aforementioned assumptions:

13 Property, plant and equipment (cont'd)Impairment assessment (cont'd)

	As of 31 December 2011	As of 31 December 2010
Given the half rate of the expected sales growth and all other assumptions being constant	-	-
Given the gross margin decreased to 20% during the forecast period and all other assumptions being constant	-	5 %

At the moment of preparing these financial statements the management of the Company did not expect any significant changes of the assumptions.

14 Inventories

	As of 31 December 2011	As of 31 December 2010
Raw materials, spare parts and production in progress	7,158,614	8,125,449
Finished goods	5,615,197	3,712,016
Total inventories, gross	12,773,811	11,837,465
Less: valuation allowance for finished goods	-	(95,342)
Less: valuation allowance for slow moving and obsolete inventories	(385,285)	(324,848)
Total inventories, net	12,388,526	11,417,275

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

Change in valuation allowance was included in other administrative expenses in the statement of comprehensive income.

As described in Note 23, in order to secure bank loans, the Company pledged inventories with the gross value of not less than LTL 10,500 thousand as of 31 December 2011 (as of 31 December 2010 – LTL 10,500 thousand).

15 Trade receivables

Trade receivables and their impairment as of 31 December was as follows:

	As of 31 December 2011	As of 31 December 2010
Trade receivables, gross	14,451,623	16,390,086
Less: allowance for doubtful trade receivables	(1,966,424)	(2,166,674)
	12,485,199	14,223,412

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

As of 31 December 2011 trade receivables with the carrying value of LTL 1,966 thousand (as of 31 December 2010 – LTL 2,167 thousand) were fully impaired. Changes in the allowance for doubtful trade receivables have been included into administrative expenses.

The Company's trade receivables from Western countries and former and current CIS countries amounting to LTL 4,157 thousand as of 31 December 2011 (LTL 7,661 thousand as of 31 December 2010) were insured by credit insurance Atradius Sweden Kreditförsäkring Lithaunia branch in 2011 and 2010.

15 Trade receivables (cont'd)

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

	As of 31 December 2011	As of 31 December 2010
Balance at the beginning of the period	(2,166,674)	(2,052,580)
Charge for the year	(34,381)	(284,073)
Write-off of trade receivables	224,893	194,324
Effect of the change in foreign currency exchange rate	(8,267)	(36,345)
Recovered amounts	18,005	12,000
Balance at the end of the period	<u>(1,966,424)</u>	<u>(2,166,674)</u>

Receivables are written off when it becomes evident that they will not be recovered.

The ageing analysis of trade receivables as of 31 December 2011 and 2010 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2011	9,174,869	2,123,703	508,676	230,960	279,277	167,714	12,485,199
2010	12,593,498	1,309,251	215,246	3,379	2,057	99,981	14,223,412

Trade receivables past due more than 120 days were not insured against credit risk as of 31 December 2011.

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

16 Other current assets

	As of 31 December 2011	As of 31 December 2010
Prepayments and deferred charges	1,682,365	1,324,636
Restricted cash	15,000	15,000
VAT receivable	532,379	459,064
Compensations receivable	60,072	97,041
Other receivables	25,762	47,344
	<u>2,315,578</u>	<u>1,943,085</u>

17 Cash and cash equivalents

	As of 31 December 2011	As of 31 December 2010
Cash at bank	889,115	1,776,497
Cash on hand	4,218	2,549
	<u>893,333</u>	<u>1,779,046</u>

The inflows into the bank accounts of the Company up to LTL 12,085 thousand (LTL 10,085 thousand in 2010) are pledged as a collateral for bank loans (Note 23).

18 Share capital

According to the Law on Companies of the Republic of Lithuania, the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As of 31 December 2011 and 2010 Company was in compliance with this requirement.

19 ReservesLegal 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.

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.

On 29 April 2011 the General Shareholders meeting took a decision to transfer an amount of LTL 672 thousand from other distributable reserves to retain earnings in order to cover accumulated losses as it is set forth by the Law on Companies of the Republic of Lithuania (On 29 April 2010 - LTL 13,029 thousand were transferred from share premium).

As at 31 December 2011 other distributable reserves consisted of a reserve for investments amounting to LTL 1,158 thousand (as at 31 December 2010 - LTL 1,830 thousand) and reserve for social and cultural needs amounting to LTL 30 thousand (as at 31 December 2010 - LTL 30 thousand).

20 Subsidies

Balance as of 1 January 2010	10,703,880
Received during the year	-
Balance as of 31 December 2010	10,703,880
Received during the year	-
Balance as of 31 December 2011	10,703,880
Accumulated amortisation as of 1 January 2010	9,103,143
Amortisation during the year	318,304
Accumulated amortisation as of 31 December 2010	9,421,447
Amortisation during the year	348,300
Accumulated amortisation as of 31 December 2011	9,769,747
Net book value as of 31 December 2011	934,133
Net book value as of 31 December 2010	1,282,433

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 grants were designated.

21 Warranty provision

The Company provides warranty of up to 2 years for the production sold after 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. Difference between years depends on product and warranty period mix.

Change in warranty provision can be specified as follows:

	2011	2010
As of 1 January	2,617,973	3,337,483
Charge for the year	1,730,459	1,101,817
Utilised	(2,293,830)	(1,821,327)
As of 31 December	<u>2,054,602</u>	<u>2,617,973</u>
Warranty provision is accounted for as of 31 December as:	2011	
- non-current	684,540	
- current	1,370,062	
	2010	
- non-current	624,418	
- current	1,993,555	

22 Non-current employee benefits

As at 31 December 2011 the expenses of the one-time payments for leaving employees at a retirement age amounted to LTL 347 thousand (as at 31 December 2010 – LTL 360 thousand). This change decreased administrative expenses caption in the Company's statement of comprehensive income and non-current employee benefit caption in the statement of financial position.

The main assumptions applied in evaluation of Company's non-current employee benefit liability are presented below:

	As of 31 December 2011	As of 31 December 2010
Discount rate	5.66%	4.67%
Employee turnover	15%	17%
Long term salary growth rate	3%	5%

The Company has no plan asset designated for settlement with employee benefit obligations.

23 Borrowings

	As of 31 December 2011	As of 31 December 2010
Non-current borrowings		
Non-current borrowings with fixed interest rate	6,543,142	4,019,610
Non-current borrowings with variable interest rate	898,935	6,784,527
Convertible bonds**	7,300,000	-
Ordinary bonds	-	757,806
Total non-current borrowings	14,742,077	11,561,943
Current borrowings		
Current borrowings with variable interest rate	9,173,123	-
Ordinary bonds*	853,032	1,723,638
Convertible bonds	-	21,190,524
Current borrowings with fixed interest rate	5,776,468	1,403,448
Total current borrowings	15,802,623	24,317,610
	30,544,700	35,879,553

* 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 (15 June 2012) and redeem 432 units of bonds at maturity date on 15 June 2012, annual yield of 10%. 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% and redemption date 12 April 2013. Interests are paid quarterly.

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, interests are 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. The bonds are accounted for at amortised cost under the non-current liabilities caption and accrued interest amounting to LTL 281 thousand as of 31 December 2011 was accounted for under other current liabilities caption (Note 26).

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 + 3.88%, but not less than 6.1% annual interest rate as of 31 December 2011 (6 month EUR LIBOR + 4.88% - 7.1% annual interest rate as of 31 December 2010). Borrowings with the fixed interest rate bear 9-14% annual interest rates.

At 31 December 2011 the part of the Company's property, plant and equipment with the carrying amount of LTL 12,896 thousand (2010 – LTL 13,195 thousand), inventories with the net book value of not less than LTL 10,500 thousand (2010 – LTL 10,500 thousand), cash inflows into the bank accounts up to LTL 12,085 thousand (2010 – LTL 10,085 thousand) were pledged to banks for the loans granted. Also pledged was the right of claim for inflows from OOO Techprominvest, according to the agreement signed between AB Snaige and OOO Techprominvest on 30 April 2010 (as further described in Note 1 this inflow right was 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.

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

During the years and as of the year end of 2011 and 2010 the Company was not in compliance with some non-financial covenants set in the loan agreements with the bank. In 2011 and 2010 the bank letters waiving loans covenants were received, therefore non-current borrowings were not reclassified to current in these financial statements.

23 Borrowings (cont'd)

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

	As of 31 December 2011	As of 31 December 2010
Borrowings denominated in:		
EUR	3,250,061	23,671,968
LTL	27,294,639	12,207,585
	<u>30,544,700</u>	<u>35,879,553</u>

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

	Fixed interest rate	Variable interest rate
2012	5,776,468	9,173,123
2013 – 2016	6,543,142	898,935
After 2016	-	-
	<u>12,319,610</u>	<u>10,072,058</u>

As of 31 December 2011 the Company had LTL 1,101 thousand of unused funds in credit lines bearing 6 month VILIBOR + 4.5% annual interest rate (2010 – LTL 2,397 thousands). In respect of these borrowing facilities all conditions precedent have been met.

Also see Note 32 for subsequent events.

24 Financial lease obligations

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

The interest rate on the financial lease obligations in euros is 6-month EURIBOR + 1.1%.

Future lease payments under the above-mentioned financial lease contracts as of 31 December 2011 and 2010 are as follows:

	As of 31 December 2011	As of 31 December 2010
Within one year	71,321	850,846
From one to five years	-	72,589
Total financial lease obligations	<u>71,321</u>	<u>923,435</u>
Interest	(169)	(19,071)
Present value of financial lease obligations	<u>71,152</u>	<u>904,364</u>
Financial lease obligations are accounted for as:		
- current	71,152	833,212
- non-current	-	71,152

The assets leased by the Company under financial lease contracts consist of machinery and equipment. Apart from the lease payments, the most significant obligations under lease contracts are property maintenance and insurance. The term of financial lease is 2 years. The distribution of the net book value of the assets acquired under financial lease is as follows:

	As of 31 December 2011	As of 31 December 2010
Machinery and equipment	2,123,131	2,578,088
	<u>2,123,131</u>	<u>2,578,088</u>

25 Operating lease

The Company has several contracts of operating lease. The terms of the lease do not include restrictions of the activities of the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2011 the operating lease expenses of the Company amounted to LTL 244 thousand (LTL 182 thousand in 2010). It is planned that operating lease expenses for 2012 will amount to LTL 260 thousand.

The most significant operating lease agreement of the Company is the non-current agreement signed with the Municipality of Alytus for rent of the land. The payments of the lease are reviewed periodically; the lease end term is 2 July 2078.

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

26 Other current liabilities

	As of 31 December 2011	As of 31 December 2010
Accrued interest on convertible bonds (Note 23)	349,028	1,571,663
Vacation reserve	1,104,408	1,225,112
Taxes payable	810,284	739,136
Salaries and related taxes payable	1,084,207	778,026
Other accrued interest	128,723	260,951
Other payables and accrued expenses	140,818	211,795
	<u>3,617,468</u>	<u>4,786,683</u>

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

27 Basic and diluted profit (loss) per share

	2011	2010
Shares issued on 1 January	30,735,715	27,827,365
Weighted average number of shares*	36,424,167	29,867,194
Net profit (loss) for the year	908,126	(671,517)
Basic profit (loss) per share, in LTL	<u>0.02</u>	<u>(0.02)</u>

* Taking into account bonds converted to shares in May 2011.

Convertible bonds are not included into earnings per share calculation as they were antidilutive.

28 Financial instrumentsFair value of financial instruments

The carrying amounts and fair values of the Company's financial assets and financial liabilities as of 31 December were as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Receivables from subsidiaries	1,334,272	1,334,272	37,215,826	37,215,826
Other non-current assets	1,000,000	1,000,000	1,000,000	1,000,000
Other current receivables	100,834	100,834	159,385	159,385
Cash and cash equivalents	893,333	893,333	1,779,046	1,779,046
Trade current receivables	12,485,199	12,485,199	14,223,412	14,223,412
Financial liabilities				
Fixed rate borrowings	20,472,642	20,761,312	29,095,026	29,095,026
Floating rate borrowings	10,072,058	10,072,058	6,784,527	6,784,527
Financial lease obligations	71,152	71,152	904,364	904,364
Trade and other payables	15,696,276	15,696,276	18,286,215	18,286,215

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- The carrying amount of current trade and other payables and floating rate borrowings approximates fair value;
- The fair value of trade and other current receivable approximates their carrying amounts;
- The fair value of fixed rate borrowings was calculated by discounting the expected future cash flows at the estimated market interest rate.

The following table shows net gain (loss) of financial instruments included in the statement of financial positions:

	2011	2010
Loans and receivables (Note 6)	200,251	(272,073)
Net gain and loss of financial instruments impairment losses of receivables.		

29 Capital and financial risk managementCredit risk

The maximum exposure of the credit as of 31 December 2011 and 2010 comprises the carrying values of receivables, cash and deposits in banks.

The concentration of the Company's receivables is average. As of 31 December 2011 receivables from top ten clients of the Company accounted for 58.64% (68.4% as of 31 December 2010) of the total receivables of the Company.

The credit policy implemented by the Company and credit risk is constantly controlled. Credit risk assessment is applied to all clients willing to get a payment deferral. The Company's trade receivables from Western countries and former and current CIS countries amounting to LTL 4,157 thousand as of 31 December 2011 (LTL 7.661 thousand as of 31 December 2010) were insured by credit insurance Atradius Sweden Kreditförsäkring Lithuania branch in 2011 and Coface Austria Kreditversicherung AG Lithuania branch in 2010.

29 Capital and financial risk management (cont'd)

The Company does not provide guarantees for the obligations of other parties. The Company'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. The Company does not guarantee for other parties' liabilities.

In accordance with the policy of receivables recognition as doubtful, the payments variation from agreement terms are monitored and prevention actions are taken in order to prevent overdue receivables in accordance with the standard of the Company "Trade Credits Risk Management Procedure".

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

- the client is late with settlement for 60 and more days and the receivable is not insured and is not from subsidiaries;
- factorised clients late with settlement for 30 and more days;
- client is unable to fulfil the obligations assumed;
- reluctant to communicate with the seller;
- the turnover of management is observed;
- reorganisation process is observed;
- information about tax penalties, legal restrictions of operations and the use of assets is observed;
- bankruptcy case;
- inconsistency and variation in payments;
- other criteria.

Interest rate risk

The part of the Company's borrowings is with variable rates, related to VILIBOR and EURIBOR, which creates an interest rate risk. As of 31 December 2011 and 2010 the Company did not use any financial instruments to hedge cash inflows and interest rate fluctuation risk related to debt instruments with variable interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity, other than current year profit impact.

	Increase/ decrease of basis points	Effect on the profit before tax (LTL thousand)
2011		
LTL	+ 100	(97)
LTL	- 200	195
2010		
LTL	+ 100	(68)
LTL	- 200	136

Liquidity risk

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

The table below summarizes the maturity profile of the Company's financial liabilities as of 31 December 2011 and 2010 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	After 5 years	Total
Interest bearing loans, financial lease and other borrowings	-	4,633,717	12,971,891	15,314,729	-	32,920,337
Trade and other payables	1,759,634	10,264,380	263,370	2,634,998	-	14,922,382
Interest payable	296,145	196,778	-	280,973	-	773,896
Balance as of 31 December 2011	2,055,779	15,094,875	13,235,261	18,230,700	-	48,616,615
Interest bearing loans and borrowings	-	897,034	25,834,242	14,852,178	-	41,583,454
Trade and other payables	7,867,177	8,564,584	21,840	-	-	16,453,601
Interest payable	-	79,225	1,753,389	-	-	1,832,614
Balance as of 31 December 2010	7,867,177	9,540,843	27,609,471	14,852,178	-	59,869,669

29 Capital and risk management (cont'd)

The Company 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 successfully (Notes 32).

Foreign exchange risk

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. There were no derivative foreign currency transactions made in 2011 and 2010.

Monetary assets and liabilities of the Group denominated in various currencies as of 31 December 2011 and 2010 were as follows (LTL):

	2011	
	Assets	Liabilities
LTL	4,683,311	40,141,633
EUR	12,690,015	10,898,540
USD	128,021	435,213
RUB	-	13,412
Total	17,501,347	51,488,798

The following table demonstrates sensitivity to a reasonably possible change in the foreign exchange rates of the Company's profit before tax, including gain (loss) from derivative financial instruments:

	Increase (decrease)	Effect on the profit before tax
LTL/USD exchange rate increase (decrease)		
2011	+ 5%	(15,360)
	- 5%	15,360
2011	+ 10%	(31,719)
	- 10%	31,719
LTL/RUB exchange rate increase (decrease)		
2011	+ 5%	(671)
	- 5%	671
2011	+ 10%	(1,341)
	- 10%	1,341

Capital management

The Company manages share capital, share premium, legal reserves, other reserves and retained earnings as capital. The primary objectives of the Company's capital management are to ensure that the Company 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 Company 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 Company 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.

The 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 December 2011 and 2010 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Company.

30 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 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 and claimed for the production, which was not received from the supplier. As at 31 December 2011 this claim is in progress and the resolution is unknown. The management of the Company expects to win this litigation.

The Company acknowledged a part of the adjudged amount in total of LTL 1,681 thousand as at 31 December 2011 (LTL 1,560 thousand for unpaid goods, LTL 121 thousand interest and court expenses) and additionally accounted for LTL 101 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 December 2011 and 2010.

As at 31 December 2011 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 73 thousand, during 2011 – LTL 17 thousand. The amount is included under the other payables and short term liabilities. On 4 April 2012 the court announced final judgment in the favor of the Company.

The Company as beneficiary has received LTL 1,713 thousand insurance payment for the equipment reconstruction after the subsidiary's OOO Techprominvest roof collapse. The most of this equipment was acquired by the Company itself and it will be used for the economic activity in future. The insurance payment is recorded in the statement of comprehensive income and decreased operating expenses for the period.

31 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 Company 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.

UAB Vaidana (shareholder);
Tetal Global Ltd. (ultimate shareholder);
OAO Polair (related shareholders);
Amber Trust II S.C.A (former shareholder);
UAB Hermis Capital (companies controlled by members of management and their close relatives);
UAB Meditus (company controlled by members of management and/or their close relatives).

Subsidiaries:

OOO Techprominvest (100% of shares);
TOB Snaigė Ukraina (99% of shares);
OOO Moroz Trade (100% of shares);
OOO Liga Servis (100% of shares);
UAB Almecha (100% of shares).

32 Related party transactions (cont'd)

Transactions carried out with subsidiaries:

	Purchases		Sales	
	2011	2010	2011	2010
OOO Techprominvest	2,981,264	2,588,883	3,280	79,571
TOB Snaigė Ukraina	161,126	113,942	-	-
UAB Almecha	8,424,157	7,450,996	6,168,431	5,920,003
OOO Liga-Servis	-	-	-	-
	<u>11,566,547</u>	<u>10,153,821</u>	<u>6,171,711</u>	<u>5,999,574</u>

The Company has a policy to conduct subsidiary transactions on contractual terms. The Company's transactions with subsidiaries represents acquisitions and sales of production raw materials and finished goods and acquisitions of marketing services. Outstanding balances at the year-end are unsecured, receivables, except for loans granted, are interest-free and settlement occurs in cash. There were no pledged significant amounts of assets to ensure the repayment of receivables from related parties.

The carrying amount of loans and receivables from subsidiaries on 31 December:

	2011	2010
Non-current receivables		
Non-current receivable from OOO Techprominvest (Note 1)	-	37,910,615
Less: allowance	-	(2,153,239)
Total non-current receivables	-	35,757,376
Current receivables		
Trade receivables from OOO Techprominvest	353,525	132,853
Trade receivables from TOB Snaigė Ukraina	-	6,804
Trade receivables from UAB Almecha	980,747	1,318,794
Total current receivables	<u>1,334,272</u>	<u>1,458,451</u>
	<u>1,334,272</u>	<u>37,215,827</u>

The analysis of receivables from subsidiaries and granted loans during the period on 31 December:

	Receivables from subsidiaries and granted loans neither past due nor impaired	Receivables from subsidiaries and granted loans past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2011	1,017,077	-	262,732	54,463	-	-	1,334,272
2010	1,480,268	13,712	16,308	-	7,424	35,698,115	37,215,827

Payables to subsidiaries as of 31 December (included under the trade payables caption in the Company's statement of financial position):

	2011	2010
OOO Techprominvest	13,031	13,030
TOB Snaigė Ukraina	13,064	8,287
OOO Liga-Servis	13,412	13,766
UAB Almecha	<u>732,549</u>	<u>748,984</u>
	<u>772,056</u>	<u>784,067</u>

32 Related party transactions (cont'd)

Financial and investment transactions with the related parties:

	2011			2010		
	Loans received	Repayment of loans	Interest paid	Loans received	Repayment of loans	Interest paid
Amber Trust II S.C.A,	-	423,058	141,859	-	576,942	423,068
	-	423,058	141,859	-	576,942	423,068

On 31 December 2009 a transfer of claim agreement was signed between Amber Trust II SCA and UAB Meditus according to which Amber Trust II SCA has undertaken the right to claim for outstanding LTL 1,000 thousand loan bearing 14% annual interest rate from AB Snaige and accrued interest in total LTL 423 thousand. During 2011 the Company repaid LTL 423 thousand of loan and LTL 142 interest and had no outstanding payable amounts for the loan and interest are left as at 31 December 2011.

As at 31 December 2011 the Company has no signed guarantee agreements, according to which it guaranteed payments to suppliers for liabilities of the subsidiaries.

Remuneration of the management and other payments

The management of the Company includes the chairman of the board, board members, the general manager and functional managers. Remuneration of the Company's and subsidiaries' management amounted to LTL 1,701 thousand in 2011 (LTL 1,264 thousand in 2010). In 2011 and 2010 the management of the Company did not receive any loans, guarantees, or other payment. No property transfers were made or accrued.

32 Subsequent events

On 26 January 2012 the Company signed the credit agreement amendment with Siauliu bankas AB for the credit repayments schedule. According to this agreement the payable loan amount during the period January – February of 2012 amounted to LTL 600 thousand and it was postponed up to July – August of 2012.

On 22 March 2012 the credit line amendment with „Swedbank,, AB was signed for the increase of credit in amount of EUR 405 thousand and to postpone the repayment term up to 31 March 2013.

On 28 March 2012 the Company signed the credit agreement with Siauliu bankas AB for additional LTL 5,000 thousand loan bearing 6-month VILIBOR plus 3.5% fixed margin interest rates with the repayment period starting on 5 June 2015 and maturing on 27 March 2017.

On 28 March 2012 the Company signed the following credit agreements amendments with Siauliu bankas AB:

- for the loan in the amount of LTL 8,300 thousand fixed annual interest rates were set equal to 6.5 % and the payments schedule has changed - LTL 300 thousand to be repaid on 5 September 2012 and the remaining amount gradually during the period January 2014 – December 2017.
- for the loan in the amount of LTL 6,785 thousand the repayments schedule was changed – the repayments will be made gradually during the period January 2014 – December 2016.

On 20 April 2012 according to the payment schedule the Company redeemed 416 units of bonds with the value of EUR 49,293 including interest.