AB SNAIGĖ

CONSOLIDATED 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

Consolidated statement of comprehensive income

	Notes	2011	2010
Sales	3	111,133,334	113,838,664
Cost of sales	4	(94,736,294)	(96,411,168)
Gross profit		**16,397,040**	**17,427,496**
Selling and distribution expenses	6	(6,281,210)	(6,759,482)
Administrative expenses	7	(11,482,582)	(12,923,681)
Other income	5	1,482,392	749,746
Other expenses	8	(375,015)	(300,138)
Operating (loss)		**(259,375)**	**(1,806,059)**
Financial income	9	5,360	2,839,416
Financial expenses	10	(5,813,225)	(4,126,869)
(Loss) before income tax		**(6,067,240)**	**(3,093,512)**
Income tax income	11	1,024,787	480,605
Net (loss)		**(5,042,453)**	**(2,612,907)**
Other comprehensive income			
Exchange differences on translation of foreign operations	19	1,316,854	567,044
Total comprehensive income, net of tax		**(3,725,599)**	**(2,045,863)**
Net (loss) income attributable to:			
The shareholders of the Company		(5,042,923)	(2,612,706)
Non-controlling interest		470	(201)
Total comprehensive income, net of tax, attributable to:			
The shareholders of the Company		(3,726,069)	(2,045,662)
Non-controlling interest		470	(201)
Basic (loss) per share	27	(0.14)	(0.087)

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

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

Consolidated statement of financial position

	Notes	As of 31 December 2011	As of 31 December 2010
ASSETS			
Non-current assets			
Intangible assets	12	4,967,217	4,914,786
Property, plant and equipment	13	30,701,361	56,696,210
Investment property	13	19,263,247	-
Deferred income tax asset	11	1,159,714	122,106
Other non-current assets	23	1,000,000	1,000,000
Total non-current assets		**57,091,539**	**62,733,102**
Assets held for sale	13	**2,144,363**	-
Current assets			
Inventories	14	13,231,841	12,489,892
Trade receivables	15	13,190,737	14,950,992
Other current assets	16	2,695,137	2,147,465
Cash and cash equivalents	17	960,486	1,970,839
Total current assets		**30,078,201**	**31,559,188**
Total assets		**89,314,103**	**94,292,290**

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

Consolidated statement of financial position (cont'd)

	Notes	As of 31 December 2011	As of 31 December 2010
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the Company			
Share capital	1, 18	39,622,395	30,735,715
Share premium	18	5,698,656	5,698,656
Legal reserve	19	2,828,472	2,828,472
Reserves	19	1,188,483	1,860,000
Foreign currency translation reserve	19	(4,958,048)	(6,274,902)
Retained (deficit)		(8,643,646)	(4,272,240)
		35,736,312	**30,575,701**
Non-controlling interest		**1,945**	**1,475**
Total equity		**35,738,257**	**30,577,176**
Liabilities			
Non-current liabilities			
Grants and subsidies	20	934,133	1,282,433
Warranty provision	21	684,540	769,517
Deferred income tax liability	11	147,015	150,898
Non-current borrowings and financial lease obligations	23, 24	14,742,077	11,765,095
Non-current employee benefits	22	347,383	359,828
Total non-current liabilities		**16,855,148**	**14,327,771**
Current liabilities			
Current borrowings, current portion of non-current borrowings and financial lease obligations	23, 24	16,005,775	25,201,822
Trade payables		14,966,916	16,162,154
Advances received		216,184	627,570
Warranty provision	21	1,373,072	1,993,555
Other current liabilities	26	4,158,751	5,402,242
Total current liabilities		**36,720,698**	**49,387,343**
Total equity and liabilities		**89,314,103**	**94,292,290**

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

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

Consolidated statement of changes in equity

		Attributable to equity holders of the Company								
	Notes	Share capital	Share premium	Legal reserve	Reserves	Foreign currency translation reserve	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
Balance as of 1 January 2010		**27,827,365**	**18,727,270**	**2,828,472**	**1,860,000**	**(6,841,946)**	**(14,688,148)**	**29,713,013**	**1,676**	**29,714,689**
Net (loss) for the year		-	-	-	-	-	(2,612,706)	(2,612,706)	(201)	(2,612,907)
Other comprehensive income	19	-	-	-	-	567,044	-	567,044	-	567,044
Total comprehensive income		**-**	**-**	**-**	**-**	**567,044**	**(2,612,706)**	**(2,045,662)**	**(201)**	**(2,045,863)**
Share capital increase	1	2,908,350	-	-	-	-	-	2,908,350	-	2,908,350
Transfer to retained deficit	19	-	(13,028,614)	-	-	-	13,028,614	-	-	-
Balance as of 31 December 2010		**30,735,715**	**5,698,656**	**2,828,472**	**1,860,000**	**(6,274,902)**	**(4,272,240)**	**30,575,701**	**1,475**	**30,577,176**
Net (loss) for the year		-	-	-	-	-	(5,042,923)	(5,042,923)	470	(5,042,453)
Other comprehensive income	19	-	-	-	-	1,316,854		1,316,854	-	1,316,854
Total comprehensive income		**-**	**-**	**-**	**-**	**1,316,854**	**(5,042,923)**	**(3,726,069)**	**470**	**(3,725,599)**
Transfer from reserves	19	-	-	-	(671,517)	-	671,517	-	-	-
Share capital increase	1	8,886,680	-	-	-	-	-	8,886,680	-	8,886,680
Balance as of 31 December 2011		**39,622,395**	**5,698,656**	**2,828,472**	**1,188,483**	**(4,958,048)**	**(8,643,646)**	**35,736,312**	**1,945**	**35,738,257**

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

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

Consolidated cash flow statement

	Notes	2011	2010
Cash flows from (to) operating activities			
Net result for the year after tax		(5,042,923)	(2,612,907)
Adjustments for non-cash items:			
Depreciation and amortisation	12, 13	9,307,651	8,238,166
(Amortisation) of subsidies	20	(348,300)	(318,304)
Result from disposal of non-current assets	5	(152,285)	(38,077)
Write-off of non-current assets	13	368,343	812,378
Write-off of inventories		-	161,725
Change in allowance for trade receivables , inventories and deferred tax asset		(1,359,675)	(137,046)
Change in provision s	21	(717,905)	(996,785)
Interest (income)	9	(5,360)	(13,235)
Interest expenses	10	2,998,035	4,091,649
		5,047,581	9,187,564
Changes in working capital:			
(Increase) decrease in inventories		(707,044)	6,268,226
Decrease (increase) in trade and other receivables		1,495,862	(140,755)
(Decrease) in trade payables and other payables		(258,457)	(10,212,807)
Advance income tax returned (paid)		-	135,120
Net cash flows from operating activities		**5,577,942**	**5,237,348**
Cash flows from (to) investing activities			
(Acquisition) of tangible assets	13	(4,442,825)	(724,627)
(Acquisition) of intangible assets	12	(727,848)	(708,605)
Proceeds from disposal of non-current assets		213,890	68,507
Interest received		-	13,235
Net cash flows (to) investing activities		**(4,956,783)**	**(1,351,490)**

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

Consolidated cash flow statement (cont'd)

	Notes	2011	2010
Cash flows from (to) financing activities			
Proceeds from borrowings		14,595,966	10,784,527
Interest (paid)		(2,088,763)	(1,163,771)
(Repayment) of non-current borrowings		(13,305,503)	(12,458,880)
Financial lease (payments)		(833,212)	(801,982)
Net cash flows (to) financing activities		**(1,631,512)**	**(3,640,106)**
Net increase in cash and cash equivalents		**(1,010,353)**	**245,752**
Cash and cash equivalents at the beginning of the year		**1,970,839**	**1,725,087**
Cash and cash equivalents at the end of the year	17	**960,486**	**1,970,839**
Supplemental information of cash flows:			
Non-cash financing activity:			
Convertible bonds conversion to shares (Note 1)		8,886,680	2,908,350

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

General 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	**Ownership share**	**Number of shares held**	**Ownership share**
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 of 31 December 2011 and 2010 the Company did not hold its own shares.

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

On 12 December 2011 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 Tetal Global Ltd.

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

The Group consists of AB Snaigė and the following subsidiaries as of 31 December 2011 (hereinafter the Group) (the structure of the Group remains unchanged comparing to 2010):

Company	**Country**	**Percentage of the shares held by the Group**	**Profit (loss) for the reporting year**	**Shareholders' equity**
OOO Techprominvest	Russia (Kaliningrad)	100%	(9,023,453)	37,559,807
TOB Snaige Ukraina	Ukraine	99%	40,643	71,150
OOO Moroz Trade	Russia	100%	-	(13,702,805)
OOO Liga Servis	Russia	100%	(134,754)	(1,415,624)
UAB Almecha	Lithuania	100%	200,754	448,914

1 General information (cont'd)

As of 31 December 2011 the Board of the Company comprised 2 employees of the Company and 4 representatives of UAB Vaidana. As of 31 December 2010 the Board of the Company comprised 1 representative of UAB Hermis Capital and 3 representatives of Swedbank AS clients.

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

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

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

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 tenders 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% shares of this subsidiary. The subsidiary provides sales and marketing services to the Company in the Ukrainian market.

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

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

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

As of 31 December 2011 the number of employees of the Group was 760 (as of 31 December 2010 – 777).

The Group's management authorised 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 Group'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 consolidated financial statements of AB Snaige Group. These financial statements are prepared on the historical cost basis. The Company also prepares separate financial statements of the Company.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group 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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

- 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 Group, 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 Group.

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 Group, since the Group 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 Group, as the Group 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 Group 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 Group reflects the revised disclosure requirements in these financial statements.

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 Group:

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

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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

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 Group's financial position or performance. This amendment has not yet been endorsed by the EU. The Group 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 Group has not yet evaluated the impact of the implementation of this standard.

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group has not yet evaluated the impact of the implementation of this standart.

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 trough 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 Group 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 Group 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 Group 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 Group 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 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 Group 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 (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity 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 Group's financial statements, as the Group 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 Group's current liabilities exceeded current assets by LTL 6,642 thousand as of 31 December 2011 (LTL 17,828 thousand as of 31 December 2010).

- liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 0.82, quick ratio ((total current assets – inventories) / total current liabilities) was 0.46 (0.63 and 0.39 respectively as of 31 December 2010), in 2011 the Group incurred LTL 6,067 thousand pre-tax loss (in 2010 – LTL 3,094 thousand loss);

Despite this, these financial statements for the year ended 31 December 2011 are prepared under the assumption that the Group will continue as a going concern at least 12 months from the balance sheet date. The going concern is based on the following assumptions:

- the majority shareholding in the Group has been acquired by a strategic investor, which is expected to positively influence the business development of the Group;
- in 2012 the Group 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 Group is planning to perform successful sales of finished goods and the continuation of cooperation only with trustful partners. Trade payables are planned to be decreased using free operational cash flowstrade payables are planned to be decreased using free operational cash flows;
- 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 Group's financial situation and other factors stated above and concluded that the degree of uncertainties related to the financial position of the Group has further decreased and is less significant comparing to 2010. The management expects that the Group will have adequate resources to continue in operational existence for the foreseeable future. Therefore, the Group has continued to adopt the going concern basis of accounting in preparing these financial statements.

2.3 Presentation currency

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

2. Accounting principles (cont'd)

2.3 Presentation currency (cont'd)

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

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

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

The applicable exchange rates of the functional currencies as of the 31 December 2011 and 2010 were as follows:

	2011	2010
RUB	0.083334	0.085535
UAH	0.33243	0.32788

2.4 Principles of consolidation

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

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

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

2 Accounting principles (cont'd)

2.4 Principles of consolidation (cont'd)

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

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5 Intangible assets, except for goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives (1-8 years).

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

2 Accounting principles (cont'd)

2.5 Intangible assets, except for goodwill

Research and development

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

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

Licenses

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

Software

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

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

The Company has no intangible assets with indefinite useful lifetime.

2.6 Property, plant and equipment and investment property

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

An item of property, plant and equipment and investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The carrying values of property, plant and equipment investment property are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the statement of comprehensive income, whenever estimated. An 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 Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The value in use 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.

2 Accounting principles (cont'd)

2.6 Property, plant and equipment and investment property (cont'd)

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

Buildings and structures (including investment property)	15 - 63 years,
Machinery and equipment	5 - 30 years,
Vehicles	4 - 6 years,
Other property, plant and equipments	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 Non-current assets held for sale

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

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

2.8 Inventories

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

2.9 Cash and cash equivalents

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

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

2.10 Financial assets

According to IAS 39 "*Financial Instruments: Recognition and Measurement*" the Group's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans 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 Group determines the classification of its financial assets at initial recognition.

2 Accounting principles (cont'd)

2.10 Financial assets (cont'd)

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group 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.

The Group did not have financial assets at fair value through profit or loss, held to maturity investments or available for sale financial assets as of 31 December 2011 and 2010.

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. 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.

2.11 Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised in 2010 and 2011.

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

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

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 remeasured 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.

2.12 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into. Subsequent to initial recognition and measurement, outstanding derivatives are carried in the statement of financial position at the fair value. Fair value is determined using the discounted cash flow method applying the effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. The Group had no derivative contracts outstanding as of 31 December 2011 and 2010.

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

2 Accounting principles (cont'd)

2.13 Derecognition 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 Group retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group 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 Group 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 Group'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 derecognition 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.

2.14 Financial lease and operating lease

Finance lease – the Group as lessee

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

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

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

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

2 Accounting principles (cont'd)

2.14 Financial lease and operating lease (cont'd)

Operating lease – the Group as lessee

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

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

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

2.15 Grants and subsidies

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

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income (mainly received from the EU and other structural funds). The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

2.16 Provisions

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

2.17 Non-current employee benefits

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

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 Accounting principles (cont'd)

2.18 Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the respective country's tax legislation.

In Lithuania 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 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.

The standard income tax rate in the Russian Federation from 1 January 2009 – 20%.

Tax losses in the Russian Federation can be carried forward for 10 consecutive years.

Deferred taxes are calculated using the statement of financial position 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 statement of financial position to the extent the Group'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.

2.19 Revenue recognition

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

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

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

In these consolidated financial statements intercompany sales are eliminated.

2.20 Impairment of assets

Financial assets

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

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

Other assets

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

2 Accounting principles (cont'd)

2.21 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 the going concern assumptions (Note 2.2), depreciation (Notes 2.6. and 13), amortisation (Notes 2.5. and 12), fair value of investment property (Note 13), provisions, non-current employee benefits, evaluation of impairment for accounts receivable, inventories and property, plant and equipment (Notes 2.16, 2.17, 2.20, 13, 14, 15, 21 and 22), evaluation of deferred income tax asset recognition and valuation allowance (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.

Estimated fair value of investment property is also disclosed in Note 13.

2.22 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.

2.23 Subsequent events

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

2.24 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 were changed to better reflect current presentation of items.

3 Segment information

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

Information with respect to geographical location of the Group's sales and assets (in LTL thousand) is presented below:

Group	Total segment sales revenue		Inter-segment sales		Sales revenue		Total assets by its location *		Acquisition of property, plant and equipment and intangible assets	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Russia	1,940	2,518	(10)	(367)	1,930	2,151	22,716	28,842	2,015	-
Ukraine	44,431	41,508	-	(94)	44,431	41,414	67	28	55	-
Western Europe	38,253	45,517	-	-	38,253	45,517	-	-	-	-
Eastern Europe	8,091	8,442	-	-	8,091	8,442	-	-	-	-
Lithuania	21,881	23,320	(14,263)	(15,230)	7,618	8,090	66,531	65,422	3,165	1,433
Other CIS countries	9,514	6,994	-	-	9,514	6,994	-	-	-	-
Other Baltic states	1,296	1,161	-	-	1,296	1,161	-	-	-	-
Other countries	-	70	-	-	-	70	-	-	-	-
Total	**125,406**	**129,530**	**(14,273)**	**(15,691)**	**111,133**	**113,839**	**89,314**	**94,292**	**5,235**	**1,433**

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

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

In 2011 the sales to the buyers Severin Elektrogeräte GmbH and S.A. Conforama respectively comprised 9.06 % and 7.63 % of total sales (in 2010 respectively 9.14 % and 10.34%).

4 Cost of sales

	2011	2010
Raw materials	69,806,006	73,214,075
Salaries and wages	8,208,134	9,022,149
Depreciation and amortisation	4,194,592	4,636,384
Other	12,527,562	9,538,560
	94,736,294	96,411,168

5 Other income

	2011	2010
Income from transportation services	284,164	231,366
Income from rent of premises	894,448	325,397
Gain on disposal of property, plant and equipment	152,285	38,077
Income from rent of equipment	2,149	3,847
Other	149,346	151,059
	1,482,392	749,746

6 Selling and distribution expenses

	2011	2010
Transportation	3,367,326	3,467,997
Warranty service expenses	812,044	988,621
Salaries and social security	909,796	882,297
Market research, sales promotion and commissions to third parties	402,701	524,442
Insurance	160,166	336,225
Advertising	229,066	180,908
Certification expenses	103,149	179,012
Rent of warehouses and storage expenses	57,774	112,788
Production dispatch expenses	18,126	29,978
Business trips	53,601	53,577
Other	167,461	3,637
	6,281,210	6,759,482

7 Administrative expenses

	2011	2010
Salaries and social security	5,716,857	5,259,567
Depreciation and amortisation	3,481,429	2,181,468
Taxes, other than income tax	878,362	1,196,856
Change in allowance for accounts receivable (Notes 15, 16)	(283,279)	(1,393,424)
Non-current employee benefits (Note 22)	(12,445)	(29,566)
Other	1,701,658	5,708,780
	11,482,582	12,923,681

Change of allowance for receivables in the years 2011 and 2010 is mainly related to overdue receivables from clients in Russia and Ukraine (Note 15).

8 Other expenses

	2011	2010
Transportation expenses	308,914	234,523
Expenses from rent of equipment	1,138	1,549
Other	64,963	64,066
	375,015	300,138

9 Financial income

	2011	2010
Foreign currency exchange gain, net	-	2,821,649
Interest income and other	5,360	17,767
	5,360	2,839,416

10 Financial expenses

	2011	2010
Interest expenses	2,998,035	4,091,649
Foreign currency exchange loss, net	2,775,561	-
Other	39,629	35,220
	5,813,225	4,126,869

11 Income tax (all amounts are in LTL thousands)

Income tax expenses, income, asset and liabilities components consisted of the following (LTL thousand):

	2011	2010
Components of the income tax (expense) income		
Current income tax for the reporting year	(17)	(10)
Deferred income tax income (expenses)	1,042	491
Income tax income (expenses) recorded in the statement of comprehensive income	1,025	481

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

	As of 31 December 2011	As of 31 December 2010
Deferred income tax asset		
Tax loss carried forward	17,894	10,742
Allowance for receivables	295	648
Warranty provisions	308	427
Accrued liabilities	109	66
Other	54	72
Deferred income tax asset before valuation allowance	18,660	11,955
Less: valuation allowance	(16,806)	(11,055)
Deferred income tax asset, net	1,854	900
Deferred income tax liability		
Capitalised development and repair costs, other non-current tangible assets	(841)	(929)
Deferred income tax liability	(841)	(929)
Deferred income tax, net	1,013	(29)
Presented in the statement of financial position:		
Deferred income tax asset	1,160	122
Deferred income tax liability	(147)	(151)

Deferred income tax asset and liability were calculated at the rates of 15% (income tax rate in Lithuania) and 20% (income tax rate in Russia). The changes of temporary differences in the Group were as follows (LTL thousand):

	Balance as of 31 December 2010	Recognised in statement of comprehensive income	Effect of changes in foreign currency rate	Balance as of 31 December 2011
Tax loss carried forward	10,742	7,569	(417)	17,894
Allowance for receivables	648	(353)	-	295
Accruals	66	43	-	109
Warranty provisions	427	(119)	-	308
Other	72	(18)	-	54
Capitalised development and repair costs, other non-current tangible assets	(929)	84	4	(841)
Valuation allowance	(11,055)	(6,168)	417	(16,806)
Deferred income tax, net	(29)	1,038	4	1,013

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.

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

Reconciliation of the total amounts of income tax expenses to the theoretical amount by applying income tax rate of the Group is as follows (LTL thousand):

	2011	2010
Profit (loss) before tax	(6,067)	(3,094)
Income tax (expenses) income computed using the statutory tax rate	910	464
Non-tax deductible expenses	5,814	1,716
Change in income tax valuation allowance	(5,751)	(1,754)
Difference in income taxes rates of subsidiaries	52	55
Income tax (expenses) income recorded in statement of comprehensive income	1,025	481

12 Intangible assets

	Development cost	Software, licenses	Total
Cost:			
Balance as of 31 December 2010	13,698,013	2,023,590	15,721,603
Additions	683,678	44,170	727,848
Disposals and write-offs	-	(1,420)	(1,420)
Balance as of 31 December 2011	14,381,691	2,066,340	16,448,031
Amortisation:			
Balance as of 31 December 2010	8,808,591	1,998,226	10,806,817
Charge for the year	662,938	12,479	675,417
Disposals and write-offs	-	(1,420)	(1,420)
Balance as of 31 December 2011	9,471,529	2,009,285	11,480,814
Net book value as of 31 December 2011	**4,910,162**	**57,055**	**4,967,217**
Net book value as of 31 December 2010	**4,889,422**	**25,364**	**4,914,786**

12 Intangible assets (cont'd)

	Development cost	Software, licenses	Total
Cost:			
Balance as of 31 December 2009	13,018,292	2,009,205	15,027,497
Additions	679,721	28,884	708,605
Disposals and write-offs	-	(14,499)	(14,499)
Balance as of 31 December 2010	13,698,013	2,023,590	15,721,603
Amortisation:			
Balance as of 31 December 2009	8,200,184	1,969,347	10,169,531
Charge for the year	608,407	43,364	651,771
Disposals and write-offs	-	(14,485)	(14,485)
Balance as of 31 December 2010	8,808,591	1,998,226	10,806,817
Net book value as of 31 December 2010	**4,889,422**	**25,364**	**4,914,786**
Net book value as of 31 December 2009	**4,818,108**	**39,858**	**4,857,966**

Total amount of amortisation expenses is included into administration expenses in the statement of comprehensive income.

Part of non-current intangible assets of the Group 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 and investment property

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and advance payments	Total	Investment property
Cost:						
Balance as of 31 December 2010	38,373,004	121,921,736	16,879,695	-	177,174,435	-
Additions	2,015,421	2,370,791	374,358	474,816	5,235,386	-
Disposals and write-offs	-	(1,718,472)	(1,049,347)	-	(2,767,819)	-
Reclassifications	-	125,777	(143,596)	17,819	-	-
Reclassification to investment property	(25,695,051)	-	-	-	(25,695,051)	25,695,051
Reclassification to held for sale assets	-	(5,350,927)	-	-	(5,350,927)	-
Effect of change in foreign currency exchange rate	(664,949)	(601,984)	(18,514)	-	(1,285,446)	-
Balance as of 31 December 2011	14,028,425	116,746,921	16,042,596	492,635	147,310,578	25,695,051
Accumulated depreciation:						
Balance as of 31 December 2010	9,639,966	95,999,078	14,839,181	-	120,478,225	-
Charge for the year	1,482,609	6,503,982	645,643	-	8,632,234	-
Disposals and write-offs	-	(1,358,401)	(979,470)	-	(2,337,871)	-
Reclassifications	-	112,951	(112,951)	-	-	-
Reclassification to investment property	(6,431,804)	-	-	-	(6,431,804)	6,431,804
Reclassification to held for sale assets	-	(3,206,564)	-	-	(3,206,564)	-
Effect of change in foreign currency exchange rate	(170,365)	(337,762)	(16,876)	-	(525,003)	-
Balance as of 31 December 2011	4,520,406	97,713,284	14,375,527	-	116,609,217	6,431,804
Net book value as of 31 December 2011	**9,508,019**	**19,033,637**	**1,667,070**	**492,635**	**30,701,361**	**19,263,247**
Net book value as of 31 December 2010	**28,733,038**	**25,922,658**	**2,040,514**	**-**	**56,696,210**	**-**

13 Property, plant and equipment and investment property (cont'd)

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Total
Cost:				
Balance as of 31 December 2009	37,074,134	101,865,030	16,730,840	155,670,004
Additions	-	623,039	101,588	724,627
Disposals and write-offs	(402,898)	(2,785,117)	(712,655)	(3,900,670)
Reclassifications	-	(695,968)	695,968	-
Reclassification from assets classified as held for sale	-	21,036,694	-	21,036,694
Effect of change in foreign currency exchange rate	1,701,768	1,878,058	63,954	3,643,780
Balance as of 31 December 2010	38,373,004	121,921,736	16,879,695	177,174,435
Accumulated depreciation:				
Balance as of 31 December 2009	8,033,030	81,118,311	13,906,493	103,057,834
Charge for the year	1,394,188	5,189,154	1,003,053	7,586,395
Disposals and write-offs	(106,561)	(2,239,255)	(712,060)	(3,057,876)
Reclassifications	-	(569,432)	569,432	-
Reclassification from assets classified as held for sale	-	11,459,494	-	11,459,494
Effect of change in foreign currency exchange rate	319,309	1,040,806	72,263	1,432,378
Balance as of 31 December 2010	9,639,966	95,999,078	14,839,181	120,478,225
Net book value as of 31 December 2010	**28,733,038**	**25,922,658**	**2,040,514**	**56,696,210**
Net book value as of 31 December 2009	**29,041,104**	**20,746,719**	**2,824,347**	**52,612,170**

The depreciation charge of the Group's property, plant and equipment and investment property for 2011 amounts to LTL 8,632 thousand (LTL 7,586 thousand for 2010). The amount of LTL 5,826 thousand for 2011 (LTL 6,057 thousand for 2010) was included into production costs. The remaining amount of LTL 2,807 thousand including depreciation of investment property (LTL 1,529 thousand for 2010) was included into administration expenses in the Group's statement of comprehensive income.

At 31 December 2011 buildings of the Group with the net book value of LTL 7,359 thousand (as of 31 December 2010 – LTL 6,238 thousand) and machinery and equipment with the net book value of LTL 5,870 thousand (as of 31 December 2010 – LTL 7,359 thousand) were pledged to banks as a collateral for the loans (Note 23). 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 (as of 31 December 2010 – LTL 3,247 thousand) (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.

<u>Impairment assesment</u>

On 31 December 2011 and 2010 the Group has performed the impairment test of intangible assets and property, plant and equipment and investment property (classified as Property, plant and equipment in 2010).

Assessment of impairment of the investment property, the net book value of which amounts to LTL 19,263 thousand as of 31 December (industrial building of subsidiary OOO Techprominvest), was based on comparative market price method, which in turn was also used to assess the estimated fair value amount. After the impairment test has been performed the management did not identify the impairment of the industrial building, as the estimated fair value amount was assessed at approximately LTL 38 mln.

The assessment of the remaining part of intangible assets and property plant and equipment was performed by evaluating their value in use. For the purpose of impairment testing the following cash generating unit (CGU) was identified:

13 Property, plant and equipment (cont'd)

Impairment assessment (cont'd)

- *AB Snaigė (intangible assets and property, plant and equipment minus the value of grants received for the acquisition of property, plant and equipment; part of plant equipment of subsidiary OOO Techprominvest planned to be used in the manufacturing facilities in Alytus after the closing of the Kaliningrad plant, and intangible assets and property, plant and equipment of subsidiary UAB Almecha).*

Attribution of the mentioned remaining part of net book values (LTL thousand) of intangible assets and property, plant and equipment to AB Snaigė CGU as of 31 December 2011 and 2010 is presented below:

	2011	2010
Intangible assets, property, plant and equipment and held for sale assets*	35,668	42,989
Less: grants	(934)	(1,282)
Total	**34,734**	**41,707**

AB Snaigė CGU

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:

	2011	2010
Post tax discount rate[1)]	12.5%	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 Tetal 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.

13 Property, plant and equipment and investment property (cont'd)

Impairment estimation (cont'd)

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

In the opinion of the management of the Group, 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 respective financial year in response to changes in the aforementioned assumptions:

	2011	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	-	1 %

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

Assets reclassified as investment property

The Group's management has performed an internal analysis in order to assess whether subsidiary's owned industrial building, which is not actively used in operations, should be classified as investment property as of year end 2011 and 2010. In 2010 it was decided, that the respective classification criteria are not met and therefore asset should be accounted as designated for own use. However in 2011 majority of building have been rented out, therefore related properties were reclassified to Investment property. The fair value of investment property as of 31 December 2011 is estimated by the Group management to be approximately LTL 38 mln. The fair value of investment property as of 31 December 2011 was estimated by management using market price per square meter of similar premises in similar locations identified by independent property valuators.

Assets reclassified as held for sale

In 2011 due to changes in shareholders structure, it was decided to sell part of the assets, which not to be used for the Group's operations. In April 2012 an entity related to the new majority shareholder of the Company signed a letter of intent in respect of the acquisition of some of the Group's owned machinery and equipment units, therefore management classified the respective assets as held for sale in the financial statements as of 31 December 2011.

14 Inventories

	As of 31 December 2011	As of 31 December 2010
Raw materials and spare parts and production in progress	8,198,991	9,040,051
Finished goods	5,627,944	3,802,014
Other	-	277,826
Total inventories, gross	13,826,935	13,119,891
Less: valuation allowance for finished goods	-	(95,342)
Less: valuation allowance for slow moving and obsolete inventories	(595,094)	(534,657)
Total inventories, net	13,231,841	12,489,892

Raw materials and spare parts consist of compressors, components, plastics, wires, metals and other materials used in the production. The carrying amount of inventories accounted for at net realisable value amounted to LTL 595 thousand and LTL 534 thousand as of 31 December 2011 and 2010 respectively. 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 the repayment of bank loans, the Group pledged inventories with the value of not less than LTL 10,500 thousand as of 31 December 2011 and 2010.

15 Trade receivables

	As of 31 December 2011	As of 31 December 2010
Trade receivables	26,306,167	28,536,018
Less: valuation allowance for doubtful trade receivables	(13,115,430)	(13,585,026)
	13,190,737	14,950,992

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 13,115 thousand (as of 31 December 2010 – LTL 13,585 thousand) were impaired and fully provided for. Change in valuation allowance for doubtful trade receivables was included within administration expenses.

The Group's trade receivables from Western countries and former and current CIS countries amounting to LTL 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.

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

	2011	2010
Balance at the beginning of the period	(13,585,026)	(12,603,962)
Charge for the year	(87,431)	(479,304)
Write-offs of trade receivables	224,893	194,324
Effect of the change in foreign currency exchange rate	279,495	(831,829)
Amounts paid	52,639	135,745
Balance in the end of the period	(13,115,430)	(13,585,026)

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 past due but not impaired					
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30 – 60 days**	**60 – 90 days**	**90 – 120 days**	**More than 120 days**	**Total**
2011	9,748,804	2,218,263	526,531	233,792	286,157	177,190	13,190,737
2010	12,905,309	1,398,400	396,722	60,410	66,591	123,560	14,950,992

As of 31 December 2011 and 2010 the Group 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 expenses	1,704,548	1,156,778
VAT receivable	535,286	466,933
Compensations receivable from suppliers	60,072	97,042
Restricted cash	15,000	15,000
Other receivables	1,811,345	1,881,402
Less: valuation allowance for doubtful other receivables	(1,431,114)	(1,469,690)
	2,695,137	2,147,465

16 Other current assets (cont'd)

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

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

	2011	2010
Balance at the beginning of the period	(1,469,690)	(1,251,654)
Charge for the year	-	(122,427)
Effect of the change in foreign currency exchange rate	37,800	(95,609)
Amounts paid	776	-
Balance in the end of the period	(1,431,114)	(1,469,690)

17 Cash and cash equivalents

	As of 31 December 2011	As of 31 December 2010
Cash at bank	952,623	1,965,694
Cash on hand	7,863	5,145
	960,486	1,970,839

As of 31 December 2011 the accounts of the Group in foreign currency and Litas up to LTL 12,085 thousand (up to LTL 10,085 thousand in 2010) are pledged as a collateral for bank loans (Note 23).

18 Share capital and share premium

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 the Company was in compliance with this requirement.

19 Reserves

Legal reserve

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

As of 31 December 2011 and 2010 the legal reserve amounted to LTL 2,828 thousand.

19 Reserves (cont'd)

Non-restricted reserves

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

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

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 surplus).

Foreign currency translation reserve

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

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

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 subsidies were designated.

21 Warranty provision

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

Changes in warranty provisions were as follows:

	2011	2010
As of 1 January	2,763,072	3,759,857
Charged during the year	1,733,854	988,621
Utilised	(2,437,576)	(2,018,094)
Foreign currency exchange effect	(1,738)	32,688
As of 31 December	2,057,612	2,763,072

Warranty provisions are accounted for as of 31 December as:

	2011
- non-current	684,540
- current	1,373,072

	2010
- non-current	769,517
- current	1,993,555

22 Non-current employee benefits

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

The main assumptions applied in evaluation of Group'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 %
Rate of employee turnover	15%	17 %
Annual salary increase	3%	5 %

The Group 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	6,916,527
Convertable bonds**	7,300,000	-
Ordinary bonds*	-	757,806
	14,742,077	11,693,943
Current borrowings		
Convertible bonds	-	21,190,524
Ordinary bonds*	853,032	1,723,638
Current borrowings with fixed interest rate	5,776,468	1,403,448
Current borrowings with variable interest rate	9,305,123	51,000
	15,934,623	24,368,610
	30,676,700	36,062,553

* 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. Interest is 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, interest is paid annually. The purpose is the refinancing of part of the convertible bonds emission issued in 2010 with the maturity date of 11 April 2011. 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).

23 Borrowings (cont'd)

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.

As of 31 December 2011 buildings with the carrying amount of LTL 7,359 thousand (2010 – LTL 6,238 thousand), machinery and equipment with the net book value of LTL 5,870 thousand (2010 – LTL 7,359 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), as well as the right of claim for inflows from OOO Techprominvest, according to the agreement signed between AB Snaige and OOO Techprominvest on 30 April 2010, was pledged to the banks for loans provided (as further described in Note 1 this inflow rightwas reduced significantly in 2011 after the major part of the amount was capitalized in the process of OOO Techprominvest share capital increase). In addition LTL 1,000 thousand cash deposit accounted for in other non-current assets was restricted and pledged to banks until May 2015.

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

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.

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	27,426,639	12,390,585
	30,676,700	36,062,553

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

	Fixed interest rate	Variable interest rate
2012	5,776,469	9,305,122
2013 – 2017	6,543,142	898,935
After 2017	-	-
	12,319,611	10,204,057

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

Also see Note 32 for subsequent events related to borrowings.

24 Finance lease obligations

Principal amounts of finance lease payables as of 31 December 2011 and 2010 are denominated in EUR.

The variable interest rates on the finance lease obligations in EUR vary depending on the 6-month EURIBOR + 1.1% margin.

Future minimal lease payments under the above-mentioned financial lease contracts 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	71,321	923,435
Interest	(169)	(19,071)
Present value of financial lease obligations	71,152	904,364
Financial lease obligations accounted for as:		
- current	71,152	833,212
- non-current	-	71,152

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

	As of 31 December 2011	As of 31 December 2010
Machinery and equipment	2,123,131	2,578,088
Vehicles	-	-
	2,123,131	2,578,088

25 Operating lease

The Group has concluded several contracts of operating lease of land and premises. The terms of lease do not include restrictions of the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. In 2011 the lease expenses of the Group amounted to LTL 316 thousand (LTL 290 thousand in 2010).

Planned operating lease payments in 2012 will be LTL 332 thousand.

The most significant operating lease agreement of the Group is the non-current agreement of AB Snaigė 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
Salaries and related taxes	2,039,592	1,724,586
Vacation reserve	1,238,375	1,356,500
Other accrued interest	128,723	260,951
Other taxes payable	217,514	260,769
Other payables and accrued expenses	185,519	227,773
	4,158,751	5,402,242

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

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*	36,432,929	29,867,194
Net (loss) for the year, attributable to the shareholders of Company	(5,042,923)	(2,612,706)
Basic (loss) per share, in LTL	(0.14)	(0.087)

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

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

28 Financial instruments

Fair value of financial instruments

The carrying amounts and fair values of the Group's financial assets and financial liabilities as of 31 December 2011 and 2010 were as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	960,486	960,486	1,970,839	1,970,839
Other non-current assets	1,000,000	1,000,000	1,000,000	1,000,000
Other current receivables	100,834	100,834	523,754	523,754
Current trade receivables	13,190,737	13,190,737	14,950,992	14,950,992
Financial liabilities				
Fixed rate borrowings	20,472,642	20,761,312	29,095,026	29,095,026
Variable rate borrowings	10,204,058	10,204,058	6,967,527	6,967,527
Financial lease obligations	71,152	71,152	904,364	904,364
Trade and other payables	15,630,185	15,630,185	18,222,541	18,222,541

28 Financial instruments (cont'd)

Fair value of financial instruments (cont'd)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:
(a) The carrying amount of current trade and other payables and floating rate borrowings approximates fair value;
(b) The fair value of trade and other current receivable approximates their carrying amounts;
(c) 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 the net gain (loss) of financial instruments included in the statement of comprehensive income:

	2011	2010
Loans and receivables (Note 7)	507,742	(343,559)

Net gain (loss) of financial instruments include change in impairment losses of receivables.

29 Capital and risk management

Credit risk

The maximum exposure of the credit as of 31 December 2011 and 2010 comprise the carrying values of receivables, cash and cash equivalents.

Concentration of trading counterparties of the Group is average. As of 31 December 2011 amounts receivable from the main 10 customers of the Group accounted for approximately 58.64 % (68.4 % as of 31 December 2010) of the total Group's trade receivables.

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

The Group's trade receivables 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 (in 2010 in Coface Austria Kreditversichering AG, Lithuanian branch).

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

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

- the client is late with settlement for 60 and more days;
- factorised clients late with settlement for 30 and more days;
- client is unable to fulfil the obligations assumed;
- reluctant to communicate with the seller;
- turnover of management is observed;
- reorganisation process is observed;
- information about tax penalties, judicial operation and restrictions of the use of assets is observed;
- bankruptcy case;
- inconsistency and variation in payments;
- other criteria.

29 Capital and risk management (cont'd)

The Group does not provide guarantees for the obligations of other parties. The Group's management believes that its maximum exposure is equal to the trade receivables netted with allowance losses recognized as at the balance sheet date. A significant part of trade receivables is insured (Note 15). The Group does not guarantee for other parties' liabilities.

Interest rate risk

The part of the Group's borrowings is with variable rates, related to LIBOR, VILIBOR and EURIBOR, which creates an interest rate risk. As of 31 December 2011 and 2010 the Group did not use any financial instruments to manage interest rate risk.

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

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

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

The table below summarises the maturity profile of the Group'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	More than 5 years	Total
Interest bearing loans, financial lease and borrowings	-	4,641,218	13,096,390	15,314,729	-	33,052,337
Interest payable	296,145	196,778	-	280,973	-	773,896
Trade and other payables	7,522,546	7,629,887	-	-	-	15,152,433
Balance as of 31 December 2011	**7,818,691**	**12,467,883**	**13,096,390**	**15,595,702**		**48,978,666**
Interest bearing loans, financial lease and borrowings	-	910,134	25,874,404	14,997,378	-	41,781,916
Interest payable	-	79,225	1,753,389	-	-	1,832,614
Trade and other payables	8,748,900	7,641,027	-	-	-	16,389,927
Balance as of 31 December 2010	**8,748,900**	**8,630,386**	**27,627,793**	**14,997,378**	**-**	**60,004,457**

29 Capital and risk management (cont'd)

Liquidity risk (cont'd)

The Group seeks to maintain sufficient financing to meet the financial liabilities on time. Additionally, in 2012 the restructuring of maturity terms of some financial obligations and the additional monetary funds to finance the operations of the Company have been implemented 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		**2010**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	4,060,404	40,057,987	3,743,936	26,385,169
EUR	12,368,186	10,952,041	14,805,430	34,517,364
USD	128,020	435,213	80,567	54,547
RUB	736,647	971,053	391,901	843,806
Other	3,885	9,233	12,790	4,225
Total	17,297,142	52,425,527	19,034,624	61,805,111

The following table demonstrates sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of financial assets and liabilities).

	Increase (decrease)	**Effect on the profit before tax (LTL thousand)**
LTL/USD exchange rate increase (decrease)		
2011	+ 5%	(15)
	- 5%	15
2010	+ 5%	1
	- 5%	(1)
2011	+ 10%	(31)
	- 10%	31
2010	+ 10%	2
	- 10%	(2)
LTL/RUB exchange rate increase (decrease)		
2011	+ 5%	(12)
	- 5%	12
2010	+ 5%	(23)
	- 5%	23
2011	+ 10%	(23)
	- 10%	23
2010	+ 10%	(46)
	- 10%	46

29 Capital and risk management (cont'd)

Capital management

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

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

A company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 December 2011 and 2010 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Group.

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 favor of the Company. 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 Group or have influence on it. To determine whether the parties are related the assessment is based on the nature of relation rather than the form.

The related parties of the Group and the transactions with related parties during 2011 and 2010 were as follows:

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).

The Group has a policy to conduct related party transactions on commercial terms and conditions. Outstanding balances at the year-end are unsecured, interest-free and settlement occurs in cash. There were no guarantees provided or received for any related party receivables or payables. As of 31 December 2011 and 2010 the Group has not recorded any impairment of receivables from related parties.

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
	-	423058	141,859	-	576,942	423,068

On 31 December 2009 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 the outstanding LTL 1,000 thousand loan bearing 14% annual interest rate from AB Snaige and accrued interest in total of LTL 423 thousand. During 2011 the Group repaid LTL 423 thousand of loan and LTL 142 interest and as of 31 December 2011 the claim was fully settled.

<u>Remuneration of the management and other payments</u>

Remuneration of the Company's and subsidiaries' management amounted to LTL 1,701 thousand and LTL 309 thousand, respectively, in 2010 (1,264 thousand and LTL 335 thousand in 2010, respectively). The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

32 Subsequent events

On 26 January 2012 the Group signed the credit agreement amendment with Siauliu bankas AB for the credit payments 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 Group has signed the credit line amendment with Swedbank AB regarding the increase in credit line amount to EUR 405 thousand and postponement of repayment term till 31 March 2013.

On 28 March 2012 the Group 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 Group 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 has changed – the repayments will be made gradually during the period January 2014 – December 2016.

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