

Snaige AB

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we Gediminas Čeika, Managing Director of Snaige, AB and Neringa Menčiūnienė, Finance Director of Snaige, AB hereby confirm that, to the best of our knowledge, the attached unaudited interim consolidated Snaige AB financial statements for the period of 2011 year prepared in accordance to the applied accounting standards, correctly reflects the reality and fairly shows issuer's assets, liabilities, financial position, profit or loss and cash flows of Snaige, AB.



Gediminas Čeika
Managing Director



Neringa Menčiūnienė
Finance Director

March 2, 2012

AB SNAIGĒ

***CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
TWELVE MONTHS OF 2011***

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I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the twelve months of 2011.

2. The basic data about the issuer

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

Authorised capital – LTL 39,622,395

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E-mail – snaige@snaige.lt

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

Legal organisation status – legal entity, public limited company

Registered as an enterprise on December 1, 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Statute of AB “Snaige” was registered on May 12, 2011 in Legal Entities of the Republic of Lithuania.

3. Information with regard to the location and time provided for introduction of the report and the accompanying documents; name of the mass media

The report is available in the Budget and Accounting Department of AB “Snaige” at Pramones str. 6, Alytus on the days of I-IV from 7.30 to 16.30, and V from 7.30 to 14.00.

The mass media – daily paper „Kauno diena”.

II. FINANCIAL STATUS

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

1. Profit (Loss) Report (in LTL)

Ref. No.	ITEMS	31 12 2011	01 10 2011 31 12 2011	31 12 2010	01 10 2010 31 12 2010
I.	Sales and services	111,105,668	20,390,769	113,838,664	26,391,102
I.1	Income of goods and other products sold	16,232,460	2,900,661	12,313,204	2,537,629
I.2	Income of refrigerators sold	94,873,208	17,490,108	101,525,460	23,853,473
II.	Cost of goods sold and services rendered	94,695,407	17,292,320	96,411,168	23,918,737
II.1	Net cost of goods and other products sold	2,778,905	211,191	2,450,915	929,000
II.2	Net cost of refrigerators sold	91,916,502	17,081,129	93,960,253	22,989,737
III.	Gross profit	16,410,261	3,098,449	17,427,496	2,472,365
IV.	Operating expenses	16,759,742	3,891,373	19,683,163	3,400,449
IV.1	Sales expenses	6,281,210	1,153,530	6,759,482	217,300
IV.2	General and administrative expenses	10,478,532	2,737,843	12,923,681	3,183,149
V.	Profit (loss) from operations	(349,481)	(792,924)	(2,255,667)	(928,084)
VI.	Other activity	1,107,377	289,019	449,608	312,209
VI.1.	Income	1,482,392	473,496	749,746	401,746
VI.2.	Expenses	375,015	184,477	300,138	89,537
VII.	Financial ad investing activities	(5,809,938)	(274,176)	(1,287,453)	(7,968)
VII.1.	Income	3,456,525	881,559	9,214,653	2,529,934
VII.2.	Expenses	9,266,463	1,155,735	10,502,106	2,537,902
VIII.	Profit (loss) from ordinary activities	(5,052,042)	(778,081)	(3,093,512)	(623,843)
IX.	Extraordinary gain				
X.	Extraordinary loss				
XI.	Current accounting period profit (loss) before taxes	(5,052,042)	(778,081)	(3,093,512)	(623,843)
XII.	Taxes	(12,821)	(4,220)	480,605	480,692
XII.1	Profit tax	(12,821)	(4,220)	(309)	(222)
XII.2.	Adjustment of deferred profit tax			480,914	480,914
XII.3.	Social tax				
XIII.	Minority interest	471	15	(201)	(201)
XIV.	Net current accounting period profit (loss)	(5,065,334)	(782,316)	(2,612,706)	(142,950)

2. Accounting Balance Sheet (in LTL)

Ref. No.	ASSETS	Notes	31 12 2011	31 12 2010
A.	Non-current assets		59,197,604	62,733,102
I.	Intangible assets	11	4 583 694	4,914,786
II.	Tangible assets	12	53,491,804	56,696,210
II.1.	Land			
II.2.	Buildings		28,888,092	27,368,110
II.3.	Other non-current tangible assets		23,771,178	27,859,862
II.4.	Construction in progress and advance payments		832,534	1,468,238
III.	Non-current financial assets			
IV.	Deferred tax assets		122,106	122,106
V.	Amounts receivable after one year			
VI.	Assets classified as held for sale			
VII.	Other non-current assets		1,000,000	1,000,000
B.	Current assets		30,118,246	31,559,188
I.	Inventory and contracts in progress	13	13,232,127	12,489,892
I.1.	Inventories		13,232,127	12,489,892
I.2.	Prepayments			
I.3.	Contracts in progress			
II.	Amounts receivable within one year		15,910,633	17,083,457
III.	Investments and time deposits			
IV.	Cash and cash equivalents	16	960,486	1,970,839
V.	Other current assets		15,000	15,000
C.	Accrued income and prepaid expenses			
	TOTAL ASSETS		89,315,850	94,292,290

Ref. No.	EQUITY AND LIABILITIES	Notes	31 12 2011	31 12 2010
A.	Equity		35,713,924	30,575,701
I.	Capital		39 622 395	30,735,715
II.	Share premium (surplus of nominal value)		5 698 656	5,698,656
III.	Revaluation reserve		(4 958,025)	(6,274,902)
IV.	Reserves		4 016 955	4,688,472
V.	Retained earnings (losses)		(8,666,057)	(4,272,240)
	Current year profit (loss)		(5,065,334)	(2,612,706)
	Previous year profit (loss)		(3,600,723)	(1,659,534)
B.	Minority interest		1,945	1,475
C.	Provisions and deferred taxes			
D.	Amounts payable and liabilities		53,599,981	63,715,114
I.	Non-current amounts payable and liabilities		17,136,121	14,327,771
I.1.	Financing (grants and subsidies)		934,133	1,282,433
I.2.	Financial debts	21	15,023,050	11,765,095
I.3.	Warranty provisions		684,540	769,517
I.4.	Deferred income tax liability		147,015	150,898
I.5.	Advances received on contracts in progress			
I.6.	Non-current employee benefits		347,383	359,828
II.	Current amounts payable and liabilities		36,463,860	49,387,343
II.1.	Current portion of long-term debts		16,005,775	25,201,822
II.2.	Financial debts			
II.3.	Trade creditors		14,993,996	16,162,154
II.4.	Advances received on contracts in progress		216,184	627,570
II.5.	Taxes, remuneration and social security payable	24	3,277,967	3,081,086
II.6.	Warranty provisions		1,373,072	1,993,555
II.7.	Other amounts payable and current liabilities	24	596,866	2,321,156
	TOTAL EQUITY AND LIABILITIES		89,315,850	94,292,290

3. Cash Flows Statement

Ref. No.		31 12 2011	31 12 2010
I.	Cash flows from the key operations		
I.1	Result before taxes	(5,052,042)	(3,093,512)
I.2	Depreciation and amortization expenses	8 308 341	8,238,166
I.3	Subsidies amortization	(348 300)	(318,304)
I.4	Result of sold non-current assets	(152 285)	(38,077)
I.5	Write-off of non-current assets	262 233	812,378
I.6	Write-off of inventories	238 690	161,725
I.7	Depreciation of receivables	81 934	343,559
I.8	Other provisions	513,787	
I.9	Change in provision for guarantee repair	(705 460)	(996,785)
I.10	Recovery of devaluation of trade receivables		
I.11	Influence of foreign currency exchange rate change	2 735 329	
I.12	Financial income (interest income)	(5 360)	(13,235)
I.13	Financial expenses (interest expenses)	2 998 035	4,091,649
	Cash flows from the key operations until decrease (increase) in working capital	8,874,902	9,187,564
II.1	Decrease (increase) in receivables and other liabilities	1 172 824	(140,755)
II.2	Decrease (increase) in inventories	(742 235)	6,268,226
II.3	Decrease (increase) in trade and other debts to suppliers	(1 254 317)	(10,212,807)
	Cash flows from the main activities	8,051,174	5,102,228
III.1	Other cash income		
III.2	Interest received		
III.3	Interest paid	(2 013 239)	(1,163,771)
III.4	Profit tax paid		135,120
	Net cash flows from the key operations	6,037,935	4,073,577

IV.	Cash flows from the investing activities		
IV.1	Acquisition of tangible non-current assets	(6,945,942)	(724,627)
IV.2	Capitalization of intangible non-current assets	(727 848)	(708,605)
IV.3	Sales of non-current assets	213 891	68,507
IV.4	Loans granted		
IV.5	Loans regained		
IV.6	Received interest	5 360	13,235
	Net cash flows from the investing activities	(7,454,539)	(1,351,490)

III.	Cash flows from the financial activities		
III.1	Cash flows related to the shareholders of the company		
III.1.1	Issue of shares		

III.1.2	Shareholders' contributions for covering losses	3,000,000	4,784,527
III.1.3	Sale of own shares		
III.1.4	Payment of dividends		
III.2	Cash flows arising from other financing sources		
III.2.1	Subsidies received		
III.2.1.1	Inflows from non-current loans	11,595,966	6,000,000
III.2.1.2	Loans repaid	(1,462,883)	(5,697,074)
III.2.2	Finance lease received		
III.2.2.1	Payments of leasing (finance lease) liabilities	(833,212)	(801,982)
	Redemption of securities issued	(11,893,620)	(6,761,806)
III.3	Other decreases in the cash flows from financial activities		
III.4.	Redemption of issued securities		
	Net cash flows from the financial activities	406,251	(2,476,335)

IV.	Cash flows from extraordinary items		
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
V.	The influence of exchange rates adjustments on the balance of cash and cash equivalents		
VI.	Net increase (decrease) in cash flows	(1,010,353)	245,752
VII.	Cash and cash equivalents at the beginning of period	1,970,839	1,725,087
VIII.	Cash and cash equivalents at the end of period	960,486	1,970,839

4. Statement of Changes in Equity

	Paid up authorised capital	Share premium	Own shares (-)	Legal reserves		Other reserves				Retained earnings (losses)	TOTAL	Minority shareholders	TOTAL
				Compulsory	For acquiring own shares	For social needs	For charity, donation	For investments	Currency exchange reserve				
Balance as of December 31, 2009	27,827,365	18,727,270	0	2,828,472	0	60,000	1,800,000	(6,841,946)	14,688,148	29,713,013	1,676	29,714,689	
Total registered income and expenses as of 2010						0			(2,612,706)	(2,612,706)	(201)	(2,612,907)	
Formed reserves						30,000	1,830,000		(1,860,000)	0		0	
Transfers from reserves						(60,000)	(1,800,000)		1,860,000	0		0	
Increase of authorized capital	2,908,350									2,908,350		2,908,350	
Loss coverage		(13,028,614)							13,028,614				
Other changes								567,044		(567,044)		(567,044)	
Year 2010 profit not registered in the Profit (Loss) account										0		0	
Balance as of December 31, 2010	30,735,715	5,698,656	0	2,828,472	0	30,000	1,830,000	(6,274,902)	(4,272,240)	30,575,702	1,475	30,577,177	
Dividends for 2010										0		0	
Total registered income and expenses as of 2011									(5,065,334)	(5,065,334)	470	(5,064,864)	
Formed reserves						30,000	1,158,483		(1,188,483)	0	0	0	
Transfers from reserves						(30,000)	(1,830,000)		1,860,000	0		0	
Other changes								1,316,877		1,316,877		1,316,877	
Increase of authorized capital	8,886,680									8,886,680		8,886,680	
Loss coverage													
Balance as of December 31, 2011	39,622,395	5,698,656	0	2,828,472	0	30,000	1,158,483	(4,958,025)	(8,666,057)	35,713,924	1,945	35,715,869	

III. EXPLANATORY NOTES

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:

	December 31, 2011		December 31, 2010	
	Number of shares held	Ownership share	Number of shares held	Ownership share
VAIDANA UAB	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.

Subsidiaries did not have any shares of Snaige AB on 31 December 2011 and 2010. The Company did not hold its own shares.

As of 18 April 2011 under the resolution of owners the request of owners of convertible bonds regarding the conversion of bonds into shares of the company was satisfied. According to this resolution one bond with a nominal value of EUR 100 was converted into 380 ordinary registered shares, i.e. 23,386 convertible bonds were converted into 8,886,680 units of ordinary registered shares of the Company with LTL 1 nominal value each, and the authorized capital was increased accordingly. The increased authorized capital was registered on 12 May 2011.

The Group consists of Snaigė AB 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	Investment value, LTL.	Profit (loss) for the reporting year	Shareholders' equity
OOO Techprominvest	Russia (Kaliningrad)	100%	106,355,749	(7,628,517)	42,009,087
TOB Snaige Ukraina	Ukraine	99%	88,875	53,464	193,077
OOO Moroz Trade	Russia	100%	947	-	(5,683,741)
OOO Liga Servis	Russia	100%	1,028	(118,953)	157,846
UAB Almecha	Lithuania	100%	1,375,785	200,146	448,306
Total investments in subsidiaries			107, 822,384		
Decrease investments in subsidiaries (OOO Techprominvest)					(70,000,000)
Total investments in subsidiaries, net			37, 822,384		

As 31 December 2011 The Board of the Company comprised 4 representative VAIDANA UAB clients and 2 representative Group as on the 31st of December, 2010, 1 representative of Hermis Capital UAB and 3 representatives of Swedbank AS clients.

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

Snaige AB in September of the year 2008 in her subsidiary Techprominvest OOO increased the share capital by LTL 55,197,921 Lt. The share capital increased by receivable accounts from "Techprominvest" for the sold and outstanding equipment, and granted and outstanding loans.

The company's Management Board at the meeting on 30 September 2011 decided to sell 100% of the Company OOO Techprominvest available parts. In order to get the maximum of possible price it was decided to increase the share capital of subsidiary OOO Techprominvest by the capitalisation of the company's receivable LTL 38,509 thousand. to the amount of LTL 85,834,409.

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

The share capital had been increased in October 2011.

On the 12th of August, 2009, due to the global economic crisis and particularly unfavourable effect of it on the Group activities, the Management of the Group made a decision to close the activities of AB Snaige refrigerator factory OOO Techprominvest. Goodwill that arose during the acquisition LTL 12,313 thousand was written off on 31 August 2009. The expense of the writing-off the carrying amount of goodwill, which is LTL 9,390 thousand, is included into administrative expenses caption. Foreign currency revaluation reserve related to goodwill that appeared due to foreign currency fluctuations amounting to LTL 2,923 thousand is accounted in equity.

TOB Snaige Ukraine (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 the 13th of May, 2004, OOO Moroz Trade (Moscow, Russia) was established. The Company acquired 100% of OOO Moroz Trade shares in October 2004. The subsidiary provides sales and marketing services to the Techprominvest OOO in the Russian market.

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

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

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

2 Accounting principles

The principal accounting policies adopted in preparing the Group's financial statements for 2011 are as follows:

2.1. Preparation basis of financial statement

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

2.2. Going concern

The Group's current liabilities exceeded current assets by LTL 6,346 thousand as of 31 December 2011 (LTL 17,828 thousand as of 31 December 2010),

- the liquidity ratios:
gross replacement ratio was 0.83, quick recovery ratio – 0.46 (whereas on the year 2010 December 31st those ratios were respectively 0.63 and 0.39). In 2011 the Group incurred LTL 8,560 thousand pre tax loss, which is 5,467 thousand LTL higher compared to the 2010 financial year.
- the commitment ratios:
the ratio of debt/asset was 0.6 (whereas in the year 2010, December 31st 0.68)
- asset utilization ratios:
inventory turnover 6.23; receivables turnover 5.2; fixed asset turnover 1.9 (whereas on the year 2010 for the same date those ratios were respectively 6.4, 5.7 and 2.2).

These financial statements are prepared under the assumption that the Group will continue as a going concern at least 12 months from the statement of financial position date. The going concern is based on the following assumptions:

- in 2012 the Group expects 9-25% increase sales comparing to 2011 and additionally to optimise costs.
- Trade payables are planned to be decreased using free operational cash flows.

All obligations of the Company before the convertible bonds holders have been fulfilled. All convertible bonds with the maturity term on 11 April 2011 are refinanced except for convertible bonds with the value of LTL 8.9 million, which are converted to the shares pursuant to the decision of convertible bonds owners dated 11 April 2011.

The direction of the Company agrees that all those assumptions above could be influenced of significant uncertainties, which could raise doubts about Company's ability to continue operating, because of the disability to realize its property and to implement its commitments by carrying out its normal activities. However despite all this the Company's direction expects that the Company will have enough resources to continue operating in the near future. That is why the Company preparing those financial statements applied the principle of its activity succession.

2.3. Currency of financial statement

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

From 2 February, 2002 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 were follows:

	31-12-2011	31-12-2010
RUB	0.083334	0.085535
UAH	0.33243	0.32788
USD	2.6694	2.6099

2.4. Principles of consolidation

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

The purchase method of accounting is used for acquired businesses. The Company accounts for the acquired identifiable assets, liabilities and contingent liabilities of another company at their fair value at acquisition date. The difference of the fair value of the acquired net assets and acquisition costs is accounted for as goodwill.

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

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

2.5. Intangible assets, except for goodwill

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.

Research and development

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

Expenses from the development activities of creation of new or enhanced products and operational processes are capitalized if the product or the process is technically and commercially proven and the Group has enough resources and intentions to finish the creation of this product or process. Capitalized expenses include raw material and direct work expenses as well as respective additional expenses. Capitalized development expenses are accounted at their cost subtracting the accumulated depreciation. Capitalized product creation expenses are being amortized as soon as product creation works are finished and their results can be used in commercial production. Capitalized product creation expenses will be amortized over the period when the economic benefit is received. The amortization period applied varies from 1 to 8 years.

Licenses

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

Software

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

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

2.6. Tangible non-current assets

Tangible non-current assets are assets that are controlled by the Group, which is expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably defined and is higher than LTL 500. Liquidity value is equal to LTL 1. Tangible fixed assets are accounted for at cost, which does not include the daily maintenance costs, less accumulated depreciation and estimated impairment losses. The acquisition value includes the tangible assets replacement cost, when incurred, if such costs meet the asset recognition criteria, and modified parts are written off. Tangible assets are retired when it is sold or no economical benefit is expected from its sale. Any gain or loss resulting from the write-down of assets (calculated as the net sales proceeds and the carrying value of the assets) are included in the income (loss) statement, which the property is retired.

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

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

Buildings and structures (excluding commercial buildings)	15 – 63 years
Machinery and equipment	5 – 15 years
Vehicles	4 – 6 years
Other assets	3 – 8 years

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

2.7. 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.

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

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

2.8. Receivables and loans granted

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

2.9. 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. Borrowings

Borrowing costs are expensed as incurred.

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

2.11. Factoring

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

2.12. Financial lease and operating lease

Operating lease – the Group as lessee

The Group recognizes the lease assets and obligations in the balance sheet on the day of the leasing period. Initial direct costs related to assets, are included in the asset value. Lease payments are apportioned between the finance cost and the remaining obligation. The financing costs are allocated over the lease period so as to meet the constant rate of interest payable from the rest of the commitment of the end of each reporting period.

Direct costs incurred by the tenant during the lease period, is included in the leased assets.

The depreciation is calculated for the assets purchased with financial lease; in addition, financial costs are incurred due to financial lease over the reporting period. Depreciation scheme for the calculation of lease payments for the purchased assets is similar as in the property. But such assets cannot be depreciated over a longer period than the lease period, if according to the contract at the end of the contract period; the property is not transferred to the Group.

Operating lease – the Group as lessor

Assets to which the property-related risks and benefits maintains the lessor, rent is classified as operating leases. Lease payments under operating leases are recognized straight-line method over the cost of the lease period and are included in operating costs.

2.13. Grants and subsidies

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

grant. In the income statement, a relevant expense account is reduced by the amount of grant amortization.

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

2.14. Provisions

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

2.15. Revenue recognition

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

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

Service revenue is recognized using the accrual basis and recognized in profit (loss) statement when services are rendered and end user accepts it.

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

2.16. Expense recognition

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

2.17. Foreign currencies

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

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

On the net investment in foreign Group companies resulting from the conversion into Litas occurring foreign currency exchange rate differences are recorded in shareholder's equity.

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

2.18. Segments

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

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

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

2.19. 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.

2.20. Offsetting and comparative figures

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

3 Segment information

The Group's 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.

Results for the reporting period 31 December 2011 by geographical segments can be specified as follows (in LTL thousand):

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	1,913	2,518	(10)	(367)	1,903	2,151	24,137	28,842	-	-
Ukraine	49,476	41,508	-	(94)	49,476	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	65,112	65,422	5,631	1,433
Other CIS countries	4,469	6,994	-	-	4,469	6,994	-	-	-	-
Other Baltic states	1,296	1,161	-	-	1,296	1,161	-	-	-	-
Other countries	-	70	-	-	-	70	-	-	-	-
Total	125,379	129,530	(14,273)	(15,691)	111,106	113,839	89,316	94,292	5,686	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 9.06%, S.A. Conforama comprised 7.63 % of total sales (in 2010 9.14%, 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	12,486,675	9,538,560
	94,695,407	96,411,168

5 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
Depreciation and amortisation	-	-
Other	167,461	3,637
	6,281,210	6,759,482

6 Administrative expenses

	2011	2010
Salaries and social security	5,548,656	5,259,567
Depreciation and amortisation	2,482,119	2,181,468
Taxes, other than income tax	1,041,748	1,196,856
Change in allowance for accounts receivable	(507,742)	343,559
Non-current employee benefits	(12,445)	(29,566)
Other	1,926,196	3,971,797
	10,478,532	12,923,681

7 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

8 Other expenses

	2011	2010
Transportation expenses	308,914	234,523
Expenses from rent of equipment	1,138	1,549
Result of sale of non-current assets	-	-
Expenses of auxiliary departments	-	-
Other	64,963	64,066
	375,015	300,138

9 Financial income

	2011	2010
Foreign currency exchange gain, net	3,440,131	9,196,886
Gain on revaluation of foreign currency derivatives	-	-
Interest income and other	16,394	17,767
	3,456,525	9,214,653

10 Financial expenses

	2011	2010
Interest expenses	2,998,035	4,091,649
Foreign currency exchange loss, net	6,209,196	6,375,237
Loss on revaluation of foreign currency derivatives	-	-
Realised loss on foreign currency derivatives	-	-
Other	59,232	35,220
	9,266,463	10,502,106
Net result from financial activities	(5,809,938)	(1,287,453)

11 Non-current intangible assets

	Balance sheet value	
	31 12 2011	31 12 2010
Development costs	4,474,039	4,889,422
Software, license	57,055	25,364
Other	52,600	-
Total:	4,583,694	4,914,786

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

Over the 12 months of 2011, the Group has accumulated LTL 1,059 thousand (12 months of 2010 - LTL 652 thousand) of non-current intangible assets depreciation.

12 Non-current tangible assets

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

	Balance sheet value	
	31 12 2011	31 12 2010
Land and buildings	28,888,092	28,733,038
Machinery and equipment	22,027,279	25,922,658
Vehicles	123 695	110,842
Other non-current tangible assets	2 452 738	1,929,672
Total:	53,491,804	56,696,210

Group's non-current tangible assets depreciation on 31 December, 2011 is equal to LTL 7,249 thousand (in 2010 (12 months) – LTL 7,586 thousand).

13 Inventories

	31 12 2011	31 12 2010
Raw materials, spare parts and production in progress	7,604,183	8,505,394
Finished goods	5,627,944	3,802,014
Other	-	277.826
Total inventories, gross	13,232,127	12,585,234
Less: valuation allowance for finished goods	-	(95,342)
Impairment of acquired inventories	(595,094)	(534,667)
Total inventories, net	13,232,127	12,489,892

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

As described in Note, 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 (as of 31 December 2010 – LTL 10,500 thousand).

14 Trade receivables

	As of 31 December 2011	As of 31 December 2010
Trade receivables	26,315,182	28,536,018
Less: valuation allowance for doubtful trade receivables	(13,111,323)	(13,585,026)
	13,203,859	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 13,111 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.

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	(81,934)	(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	51,249	135,745
Balance in the end of the period	(13,111,323)	(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 neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2011	9,761,926	2,218,263	526,531	233,792	286,157	177,190	13,203,859
2010	12,905,309	1,398,400	396,722	60,410	66,591	123,560	14,950,992

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

15 Other current assets

	As of 31 December 2011	As of 31 December 2010
Prepayments and deferred expenses	1,728,767	1,156,778
VAT receivable	537,050	466,933

Compensations receivable from suppliers	60,072	97,042
Restricted cash	15,000	15,000
Other receivables	380,885	411,712
	2,721,774	2,147,465

16 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 11,085 thousand (up to LTL 10,085 thousand in 2010) are pledged as collateral for bank loans.

17 Share capital

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

On 29 April 2010 the General Shareholders meeting took a decision to transfer an amount of LTL 13,029 thousand from share surplus to retained deficit in order to cover accumulated losses as it is set for by the Law on Companies of the Republic of Lithuania.

18 Reserves

Legal reserve

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

The legal reserve in December 31, 2011, as well as in December 31, 2010 was fully formed; LTL 2,828 thousand was accumulated in it.

The Company did not get any profit on 2011, and this is the reason why it will not transfer into the compulsory reserve and will not secure that this fund will accumulate the amount of money which is equal to 10 percent of Company's share capital.

Non-restricted reserves

Other reserves for special purposes are formed by shareholders decision. Before allocating profit all the distributable reserves are transferred into retained earnings and each year are re-allocated by shareholders decisions.

On the 31th December, 2011, other distributable reserves consisted of LTL 1,158 thousand LTL (2010 – LTL 1,830 thousand) of reserve for investments and LTL 30 thousands socio-cultural needs (in 2010 - LTL 30 thousand).

Foreign currency translation reserve

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.

19 Subsidies

Subsidies on 1 January 2010	10,703,880
Increase during period	-
Subsidies on 31 December 2010	10,703,880
Increase during period	-
Subsidies on 31 December 2011	10,703,880
Accumulated amortization on 1 January 2010	9,103,143
Amortization during period	318,304
Accumulated amortization on 31 December 2010	9,421,447
Amortization during period	348,300
Accumulated amortization on 31 December 2011	9,769,747
Net residual value 31 December 2011	934,133
Net residual value 31 December 2010	1,282,433

Future periods' subsidies income consists of subsidies for renewal of manufacturing equipment and building repairs due to the CFC 11 ingredient abandonment in the manufacturing of polyurethane insulating material and filling foam manufacturing, elimination of greenhouse gas elimination in the refrigerators manufacturing processes, and subsidy for export development. Deferred subsidies amount is amortized during the same period as equipment and machinery, for which subsidies were received, and when compensated expenses are incurred. Subsidies amortization amount is included into costs of goods sold while decreasing equipment and buildings reconstruction, for which subsidies were received, depreciation.

20 Provisions for guarantee related liabilities

The Group provides a warranty 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 formed based on the expected cost of repairs and statistical warranty repair rates and divided respectively into non-current and current provisions.

Changes over the reporting period were:

	<u>31 12 2011</u>
1 January,	2,763,072
Changes over reporting period	1,733,854
Used	(2,437,576)
Foreign currency exchange effect	(1,738)
31 December, 2011.	2,057,612

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

	31 12 2011
- Long-term	684,540
- Shot-term	1,373,072
	31 12 2010
- Long-term	769,517
- Shot-term	1,993,555

21 Borrowings

	31 12 2011	31 12 2010
Non-current borrowings		
Bank loans, completion of which is guaranteed of the Company's assets	7,442,077	10,936,137
Ordinary bonds	7,580,973	757,806
	15,023,050	11,693,943
Current borrowings		
Current borrowings with variable interest rate	9,305,123	51,000
Current borrowings with fixed interest rate	5,776,468	1,403,448
Convertible bonds	853,032	21,190,524
Ordinary bonds	-	1,723,638
	15,934,623	24,368,610
Total	30,957,673	36,062,553

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

On 18 June, 2011, the company released the duration of the 725 days 30,000 units convertible bonds with a nominal value of LTL 100 and the profitability of 9%.

2 May 2011, the company has released 43,000 units convertible bonds with a nominal value of 100, the annual yield of 9%, maturity - 2 May 2013. The objective is to refinance the part of the release of the 2010 of convertible bonds issued, which have reached maturity on 11 April 2011. Bonds and accrued interest, which in 2011 December 31 amounted to LTL 281 thousand covered in the form of long-term loans. Interest on the bonds is payable at the time of their maturity, with the exception of 30,000 units bond holder to whom the interest shall be paid on the last day of the quarter time in the quarter.

18 April 2011 by a decision of the owners of convertible bonds EUR 100 face value bond shares converted into ordinary nominal, i.e. 380 23 386 units convertible bonds were converted into 8,886,680 ordinary nominal shares of the company, each with nominal value of 1 litas and accordingly to it the share capital was increased (Note 1).

Borrowings with variable interest rate bear 6 – month EUR LIBOR + 3.88% but not smaller than the size of the annual interest rate of 6,1% (fixed on 31 December, 2010 by 6 months. VILIBOR plus 4,88%, but not

lower than the annual interest rate of 7,1%). Borrowings with the fixed interest rate bear 6.9-14% annual interest rate.

At the 31st of December, 2011, buildings with the carrying amount of LTL 7,359 thousand (31 December 2010 – LTL 6,238 thousand), machinery and equipment with the net book value of LTL 5,870 thousand (31 December 2010 – LTL 5,015 thousand), inventories with the net book value of LTL 10,500 thousand (31 December 2010 – LTL 10,500 thousand), the current and future cash inflows into the bank accounts up to LTL 11,085 thousand (31 December 2010 – LTL 10,085 thousand) also right to demand cash receipts from OOO "Techprominvest" by 30 August 2010 by signed contract between the Snaige AB and OOO "Techprominvest" are pledged to banks for loans granted. In addition, the deposit of 1 000 000 litas, caunted in another article, was limited to fixed assets, and the right of disposal and contribution pledged to banks prior to May 2015.

UAB „Investicijų ir Verslo Garantijos“ (Company, which belongs to the Government of the Republic of Lithuania) has guaranteed for LTL 4,000,000 molded a constant interest rate for long-term loans with repayment up to 2015 on 24 May.

In 2011 the Group did not carry out at all months the turnover, provided for in the treaties, in 2012, had loans of 31 December 2011 with a value of LTL 19,995 thousand received letter from the Bank stating that the Bank will not take any measures concerning non-compliance with the turnover by 31 December 2011, if that rate would be later carried out properly, and therefore have not been transferred to long-term loans for short-term liabilities thereof.

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

	31 December 2011	31 December 2010
Borrowings denominated in:		
EUR	3,250,061	23,671,968
USD	-	-
LTL	27,707,612	12,390,585
RUB	-	-
	30,957,673	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	6,629,501	9,305,122
2013 – 2016	14,124,115	898,935
After 2016 m.	-	-
	20,753,616	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 (31 December 2010 LTL 2,397). In respect of these borrowing facilities all conditions precedent have been met.

22 Financial leasing

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

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

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

	31 12 2011	31 12 2010
Within one year	71,321	850,846
From one to five years	-	72,589
Total financial lease obligations	<u>71,321</u>	<u>923,435</u>
Interest	(169)	(19,071)
Present value of financial lease obligations	<u>71,152</u>	<u>904,364</u>

Financial lease obligations are accounted for as:

- current	71,152	833,212
- non-current	-	71,152

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

	31 12 2011	31 12 2010
Machinery and equipment	2,123,131	2,578,088
Vehicles	-	-
	<u>2,123,131</u>	<u>2,578,088</u>

23 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 in 2012 year lease payments will be LTL 332 thousand.

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

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

24 Other current amounts payable

Other creditors were composed as follows:

	31 12 2011	31 12 2010
Accrued interest on convertible bonds	68,055	1,571,663
Salaries and related taxes	1,286,360	1,724,586
Vacation reserve	1,238,375	1,356,500
Other taxes payable	128,723	260,769
Other accrued interest	970,746	260,951
Other payables and accrued expenses	182,574	227,773
Total other creditors	3,874,833	5,402,242

The conditions of the above mentioned type of liabilities:

- Trade credits are non interest paying and approximate time for the payment is equal to 45 days.
- Other amounts payable are non interests paying and approximate time for the payment is equal to 45 days.
- Interests payable are usually set quarterly during the financial year.

25 Basic and diluted earnings (loss) per share

	31 12 2011	31 12 2010
Shares issued 1 January	30,735,715	27,827,365
Weighted average number of shares	36,432,929	29,867,194
Earnings (loss) per share and diluted (loss) per share, in LTL	(0.14)	(0.09)

26 Risk and capital management

Credit risk

The maximum sum of credit risk in the reporting period and on the 31st of December, 2011, includes carrying amount of accounts receivables.

The Group has significant concentration of trading counterparties. The main ten customers of the Group on the 31st of December, 2011, accounted for approximately 58.64% (68.4% as of 31 December 2010) of the total Group's trade receivables.

The credit policies 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 from the customer receivables, which in 31 December 2011 amounted to LTL 4,157 thousand (31 December 2010 LTL 7,661 thousand) was covered by credit insurance "Atradius Sweden Kreditförsäkring" in Lithuanian branch.

According to the Group approved procedure for the recognition of receivables settlements, deviations are observed from the standard contractual conditions, and in accordance with the Group's "Brand of credit risk management procedure" preventive work is carried out in order to avoid overdue receivables.

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.

The Group does not guarantee obligations of other parties. The Group management considers that its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts recognized at the balance sheet date.

Interest rate risk

Majority of Groups loans consists of loans with fixed interest rates.

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

Liquidity risk

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

Foreign exchange risk

The Company significantly reduced income earned in US dollars. Liabilities in US dollars as of 31 December 2011 were only 166 thousand US dollars. Consequently, foreign exchange risk decreased significantly because most of income was earned in Euros to which Litas is pegged at the rate of 3.4528 Litas for 1 euro.

In 2011 and 2010 derivative currency transactions have not been concluded. The Group does not apply hedge accounting to financial derivative instruments.

27 Related parties 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:

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

The Group has a policy to conduct related party transactions on commercial terms and conditions. There were no guarantees provided or received for any related party receivables or payables.

Financial and investment transactions with the related parties:

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

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

In 2011, the Group returned the loan of LTL 423 thousand and LTL 142 of accrued interest, in 2011 December 31 the Group was fully settled.

As of 31 December 2011 the Company had no signed guarantee agreements, according to which it guaranteed payments to suppliers for liabilities of the subsidiaries Techprominvest OOO and Almecha UAB.

Remuneration of the management and other payments

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

28 Commitments and contingencies

On the 25th of 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 did not admit the part of the debt of LTL 489 thousand, since the part of the goods was not delivered to the Company.

On the 12th of February, 2010, Kaunas Regional Court made a decision, which satisfied the claim and adjudged to the Plaintiff LTL 2,049 thousand debt, LTL 126 thousand of interest and 6% interest of the ordered amount of legislative which shall be calculated from the date of the opening of proceedings before a court in execution of the decision. In 2010, the company has applied to the Court of appeal of Lithuania. 5 October 2010, the Court of appeal of Lithuania adopted a decision that all the sums ordered should be paid in two instalments: 1.096 ths. must be paid to shareholders prior to 1 February 2011 and the rest, including 6% of legislative interest should be paid in equal instalments monthly until 12 February 2012.

In 2011 the company failed to comply with this judgment.

Under bailiff's decision as of February 2011 the amount of LTL 566 thousand was debited from the settlement account of the company, which is on the bailiff's account on the report's day. This bailiff's decision was appealed by the legal order.

The company also has objected the claim for loss of production. On the financial report's day, the outcome of this claim is not yet known, but the management of the company still expects to win.

The company has acknowledged and in the trade debt item has recorded one part of adjudged amount, which on the 31st of December, 2011, was LTL 1,681 thousand (of which LTL 1,560 thousand is for unpaid goods and LTL 121 thousand are interest and the rest of court expenses). Due to the court judgement the counted fine is recorded to the balance item next to the other payable amounts. On 2011 it was additionally recorded LTL 101 thousand (to refund the payable juridical interest) to administrative costs (on 2009 and 2010 it was LTL 220 thousand).

The company does not accept the part of adjudged amount, which is LTL 489 thousand (and 6 percent juridical interest of it), because for this amount the company had not received the goods. The company

expect to receive the goods for the adjudged amount and to record it in the item next to the debts for suppliers or to win the case for the amount of LTL 489 thousand (and 6 percent juridical interest of it), that is why in the financial reports of 2010 and 2011 there were no any postponements for those amounts.

Currently the subject of legal proceedings is with the firm "Format". The company appealed the ruling by the procedural law (the claim is investigated and charged to interest, it is not stated in the contract). Any court orders are uncertain fate, but the Company expects to win, therefore, a rate is compounded under the contractual terms. Accounted interest for LTL 73 thousand, per 2011 LTL 17 thousand is accounted in balance sheet „Other amounts payable and current liabilities”.

VAIDANA UAB on 12 December 2011 acquired 17 602 215 ordinary registered shares of the Company with the par value of LTL 1 each, constituting 44,43% of shares and votes carried by them at the general meeting of shareholders of the Company.

On 21 December 2011 the second transfer of the Company's shares UAB "VAIDANA" acquired 6,114,453 units of shares of the Company (i. e. 15.43% of all the shares of the Company).

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

At the moment the Purchaser holds 23,716,668 ordinary registered shares of the Company, constituting 59.86 percent of all shares and votes carried by them at the general meeting of shareholders of the Company.

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

Events after the balance sheet

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