AB SNAIGĖ

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS’ REPORT

Independent auditor's report to the shareholders of AB Snaigė

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

Jonas Akelis
Auditor's licence
No. 000003
President

The audit was completed on X April 2010.

Consolidated statement of comprehensive income

	Notes	2009	2008
Sales	3	121,165,903	338,867,460
Cost of sales	4	(110,413,978)	(296,302,333)
Gross profit		**10,751,925**	**42,565,127**
Other income	5	2,376,548	2,088,150
Selling and distribution expenses	6	(9,519,077)	(28,324,564)
Administrative expenses	7	(27,444,126)	(25,600,434)
Other expenses	8	(504,810)	(1,667,754)
Operating (loss)		**(24,339,540)**	**(10,939,475)**
Financial income	9	395,443	1,930,430
Financial expenses	10	(9,535,046)	(16,675,817)
(Loss) before tax		**(33,479,143)**	**(25,684,862)**
Income tax	11	(4,703,092)	1,584,518
Net (loss)		**(38,182,235)**	**(24,100,344)**
Exchange differences on translation of foreign operations	19	(1,599,980)	(4,338,019)
Total comprehensive income, net of tax		**(39,782,215)**	**(28,438,363)**
Net (loss) attributable to:			
The shareholders of the Company		(38,181,050)	(24,099,292)
Minority interest		(1,185)	(1,052)
Total comprehensive income, net of tax, attributable to:			
The shareholders of the Company		(39,781,030)	(28,437,311)
Minority interest		(1,185)	(1,052)
Basic (loss) per share	27	(1.37)	(0.96)
Diluted (loss) per share	27	(0.66)	(0.87)

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

General Director	Gediminas Čeika		X April 2010
Financial Director	Neringa Menčiūnienė		X April 2010

Consolidated statement of financial position

	Notes	As of 31 December 2009	As of 31 December 2008
ASSETS			
Non-current assets			
Intangible assets	12	4,857,966	15,725,926
Property, plant and equipment	13	52,612,170	72,595,486
Deferred income tax asset	11	44,995	5,661,100
Total non-current assets		**57,515,131**	**93,982,512**
Assets classified as held for sale	13, 32	**9,577,200**	**-**
Current assets			
Inventories	14	18,919,843	56,605,977
Trade receivables	15	15,295,242	42,237,285
Prepaid income tax		135,120	1,614,526
Other current assets	16	2,006,019	2,161,483
Cash and cash equivalents	17	1,725,087	1,675,302
Total current assets		**38,081,311**	**104,294,573**
Total assets		**105,173,642**	**198,277,085**

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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 2009	As of 31 December 2008
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the Company			
Share capital	18	27,827,365	27,827,365
Share premium		18,727,270	18,727,270
Legal reserve	19	2,828,472	2,828,472
Reserves	19	1,860,000	4,512,300
Foreign currency translation reserve	19	(6,841,946)	(5,241,966)
Retained (loss) earnings		(14,688,148)	20,840,602
		29,713,013	**69,494,043**
Minority interest		**1,676**	**2,861**
Total equity		**29,714,689**	**69,496,904**
Liabilities			
Non-current liabilities			
Grants and subsidies	20	1,600,737	2,000,711
Warranty provision	21	1,139,120	2,462,603
Deferred income tax liability	11	515,337	1,177,441
Non-current borrowings and financial lease obligations	23, 24	904,363	1,906,200
Non-current employee benefits	22	389,394	-
Total non-current liabilities		**4,548,951**	**7,546,955**
Current liabilities			
Current borrowings, current portion of non-current borrowings and financial lease obligations	23, 24	37,519,361	58,804,422
Trade payables		22,510,528	50,450,833
Advances received		1,046,343	1,252,572
Warranty provision	21	2,620,737	2,876,478
Other provisions	30	151,701	-
Other current liabilities	26	7,061,332	7,848,921
Total current liabilities		**70,910,002**	**121,233,226**
Total equity and liabilities		**105,173,642**	**198,277,085**

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

General Director	Gediminas Čeika		X April 2010
Financial Director	Neringa Menčiūnienė		X April 2010

Consolidated statement of changes in equity

		Attributable to the shareholders of the Company								
	Notes	Share capital	Share premium	Legal reserve	Reserves	Foreign currency translation reserve	Retained earnings	Total	Minority interests	Total equity
Balance as of 31 December 2007		**23,827,365**	**12,727,270**	**2,398,571**	**34,087,600**	**(903,947)**	**15,794,495**	**87,931,354**	**3,913**	**87,935,267**
Net (loss) for the year		-	-	-	-	-	(24,099,292)	(24,099,292)	(1,052)	(24,100,344)
Other comprehensive income	19	-	-	-	-	(4,338,019)	-	(4,338,019)	-	(4,338,019)
Total comprehensive income		**-**	**-**	**-**	**-**	**(4,338,019)**	**(24,099,292)**	**(28,437,311)**	**(1,052)**	**(28,438,363)**
Transfer from reserves	19	-	-	429,901	(29,575,300)	-	29,145,399	-	-	-
Increase of share capital	1	4,000,000	6,000,000	-	-	-	-	10,000,000	-	10,000,000
Balance as of 31 December 2008		**27,827,365**	**18,727,270**	**2,828,472**	**4,512,300**	**(5,241,966)**	**20,840,602**	**69,494,043**	**2,861**	**69,496,904**
Net (loss) for the year		-	-	-	-	-	(38,181,050)	(38,181,050)	(1,185)	(38,182,235)
Other comprehensive income	19	-	-	-	-	(1,599,980)	-	(1,599,980)	-	(1,599,980)
Total comprehensive income		**-**	**-**	**-**	**-**	**(1,599,980)**	**(38,181,050)**	**(39,781,030)**	**(1,185)**	**(39.782.215)**
Transfer from reserves	19	-	-	-	(2,652,300)	-	2,652,300	-	-	
Balance as of 31 December 2009		**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**

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

General Director	Gediminas Čeika		X April 2010
Financial Director	Neringa Menčiūnienė		X April 2010

Consolidated cash flow statement

	2009	2008
Cash flows from (to) operating activities		
(Loss) before tax	(33,479,143)	(25,684,862)
Adjustments for non-cash items:		
Depreciation and amortisation	9,996,445	21,856,378
(Amortisation) of subsidies	(399,974)	(1,014,205)
Result from disposal of non-current assets	(8,790)	(27,913)
Write-off of non-current assets	9,421,051	172,265
Write-off of inventories	21,770	(176,646)
Change in allowance for trade receivables	2,820,663	(1,154,668)
Loss (gain) on change in fair value of derivative financial instruments	645,961	(738,510)
Change in warranty provision	(1,579,224)	805,431
Foreign currency exchange gain (loss), net	84,735	5,465,000
Interest income	(19,622)	(25,071)
Interest expenses	2,803,719	3,986,849
	(9,692,409)	4,941,068
Changes in working capital:		
Decrease in inventories	37,686,134	6,578,921
Decrease in trade and other receivables	26,688,854	13,357,587
(Decrease) in trade payables and other payables	(28,921,106)	(33,545,100)
Income tax (paid)	(212,971)	(1,614,526)
Interest (paid)	(2,803,719)	(3,986,849)
Net cash flows from (to) operating activities	**22,744,783**	**(14,268,899)**
Cash flows from (to) investing activities		
(Acquisition) of non-current assets	(143,322)	(4,894,677)
(Capitalisation) of intangible assets	(440,808)	-
Proceeds from disposal of non-current assets	176,030	105,863
Loans granted (reversed)	-	(49,123)
Loans repossessed	-	26,381
Net cash flows (to) investing activities	**(408,100)**	**(4,811,556)**

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

Consolidated cash flow statement (cont'd)

	2009	2008
Cash flows from (to) financing activities		
Proceeds from the sale of own shares (emission)	-	10,000,000
Proceeds from borrowings	-	20,159,063
(Repayment) of non-current borrowings	(28,621,329)	(29,636,180)
Financial lease (payments)	(828,370)	(888,216)
Emission of convertible bonds	7,162,801	17,136,530
Net cash flows (to) from financial activities	**(22,286,898)**	**16,771,197**
Net increase (decrease) in cash flows	**49,785**	**(2,309,258)**
Cash and cash equivalents at the beginning of the year	**1,675,302**	**3,984,560**
Cash and cash equivalents at the end of the year	**1,725,087**	**1,675,302**

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

General Director	Gediminas Čeika		X April 2010
Financial Director	Neringa Menčiūnienė		X April 2010

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 2009 and 2008 the shareholders of the Company were:

	2009		2008	
	Number of shares held	**Percentage**	**Number of shares held**	**Percentage**
UAB Survesta	-	-	7,034,891	25.28%
UAB „Hermis Capital"	4,412,032	15.86%	98,821	0.36%
Skandinaviska Enskilda Banken AB clients	3,351,924	12.05%	3,852,141	13.84%
Swedbank AS (Estonia) clients	13,229,667	47.54%	12,002,781	43.13%
Other shareholders	6,833,742	24.55%	4,838,731	17.39%
Total	27,827,365	100%	27,827,365	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 2009 and 2008. As of 31 December 2009 and 2008 the Company did not hold its own shares.

In 2008 the Company's share capital was increased by issuing 4,000,000 ordinary shares. The par value of shares is LTL 1 each, the price of shares is LTL 2.50 each. The increased share capital was registered on 11 September 2008.

The Group consists of AB Snaigė and the following subsidiaries as of 31 December 2009 (hereinafter the Group) (the structure of the Group remains unchanged comparing to 2008):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
OOO Techprominvest	Russia (Kaliningrad)	100%	(15,444,632)	7,017,639
TOB Snaige Ukraina	Ukraine	99%	(83,135)	55,871
OOO Moroz Trade	Russia	100%	-	(13,074,308)
OOO Liga Servis	Russia	100%	(1,050,795)	(950,989)
UAB Almecha	Lithuania	100%	(706,151)	209,514

1 General information (cont'd)

As of 31 December 2009 the Board of the Company comprised 1 representative from the management of the Company, 1 representative of UAB Hermis Capital and 3 representatives of Swedbank AS clients and as of 31 December 2008 – 1 representative from the management of the Company and 3 representatives of UAB Hermis Capital and UAB Survesta.

The subsidiary OOO Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. On 12 August 2009 due to global economic crisis and particularly unfavourable effect of it on the Group activities, the management of the Group made a decision to terminate the activities of 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 expenses of write-off of the carrying amount of goodwill amounting to LTL 9,390 thousand are 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 for in equity (Note 19).

The part of the share capital of OOO Techprominvest, controlled by the Group, is pledged to a commercial bank operating in Lithuania as collateral for loans. Due to this pledge the Company is obligated not to dispose of a part of shares of the subsidiary OOO Techprominvest to third parties without a prior written permission of the bank and not to vote in the shareholders' meetings on disposal of subsidiary's non-current assets, rent and pledging to third parties. As of the date of release of these financial statements the Group did not request bank's permission for non-current assets disposal or rent.

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 2009 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.

As of 31 December 2009 the number of employees of the Group was 812 (as of 31 December 2008 – 2,237).

The Group's management authorised these financial statements on X April 2010. 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 2009 are as follows:

2.1 Basis of preparation

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

These financial statements are prepared on the cost basis.

<u>Adoption of new and/or changed IFRSs and IFRIC interpretations</u>

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- IFRS 8 *Operating Segments;*
- Amendment to IAS 1 *Presentation of Financial Statements;*
- Amendment to IAS 23 *Borrowing Costs;*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*
- Amendment to IFRS 2 *Share-based Payment;*

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

- Amendments to IFRS 7 *Financial Instruments: Disclosures;*
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation;
- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* – Embedded derivatives;
- IFRIC 13 *Customer Loyalty Programmes;*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;*
- IFRIC 15 *Agreement for the Construction of Real Estate;*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation;*
- Improvements to IFRS (issued in 2008 and effective on 1 January 2009).

The principal effects of these changes are as follows:

IFRS 8 *Operating Segments*
IFRS 8 replaced IAS 14 *Segment Reporting*. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 3, including the related comparative information.

Amendment to IAS 1 *Presentation of Financial Statements*
This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Group has elected to present its comprehensive income in one statement.

The other standards and interpretations and their amendments adopted in 2009 did not impact the financial statements of the Group, because the Group did not have the respective financial statement items and transactions addressed by these changes.

<u>Standards issued but not yet effective</u>

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

Amendment to IFRS 2 *Share-based Payment (*effective for financial years beginning on or after 1 January 2010).
The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have share-based payments.

Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 July 2009).
Revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. In accordance with the transitional requirements of these amendments, the Group will adopt them as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standards will not be restated.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2013, once adopted by the EU).
IFRS 9 will eventually replace IAS 39. The IASB has issued the first part of the standard, establishing a new classification and measurement framework for financial assets. 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)

Amendments to IAS 24 *Related Party Disclosures* (effective for financial years beginning on or after 1 January 2011, once adopted by the EU).
The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Group, however it may impact the related parties disclosures.

Amendment to *IAS 32 Financial Instruments: Presentation* – Classification of Rights Issues *(*effective for financial years beginning on or after 1 February 2010).
The amendment changes the definition of a financial liability to exclude certain rights, options and warrants. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have such instruments.

Amendment to *IAS 39 Financial Instruments: Recognition and Measurement* – Eligible Hedged Items *(*effective for financial years beginning on or after 1 July 2009).
The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Improvements to IFRSs
In May 2008 and April 2009 IASB issued 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 may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 *Operating Segments*. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 7 *Statement of Cash Flows*. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- *IAS 36 Impairment of Assets.* The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

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

- IFRS 2 *Share-based Payment;*
- IAS 1 *Presentation of Financial Statements;*
- IAS 17 *Leases;*
- IAS 38 *Intangible Assets;*
- IAS 39 *Financial Instruments: Recognition and Measurement;*
- IFRIC 9 *Reassessment of Embedded Derivatives;*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation.*

IFRIC 12 *Service Concession Arrangements* (effective for financial years beginning on or after 29 March 2009).
This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

Amendment to IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2011, once adopted by the EU).
The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. This amendment will not have any impact on the consolidated financial statements because the Group does not have defined benefit assets.

IFRIC 17 *Distributions of Non-cash Assets to Owners (*effective for financial years beginning on or after 31 October 2009).
The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the consolidated financial statements because the Group does not distribute non-cash assets to owners.

IFRIC 18 *Transfers of Assets from Customers (*effective for financial years beginning on or after 31 October 2009).
The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the consolidated financial statements because the Group does not have such agreements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for financial years beginning on or after 1 April 2010, once adopted by the EU).
The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. The Group has not yet evaluated the impact of the implementation of this standard.

2.2 Going concern

The Group's current liabilities exceeded current assets by LTL 32,829 thousand as of 31 December 2009, liquidity ratio was 0.54, quick ratio – 0.27; it did not redeem part of the issued convertible bonds in the amount of LTL 5.2 million [????] (Note 32); in 2009 the Group incurred LTL 38,182 thousand loss. Despite this, these financial statements for the year ended 31 December 2009 are prepared under the assumption that the Group will continue as a going concern. The going concern is based on the following assumptions and management plans:

- in 2010 the Group is planning to maintain the sales at the level of 2009 and additionally optimise 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 decrease the quantity of inventories in warehouses as well as the continuation of cooperation with only trustful partners. Trade payables are planned to be decreased using free operational cash flows;
- the major part of bonds with the maturity term on 8 April 2010 (Note 23) is refinanced by issuing new emission of convertible bonds, except for convertible bonds with the value of LTL 2.9 million which are converted to the shares pursuant to the decision of convertible bonds owners dated 8 April 2010 (Note 32);
- the Group expects to reach an agreement with the owners of unredeemed bonds amounting to LTL 5.2 million regarding the refinancing of bonds under new conditions and terms and partial redemption of bonds not exceeding LTL 1.3 million (Note 32);
- it is planned to receive the loan amounting to LTL 5 million in 2010 for the purpose of financing the working capital (Note 32);
- the maturity term of current loans from related party amounting to LTL 1 million and accrued interest amounting to LTL 400 thousand will be prolonged and the mentioned loan and accrued interest will not be required to be repaid in 2010;
- the unpaid part of the current loans from banks amounting to LTL 7.2 million will be restructured in 2010 by setting new maturity terms (Note 32);
- the maturity term of factoring with recourse liability (Note 23) will be prolonged in 2010 (Note 32).

The management have concluded that the above mentioned assumptions involve high degree of uncertainty that casts significant doubt upon the Group's ability to continue as going concern, and that therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of the business. Nevertheless, considering the significant uncertainties in management plans, the management expects that the Group will have adequate resources to continue in operational existence for the foreseeable future. Therefore, the Group continues to adopt the going concern basis for accounting in preparing these financial statements.

2 Accounting principles (cont'd)

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 currency 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 balance sheet date. All differences are taken to profit or loss.

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

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

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 2009 and 2008 were as follows:

	2009	2008
RUB	0.079465	0.083337
UAH	0.29842	0.32161

2.4 Principles of consolidation

The consolidated financial statements of the Group include AB Snaigė 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 balance sheet 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.

Acquisitions of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration paid and the book value of the share of the net assets acquired is recognised as goodwill.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2 Accounting policies (cont'd)

2.4 Principles of consolidation (cont'd)

The excess of the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment remaining after the reassessment of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination is recognised in the income statement immediately.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. 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.

Subsidiaries are consolidated from the date when the Group acquires the actual control rights and are stopped being consolidated from the date these rights are renounced.

All other investments are accounted for according to IAS 39 "*Financial instruments: recognition and measurement*", as further discussed in section 2.8.

Intercompany balances and transactions, including unrealised profits and losses, are eliminated on consolidation.

Consolidated financial statements are prepared by applying the same accounting principles to similar transactions and other events under similar circumstances.

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 (3 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.

<u>Research and development</u>

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.

<u>Licenses</u>

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

<u>Software</u>

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 Accounting principles (cont'd)

2.6 Property, plant and equipment

Property, plant and equipment 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 measured. Property, plant and equipment 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 property, plant and equipment when that cost is incurred if the asset recognition criteria are met. Replaced parts are written off.

The Group estimates the recoverable amount of an asset whenever there is an indication that the asset may be impaired. An impairment loss is recognised in the income statement, whenever estimated.

Whenever the events or circumstances indicate that the carrying amount of property, plant and equipment may be not recoverable, the impairment test is performed.

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.

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

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

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

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

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

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

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

2.7 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.

2 Accounting principles (cont'd)

2.8 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 after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the 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 2009 and 2008.

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. Current receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables 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.

2.9 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.

2.10 Cash and cash equivalents

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

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

2 Accounting principles (cont'd)

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 cost were capitalised in 2008 and 2009.

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.

The 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.

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

The Group engages in forward foreign currency contracts. Forward contracts are initially recognized at cost. Subsequent to initial recognition and measurement, outstanding forwards are carried in the balance sheet at the fair value. Fair value is using the discounted cash flow method applying 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.

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

2.13 Derecognition of financial assets and liabilities

<u>Financial assets</u>

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 have transferred their rights to receive cash flows from the asset and either (a) have 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 have 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.

<u>Financial liabilities</u>

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 Accounting principles (cont'd)

2.14 Factoring

Factoring transaction is a funding transaction wherein the group 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). Factored accounts receivable (with regress right) and related financing are recorded in accounts receivable caption and borrowings and financial lease obligations caption.

2.15 Financial lease and operating lease

Financial lease – the Group as lessee

The Group recognises financial leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the nominal interest rate of financial 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 financial lease assets and it also gives rise to financial expenses in the income statement 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 financial lease, any profit from sales exceeding the book value is not recognised as income immediately. It is deferred and amortised over the lease term.

Operating lease – the 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 income statement 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.

2.16 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. 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 income statement, 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. 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 Accounting principles (cont'd)

2.17 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 an interest costs.

2.18 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 income statement 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 income statement as incurred.

2.19 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.

The standard income tax rate in Lithuania was 20% in 2009 (15% in 2008). Starting from 1 January 2010 the income tax applied to the companies of the Republic of Lithuania is 15%.

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 Russian Federation till 1 January 2009 – 24%. After 1 January 2009 income tax rate in Russian Federation – 20%.

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

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

Deferred tax assets have been recognised in the balance sheet to the extent the 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 Accounting principles (cont'd)

2.20 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.

2.21 Impairment of assets

Financial assets

Financial assets as well as goodwill 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 income statement. 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 income statement. 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 income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of the income statement as the impairment loss.

2.22 Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to going concern assumptions (Note 2.2), depreciation (Notes 2.6. and 13), amortisation (Notes 2.5. and 12), provisions, non-current employee benefits, evaluation of impairment for accounts receivables, inventories and property, plant and equipment (Notes 2.17, 2.18, 2.21, 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.

2.23 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.

2.24 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 Accounting principles (cont'd)

2.25 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 Standard specifically requires such set-off.

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

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 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	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Russia	20,141	147,499	(1,605)	(31,559)	18,536	115,940	33,654	69,765	-	675
Ukraine	12,456	73,722	(180)	(920)	12,276	72,802	41	177	-	-
Western Europe	63,571	81,225	-	-	63,571	81,225	-	-	-	-
Eastern Europe	11,084	38,394	-	-	11,084	38,394	-	-	-	-
Lithuania	21,852	29,189	(13,117)	(12,920)	8,735	16,269	71,479	128,335	1,660	3,889
Other CIS countries	4,524	7,743	-	-	4,524	7,743	-	-	-	-
Other Baltic states	1,990	5,283	-	-	1,990	5,283	-	-	-	-
Other countries	450	1,211	-	-	450	1,211	-			-
Total	136,068	384,266	(14,902)	(45,399)	121,166	338,867	105,174	198,277	1,660	4,564

* 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 2009 the sales to the buyer OOO Electrolux RUS comprised 12.52% of total sales and in 2008 the sales to the buyer S.A. Conforama comprised 10.19% of total sales.

Due to the ongoing economic crisis in 2009 the Group has significantly decreased its operational volume. Expenses were decreasing proportionally to the decrease in sales, moreover the Group has implemented efficient cost minimisation plan.

4 Cost of sales

	2009	2008
Raw materials	76,851,438	228,834,292
Salaries and wages	9,945,582	28,267,243
Depreciation and amortisation	4,725,012	13,066,933
Other	18,891,946	26,133,865
	110,413,978	296,302,333

Due to the ongoing economic crisis in 2009 the Group has significantly decreased its operational volume. Expenses were decreasing proportionally to the decrease in sales, moreover the Group has implemented efficient cost minimising plan.

5 Other income

	2009	2008
Marketing and intermediation services	1,870,062	-
Income from transportation services	248,283	1,026,765
Gain on disposal of property, plant and equipment	69,875	27,913
Income from rent of premises	23,991	135,658
Income from rent of equipment	651	301,480
Other	163,686	596,334
	2,376,548	2,088,150

In 2009 the Group was providing marketing and intermediation services to its clients and generated income in the amount of LTL 1,870 thousand (there were no such income in 2008).

6 Selling and distribution expenses

	2009	2008
Transportation	4,418,373	12,654,341
Market research, sales promotion and commissions to third parties	825,548	2,982,891
Warranty service expenses	793,805	4,960,742
Salaries and social security	727,124	1,727,415
Rent of warehouses and storage expenses	469,224	2,144,334
Advertising	250,462	1,830,953
Certification expenses	158,991	162,720
Insurance	114,892	531,135
Production dispatch expenses	46,951	364,643
Depreciation and amortisation	39,801	87,801
Business trips	32,827	108,160
Other	1,641,079	769,429
	9,519,077	28,324,564

Due to the ongoing economic crisis in 2009 the Group has significantly decreased its operational volume. Expenses were decreasing proportionally to the decrease in sales, moreover the Group has implemented efficient cost minimisation plan.

7 Administrative expenses

	2009	2008
Write-off of goodwill (Note 1)	9,390,299	-
Salaries and social security	8,432,410	13,216,996
Depreciation and amortisation	2,594,190	2,279,516
Change in allowance for accounts receivable	2,255,790	881,761
Taxes, other than income tax	1,270,050	1,564,333
Non-current employee benefits (Note 22)	389,394	-
Other	3,111,993	7,657,828
	27,444,126	25,600,434

Change of allowance for receivables in the years 2009 and 2008 are mainly related to overdue receivables from clients in Russia and Ukraine (Note 15).

Due to the ongoing economic crisis in 2009 the Group has significantly decreased its operational volume. Administrative expenses decreased due to implemented efficient cost minimisation plan whereas total administrative expenses increased due to write-off of goodwill. In 2009 the Group paid LTL 3,412 thousand termination benefits for employees.

8 Other expenses

	2009	2008
Transportation expenses	252,578	794,291
Result of sale of non-current assets	65,173	-
Expenses from rent of equipment	48,931	246,561
Expenses of auxiliary departments	31,922	75,562
Expenses from rent of premises	-	94,360
Other	106,206	456,980
	504,810	1,667,754

9 Financial income

	2009	2008
Gain on revaluation of foreign currency derivatives	340,630	1,557,874
Gain of foreign currency translation transactions	35,187	344,573
Other	19,626	27,983
	395,443	1,930,430

10 Financial expenses

	2009	2008
Foreign currency exchange loss, net	2,820,663	7,393,843
Interest expenses	5,607,863	6,915,754
Loss on revaluation of foreign currency derivatives	726,587	1,743,248
Realised loss on foreign currency derivatives	260,004	358,778
Loss of foreign currency translation transactions	102,998	182,481
Other	16,931	81,713
	9,535,046	16,675,817

11 Income tax

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

	2009	2008
Components of the income tax expense (income)		
Current income tax for the reporting year	(24)	(104)
Effect of change in foreign currency exchange rate	275	(184)
Deferred income tax income (expenses)	(4,954)	1,873
Income tax (expenses) income recorded in income statement	(4,703)	1,585

	2009	2008
Deferred income tax asset		
Tax loss	8,966	7,862
Allowance for receivables	313	426
Accrued liabilities	181	117
Warranty provisions	589	1,134
Property, plant and equipment	-	106
Other	85	184
Deferred income tax asset before valuation allowance	10,314	9,829
Less: valuation allowance	(9,301)	(2,858)
Deferred income tax asset, net	833	6,971
Deferred income tax liability		
Capitalised development and repair costs	(881)	(1,177)
Difference of tax basis and carrying amount of inventories	(422)	(1,310)
Deferred income tax liability	(1,303)	(2,487)
Deferred income tax, net	(470)	4,484
Presented in the statement of financial position:		
Deferred income tax asset	45	5,661
Deferred income tax liability	(515)	(1,177)

11 Income tax (cont'd)

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 2008	Recognised in income statement	Effect of changes in foreign currency rate	Balance as of 31 December 2009
Tax loss	7,862	1,404	(300)	8,966
Allowance for receivables	426	(113)	-	313
Accruals	117	64	-	53
Warranty provisions	1,134	(541)	(4)	589
Other	184	(99)	-	84
Non-current assets	106	(106)	-	-
Difference of tax basis and carrying amount of inventories	(1,310)	867	21	(422)
Capitalised development and repair costs	(1,177)	288	8	(881)
Valuation allowance	(2,858)	(6,443)	-	(9,301)
Deferred income tax, net	4,484	(4,679)	(275)	(470)

Deferred income tax asset is recognised in the amount, which is expected to be realised. As of 31 December 2009 the management of the Group was doubting whether the deferred income tax asset related to tax loss carry forward and yo allowance for accounts receivable will be realised.

Tax loss amounting to LTL 20,091 thousand can be carried forward for indefinite period and tax loss amounting to LTL 33,808 thousand can be carried forward for seven years on average.

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):

	2009	2008
Profit (loss) before tax	(33,479)	(25,685)
Income tax (expenses) income computed using the statutory tax rate (20% in 2009 and 15% in 2008)	6,696	3,853
Non-deductible expenses	(2,012)	(782)
Change in income tax valuation allowance	(6,443)	(91)
Effect of unrecognized tax losses	-	(891)
Difference in income taxes rates of subsidiaries	-	892
Effect of change of income tax rate (Note 2.19)	(2,944)	(1,426)
Income tax (expenses) income recorded in income statement	(4,703)	1,585

12 Intangible assets

	Goodwill	Development cost	Software, licenses	Total
Cost:				
Balance as of 31 December 2008	10,264,420	12,624,922	2,219,851	25,109,193
Additions	-	440,808	-	440,808
Disposals and write-offs (Notes 1 and 7)	(9,390,299)	(47,438)	(210,646)	(9,648,383)
Effect of change in foreign currency exchange rate	(874,121)	-	-	(874,121)
Balance as of 31 December 2009	-	13,018,292	2,009,205	15,027,497
Accumulated amortisation:				
Balance as of 31 December 2008	-	7,351,741	2,031,526	9,383,267
Charge for the year	-	884,802	149,002	1,033,804
Disposals and write-offs	-	(36,359)	(211,181)	(247,540)
Balance as of 31 December 2009	-	8,200,184	1,969,347	10,169,531
Net book value as of 31 December 2009	**-**	**4,818,108**	**39,858**	**4,857,966**
Net book value as of 31 December 2008	**10,264,420**	**5,273,181**	**188,325**	**15,725,926**

	Goodwill	Development cost	Software, licenses	Total
Cost:				
Balance as of 1 January 2008	11,928,784	11,265,859	2,453,164	25,647,807
Additions	-	1,558,485	6,717	1,565,202
Disposals and write-offs	-	(197,654)	(240,000)	(437,654)
Effect of change in foreign currency exchange rate	(1,664,364)	(1,768)	(30)	(1,666,162)
Balance as of 31 December 2008	10,264,420	12,624,922	2,219,851	25,109,193
Accumulated amortisation:				
Balance as of 1 January 2008	-	6,152,241	2,044,420	8,196,661
Charge for the year	-	1,236,558	227,034	1,463,592
Disposals and write-offs	-	(37,058)	(239,928)	(276,986)
Balance as of 31 December 2008	-	7,351,741	2,031,526	9,383,267
Net book value as of 31 December 2008	**10,264,420**	**5,273,181**	**188,325**	**15,725,926**
Net book value as of 1 January 2008	**11,928,784**	**5,113,618**	**408,744**	**17,451,146**

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

On 31 December 2009 the Group has performed an assessment of impairment of intangible assets After the analysis has been performed the management did not identify the impairment of intangible assets (Note 13).

13 Property, plant and equipment

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Total
Cost:				
Balance as of 31 December 2008	38,159,677	127,903,049	17,762,978	183,825,704
Additions	-	1,041,122	177,627	1,218,749
Disposals and write-offs	-	(3,795,751)	(2,205,508)	(6,001,259)
Reclassifications	-	(1,077,044)	1,077,044	-
Reclassification to assets classified as held for sale	-	(21,036,694)	-	(21,036,694)
Effect of change in foreign currency exchange rate	(1,085,543)	(1,169,652)	(81,301)	(2,336,496)
Balance as of 31 December 2009	37,074,134	101,865,030	16,730,840	155,670,004
Accumulated depreciation:				
Balance as of 31 December 2008	6,866,118	90,409,354	13,954,746	111,230,218
Charge for the year	1,319,607	6,260,491	1,382,543	8,962,641
Disposals and write-offs	-	(3,180,510)	(1,720,227)	(4,900,737)
Reclassifications	-	(325,627)	325,627	-
Reclassification to assets classified as held for sale	-	(11,459,494)	-	(11,459,494)
Effect of change in foreign currency exchange rate	(152,695)	(585,903)	(36,196)	(774,794)
Balance as of 31 December 2009	8,033,030	81,118,311	13,906,493	103,057,834
Net book value as of 31 December 2009	**29,041,104**	**20,746,719**	**2,824,347**	**52,612,170**
Net book value as of 31 December 2008	**31,293,559**	**37,493,695**	**3,808,232**	**72,595,486**

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Total
Cost:				
Balance as of 1 January 2008	41,581,186	131,871,051	17,446,143	190,898,380
Additions	150,538	2,573,346	740,399	3,464,283
Disposals and write-offs	-	(1,582,690)	(1,231,441)	(2,814,131)
Reclassifications	-	(1,002,441)	1,002,441	-
Effect of change in foreign currency exchange rate	(3,572,047)	(3,956,217)	(194,564)	(7,722,828)
Balance as of 31 December 2008	38,159,677	127,903,049	17,762,978	183,825,704
Accumulated depreciation:				
Balance as of 1 January 2008	5,825,918	77,285,816	12,897,844	96,009,578
Charge for the year	1,572,408	16,843,625	1,976,753	20,392,786
Disposals and write-offs	-	(1,530,421)	(1,017,255)	(2,547,676)
Reclassifications	-	(252,815)	252,815	-
Effect of change in foreign currency exchange rate	(532,208)	(1,936,851)	(155,411)	(2,624,470)
Balance as of 31 December 2008	6,866,118	90,409,354	13,954,746	111,230,218
Net book value as of 31 December 2008	**31,293,559**	**37,493,695**	**3,808,232**	**72,595,486**
Net book value as of 1 January 2008	**35,755,268**	**54,585,235**	**4,584,299**	**94,888,802**

13 Property, plant and equipment (cont'd)

The depreciation charge of the Group's property, plant and equipment for 2009 amounts to LTL 8,963 thousand (LTL 20,393 thousand for 2008). The amount of LTL 7,470 thousand for 2009 (LTL 19,375 thousand for 2008) was included into production costs. The remaining amount of LTL 1,493 thousand (LTL 1,018 thousand for 2008) was included into operating expenses in the Group's income statement.

At 31 December 2009 buildings of the Group with the net book value of LTL 22,678 thousand (as of 31 December 2008 – LTL 24,421 thousand) and machinery and equipment with the net book value of LTL 5,204 thousand (as of 31 December 2008 – LTL 12,717 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 8,512 thousand as of 31 December 2009 (Note 13).

Impairment estimation

On 31 December 2009 the Group has performed an assessment of impairment of intangible assets and property, plant and equipment. Assessment of impairment of a part of property, plant and equipment, the net book value of which amounts to LTL 18,867 thousand as of 31 December 2009 (industrial building of subsidiary OOO Techprominvest), was based on comparative market price method. After the analysis has been performed the management did not identify the impairment of the industrial building.

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:

- *AB Snaigė (intangible assets and property, plant and equipment minus the value of grants received for the acquisition of property, plant and equipment; the 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 CGU as of 31 December 2009 is presented below:

	AB Snaigė
intangible assets and property, plant and equipment	38,603
Less: grants	(1,601)
Total	**37,002**

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 applies 16% post-tax discount rate (17% pre-tax). The extrapolation of cash flows after the five-year period applies 1% growth rate. The increase rate does not exceedthe expected average increase rate of the industry. The cash flow forecast generally comprises fourteen years (expected period of use of non-current assets). Having performed the analysis, the management did not identify any CGU impairment.

Calculation of CGU value in use is particularly dependant upon the following assumptions:

- sales growth rate (cash flow forecast reflects a growing demand of production since 2011 due to the following factors: the planned recovery of the overall economic environment; due to lower sales volume until 2011, production at wholesale and retail warehouses, as evaluated by the management, should already be sold out, therefore new orders are expected; the suspended Eastern market credit insurance significantly affected the sales of the Group (as many orders are received from Russia and other 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 Group 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 Group. Average annual growth rate for the forecasted five-year period is 9.27 %.
- discount rate (for the cash flow discounting the Group applies weighted average cost of capital (post-tax) of 16%, which includes the required return on equity and debt considering the level of risk of invested capital).

13 Property, plant and equipment (cont'd)

- gross profit (at the evaluation of the management of the Company the gross profit margin in the cash flow forecast makes 21-23% before depreciation expenses of non-current assets. In the cash flow forecast the management of the Group 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 Group);
- growth rates are used for the extrapolation of cash flows after the period set in the budget (1%).

In the opinion of the management of the Group, the most important and most change-like assumption is the expected sales growth. Based on the evaluation of the management, in case of half the rate of the expected sales growth in the period of five years of financial budget, the impairment of non-current assets would be equal to approximately 13% of its net book value as of 31 December 2009. At the moment of preparing these consolidated financial statements the management of the Group did not expect any significant changes of the assumptions.

Assets reclassified as held for sale

The management of the Group plans to use the major part of Kaliningrad plant equipment in the construction of the new refrigerator plant in Kazakhstan, which would be operated by enterprise TOO Snaige-Saryarka established by the Company in cooperation with Kazakhstan social-entrepreneurship corporation national company Saryarka (Note 32).

The Group's management has considered the carrying value of assets classified as held for sale and concluded that it is not higher that the value expected to be received through the realisation of the project. Project value is estimated based on the calculation using cash flow projections from financial budgets of sixteen years approvedby the top management. The discount rate of 19% post-tax reflecting the related risk is applied to cash flow projections. The growth rate of 1% is used to extrapolate cash flows after the sixteen-year period. This growth rate does not exceed the expected average growth rate in the industry.

The calculation is highly dependent on the following assumptions:
- total implementation of this project of the joint venture;
- attraction of the required amount of private investment;
- barriers to entry into the market;
- beginning and growth rate of sales (the cash flow projection reflects the start of refrigerator production and sales in 2011);
- discount rate;
- gross margin;
- the growth rate used to extrapolate cash flows after the budgeted period.

The management of the Group expects that this project will be realised in the upcoming year, therefore the assets have been categorised as held for sale. Calculation of depreciation was stopped in April 2009, after the decision to participate in the joint venture has been taken.

14 Inventories

	2009	2008
Raw materials and spare parts and production in progress	10,470,164	28,084,224
Finished goods	8,504,123	28,303,677
Other	40,898	218,076
Total inventories, gross	19,015,185	56,605,977
Less: valuation allowance for finished goods	(95,342)	-
Total inventories, net	18,919,843	56,605,977

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 1,100,116 as of 31 December 2009.

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 20,500 thousand as of 31 December 2009 (as of 31 December 2008 – LTL 26,300 thousand).

15 Trade receivables

	2009	2008
Group trade receivables, gross	27,899,204	52,609,972
Less: valuation allowance for doubtful trade receivables	(12,603,962)	(10,372,687)
	15,295,242	42,237,285

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

As of 31 December 2009 trade receivables with the carrying value of LTL 12,604 thousand (as of 31 December 2008 – LTL 10,373 thousand) were impaired and fully provided for.

The Group's trade receivables from Western countries and former and current CIS countries amounting to LTL 8,091 thousand as of 31 December 2009 (LTL 29,413 thousand as of 31 December 2008) were insured by credit insurance Coface Austria Kreditversichering in AG Lithuania branch.

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

	2009	2008
Balance at the beginning of the period	(10,372,687)	(11,527,355)
Charge for the year	(2,713,130)	(445,221)
Write-offs	22,932	-
Effect of the change in foreign currency exchange rate	457,340	1,556,831
Amounts paid	1,583	43,058
Balance in the end of the period	(12,603,962)	(10,372,687)

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

The ageing analysis of trade receivables as of 31 December 2009 and 2008 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**
2009	8,992,516	2,840,955	641,576	26,388	171,642	2,622,165	15,295,242
2008	22,078,988	7,795,645	7,608,610	2,578,491	1,660,176	515,375	42,237,285

According to the factoring with recourse agreement, the Group's amounts receivable were pledged to the factors with the carrying amount of LTL 1,930 thousand and LTL 12,058 thousand as of 31 December 2009 and 2008, respectively, and finished goods with the carrying amount of LTL 7,000 thousand as of 31 December 2009. Trade receivables past due more than 120 days are insured against credit risk.

16 Other current assets

	2009	2008
VAT receivable	457,060	757,043
Prepayments and deferred expenses	1,299,316	716,655
Derivative financial instruments at fair value	-	233,992
Compensations receivable from suppliers	158,075	150,293
Credits granted	-	16,081
Other receivables	91,568	287,419
	2,006,019	2,161,483

Compensations are accounts receivable from suppliers for low-quality goods and compensation of expenses incurred from EU structural funds.

17 Cash and cash equivalents

	2009	2008
Cash at bank	1,713,531	1,674,842
Cash on hand	11,556	460
	1,725,087	1,675,302

The accounts of the Group in foreign currency and Litas up to LTL 10,000 thousand (up to LTL 12,375 thousand in 2008) are pledged as a collateral for bank loans (Note 23).

18 Share capital

According to the Law on Companies of the Republic of Lithuania, the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As of 31 December 2009 and 2008 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, calculated in accordance with Lithuanian Business Accounting Standards, are compulsory until the reserve reaches 10% of the share capital. According to the Lithuanian legislation the Company transferred LTL 430 thousand to the legal reserve in 2008 and as of 31 December 2009 and 2008 the legal reserve was fully formed.

Non-restricted reserves

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

As of 31 December 2009 other distributable reserves consisted of a reserve for investments amounting to LTL 1,800 thousand (as of 31 December 2008 - LTL 4,512 thousand) and reserve for social and cultural needs amounting to LTL 60 thousand.

Foreign currency translation reserve

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

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

20 Grants and subsidies

Balance as of 1 January 2008	10,703,880
Received during the year	-
Balance as of 31 December 2008	10,703,880
Received during the year	-
Balance as of 31 December 2009	10,703,880
Accumulated amortisation as of 1 January 2008	7,688,964
Amortisation during the year	1,014,205
Accumulated amortisation as of 31 December 2008	8,703,169
Amortisation during the year	399,974
Accumulated amortisation as of 31 December 2009	9,103,143
Net book value as of 31 December 2009	**1,600,737**
Net book value as of 31 December 2008	**2,000,711**

The grants 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. Grants 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 grants is included in production cost against depreciation of machinery and reconstruction of buildings for which the grants 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 formed based on the expected cost of repairs and statistical warranty repair rates and divided respectively into non-current and current provisions.

Changes in warranty provisions in 2009 were as follows:

	2009
As of 1 January	5,339,081
Change during the year	793,805
Utilised	(2,332,100)
Foreign currency exchange effect	(40,929)
As of 31 December	3,759,857

Warranty provisions are accounted for as of 31 December as:

	2009
- non-current	1,139,120
- current	2,620,737

	2008
- non-current	2,462,603
- current	2,876,478

22 Non-current employee benefits

As of 31 December 2009 the expenses of the single payments for leaving employees at a retirement age amounted to LTL 389 thousand. This amount is included into administrative expenses caption in the Groups income statement and into 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 is presented below:

	As of 31 December 2009
Discount rate	7.67 %
Rate of employee turnover	17 %
Annual salary increase	5 %

In 2008 the amount was not material due to significantly higher discount rate. The amount of liabilities was accounted for prospectively in 2009.

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

23 Borrowings

	As of 31 December 2009	As of 31 December 2008
Non-current borrowings		
Bank borrowings secured by the Group's assets	-	200,000
	-	200,000
Current borrowings		
Factoring liabilities	1,737,256	10,851,922
Current borrowings with variable interest rate	9,342,081	16,162,652
Ordinary bonds	2,825,300	-
Convertible bonds	21,812,741	17,475,240
Current borrowings with fixed interest rate	1,000,000	6,713,379
Overdraft	-	6,772,713
	36,717,378	57,975,906
	36,717,378	58,175,906

Factoring with recourse is denominated in LTL, EUR or USD for the defined customers and can not exceed LTL 4,344 thousand. The maturity of the factoring agreement is 31 July 2010 with the respective currency (LTL, EUR or USD) 6-month VILIBOR, EURLIBOR, LIBOR + 2.5% annual interest rate of bank margin. Borrowings with variable interest rate bear 6-month EUR LIBOR + 2.9% - 3.5% annual interest rate. Borrowings with the fixed interest rate bear 14% annual interest rate.

In 2009 the Company issued 28,253 units of ordinary bonds with par value of LTL 100 each and the annual yield is 14%. Also in 2009 the Company issued 75,000 units of convertible bonds with the par value of EUR 100 each (equivalent to LTL 345) and the annual yield is 18%. On the date of maturity single convertible bond can be exchanged to 345 ordinary registered shares. The maturity of the mentioned bonds is 8 April 2010 (Note 32), the purpose – partial refinancing of convertible bonds issuance dated 5 April 2008 with the maturity date of 6 April 2009. The bonds are accounted for at amortised cost under current liabilities caption and accrued interest amounting to LTL 2,940 thousand as of 31 December 2009 were accounted for under other current accounts payable caption. The interest is paid on the maturity date. The fair value of conversion option of convertible bonds was determined to be nil upon initial recognition.

The liabilities to the owners of ordinary bonds are secured by the pledge of machinery and equipment with the net book value of LTL 8,512 thousand as of 31 December 2009.

23 Borrowings (cont'd)

At 31 December 2009 buildings with the carrying amount of LTL 22,678 thousand (2008 – LTL 24,421 thousand), machinery and equipment with the net book value of LTL 5,204 thousand (2008 – LTL 12,717 thousand), inventories with the net book value of LTL 20,500 thousand (2008 – LTL 26,300 thousand), cash inflows into the bank accounts up to LTL 10,000 thousand (2008 – LTL 12,375 thousand) and the major part of OOO Techprominvest shares are pledged as a collateral for loans from banks.

As of 31 December 2009 and 2008 the Group was in default of certain loan covenants for loans amounting to LTL 9,142 thousand as of 31 December 2009 (as of 31 December 2008 – LTL 16,163 thousand). During 2009 these loans were repaid on time. Liabilities related to these agreements as of 31 December 2009 are accounted for under the current liabilities caption. As of the date of release of these financial statements, the banks had not initiated any action due to non-compliance with the loan covenants (Note 32).

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

	2009	2008
Borrowings denominated in:		
EUR	32,677,269	20,339,015
USD	3,690	4,135,108
LTL	4,036,419	26,929,070
RUB	-	6,772,713
	36,717,378	58,175,906

As of 31 December 2009 the Group had no agreements of unused funds in credit lines and overdrafts (LTL 1,061 thousand as of 31 December 2008).

24 Financial lease obligations

Principal amounts of financial lease payables as of 31 December 2009 and 2008 are denominated in EUR.

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

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

	2009	2008
Within one year	836,619	925,627
From one to five years	949,127	1,791,054
Total financial lease obligations	1,785,746	2,716,681
Interest	(79,400)	(181,965)
Present value of financial lease obligations	1,706,346	2,534,716
Financial lease obligations are accounted for as:		
- current	801,983	828,516
- non-current	904,363	1,706,200

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

	As of 31 December 2009	As of 31 December 2008
Machinery and equipment	3,033,044	3,493,759
Vehicles	19,958	160,343
	3,053,002	3,654,102

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 2009 the lease expenses of the Group amounted to LTL 350 thousand (LTL 605 thousand in 2008).

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, maturity 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

	2009	2008
Salaries and related taxes	1,425,809	1,758,925
Vacation reserve	1,148,417	1,089,906
Other taxes payable	640,497	2,677,754
Other payables and accrued expenses	3,846,610	2,322,336
	7,061,332	7,848,921

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 (loss) per share

	2009	2008
Shares issued on 1 January	27,827,365	23,827,365
Weighted average number of shares	27,827,365	25,120,043
Effect of dilution:		
Convertible ordinary shares	19,996,875	2,940,984
Weighted average number of shares adjusted for the effect of dilution	47,824,240	28,061,027
Net (loss) for the year, attributable to the shareholders of Company, in LTL	(38,181,050)	(24,099,292)
Interest on convertible bonds	3,529,265	1,804,965
Net (loss) for the year, attributable to the shareholders of Company, adjusted for the effect of dilution, in LTL	(34,651,785)	(22,294,327)
Diluted (loss) per share, in LTL	(0.72)	(0.79)

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 were as follows:

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1,725,087	1,725,087	1,675,302	1,675,302
Trade receivables	14,998,586	14,998,586	42,403,659	42,403,659
Derivative financial instruments	-	-	233,992	233,992
Financial liabilities				
Fixed rate borrowings	25,638,041	25,638,041	30,961,332	30,961,332
Variable rate borrowings	9,342,081	9,342,081	16,362,652	16,362,652
Financial lease obligations	1,706,346	1,706,346	2,534,716	2,534,716
Other financial liabilities	1,737,256	1,737,256	10,851,922	10,851,922

The fair value of borrowings was calculated by discounting the expected future cash flows at the prevailing interest rates. As of 31 December 2009 and 2008 the market value of the current borrowings bearing fixed interest rates approximates to the fair value as fixed interest rates (14%) are close to market interest rates.

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 accounts receivable, current accounts payable and short-term borrowings approximates fair value.
b) The fair value of non-current borrowings is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts.

The derivative financial instruments are carried at fair value, thus their fair value equals the carrying amount. The Group had no investments into unlisted entities as of 31 December 2009 and 2008.

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

	2009	2008
Financial assets available for sale	(645,961)	(544,152)
Loans and receivables	(2,255,790)	(1,154,668)

Net gain (loss) of financial instruments include change in fair value of foreign currency derivative financial instruments and impairment losses of receivables.

29 Capital and risk management

Credit risk

The Group has no significant concentration of trading counterparties. The two main customers of the Group – OOO Electrolux Home Products Corp.N.V. and S.A. Conforama – as of 31 December 2009 account for approximately 18.36% (10.58% as of 31 December 2008) of the total Group's trade receivables. The maximum exposure of the credit as of 31 December 2009 and 2008 comprise balance values of receivables including the derivative financial instruments' value.

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.

In accordance with the policy of receivables recognition as doubtful, the payments variation from agreement terms are monitored and prevention actions are taken in order to prevent overdue receivables in accordance with the standard of the Group "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 and the receivable is not insured;
- 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.

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 2009 and 2008 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)
2009		
EUR	+ 100	(126)
LTL	+ 100	(2)
USD	+ 100	-
EUR	- 200	251
LTL	- 200	4
USD	- 200	-
2008		
EUR	+ 100	(229)
LTL	+ 100	(27)
USD	+ 100	(41)
EUR	- 200	457
LTL	- 200	55
USD	- 200	83

29 Capital and risk management (cont'd)

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 2009 and 2008 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	9,142,081	2,937,204	25,440,076	904,363	-	38,423,724
Interest payable	-	13,607	2,973,464	445,202	-	3,432,273
Trade and other payables	16,972,717	9,536,121	-	-	-	26,508,838
Other financial liabilities	-	580,904	1,742,711	1,436,243	-	3,759,858
Balance as of 31 December 2009	**26,114,798**	**13,067,836**	**30,156,251**	**2,785,808**	**-**	**72,124,693**
Interest bearing loans, financial lease and borrowings	16,809,366	17,131,232	24,863,824	1,906,200	-	60,710,622
Interest payable	-	249,517	136,991	94,910	-	481,418
Trade and other payables	30,530,228	22,242,943	-	-	-	52,773,171
Other financial liabilities	-	719,120	2,157,359	2,462,603	-	5,339,082
Balance as of 31 December 2008	**47,339,594**	**40,342,812**	**27,158,174**	**4,463,713**	**-**	**119,304,293**

The Group seeks to maintain sufficient financing to meet the financial liabilities on time. In 2009 the management of the Group believes that in 2010 the restructuring of maturity terms of some financial obligations and the additional monetary funds to finance the operations of the Group will be implemented successfully (Notes 2.2 and 32).

Foreign exchange risk

Major currency risks of the Group till 31 December 2008 occurred due to the fact that the Group's significant part of the revenue was in US dollars and borrowings were denominated in other foreign currencies. In 2009 the Company decreased significantly the generated income denominated in USD, therefore the foreign exchange risk decreased significantly as the major part of the income is denominated in EUR which is pegged to LTL.

To reduce the effect of foreign currency exchange fluctuation, till 31 December 2008 the Group used derivative financial instruments which help to manage foreign currency exchange risk. In 2008 the Company arranged the foreign currency forwards and foreign currency exchange options contracts with a bank for USD 13,740 thousand translation at a fixed rate, amount of USD 8,823 thousand were executed in 2008 and the remaining part in 2009. Derivative financial instruments are designated to hedge cash inflows from sales in USD. There were no new derivative foreign currency transactions made in 2009. The Group does not apply hedging accounting for derivative financial instruments.

29 Capital and risk management (cont'd)

Foreign exchange risk (cont'd)

Monetary assets and liabilities of the Group denominated in various currencies as of 31 December 2009 and 2008 were as follows (LTL):

	2009		2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	2,438,687	43,935,929	6,414,163	54,698,235
EUR	12,612,225	26,573,434	17,414,448	51,866,954
USD	900,995	62,945	8,387,742	4,706,664
RUB	1,895,860	1,330,954	14,457,999	13,041,532
Other	14,386	3,880	62,598	36,072
Total	17,862,153	71,907,142	46,736,950	124,349,457

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)		
2009	+ 5%	42
	- 5%	(42)
2008	+ 5%	184
	- 5%	(184)
2009	+ 10%	84
	- 10%	(84)
2008	+ 10%	368
	- 10%	(368)
LTL/RUB, EUR/RUB exchange rate increase (decrease)		
2009	+ 5%	13
	- 5%	(13)
2008	+ 5%	2,458
	- 5%	(2,458)
2009	+ 10%	26
	- 10%	(26)
2008	+ 10%	4,916
	- 10%	(4,916)

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 objectives of the Group's capital management are 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, 4,000,000 ordinary shares with the nominal value of LTL 1 each were issued in 2008 for LTL 2.5 each. Funds from the issue were used to finance working capital.

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 2009 and 2008 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 does not admit the part of the debt of LTL 489 thousand, since a part of the goods was not 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 to the Plaintiff along with LTL 126 thousand in 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. As of the date of issue of these financial statements, the outcome of this claim was known and the Company acknowledged a part of the debt amounting to LTL 1,560 thousand as of 31 December 2009 and has accounted for it as a trade payable; therefore, the provision of LTL 151 thousand related to various above events including the adjudged interest is reflected in these financial statements and included into administrative costs in the income statement. The Company has filed an appeal against the court decision regarding the adjudged debt of LTL 489 thousand for undelivered goods, which is not accounted for in these financial statements, since the outcome of this case is uncertain and the management expects to win it.

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 if the parties are related the relation point is assessed not the form.

The related parties of the Group and the transactions with related parties during 2009 and 2008 were as follows:

UAB Hermis Capital (shareholder);
UAB Genčių Nafta (the same ultimate controlling shareholder);
UAB Hermis Fondų Valdymas (the same ultimate controlling shareholder);
UAB Baltijos Polistirenas (companies controlled by members of management and their relatives);
UAB Astmaris (companies controlled by members of management and their relatives);
AB Kauno Duona (the same controlling shareholder);
UAB Meditus (the same controlling shareholder);

31 Related party transactions (cont'd)

2009	**Purchase transaction type**	**Purchases**	**Sales**	**Receivables**	**Payables**
UAB Baltijos Polistirenas	Raw materials and consumables	2,457,333	-	-	225,732
UAB Astmaris	Materials	776,475	-	-	-
		3,233,808	-	-	225,732

2008	**Purchase transaction type**	**Purchases**	**Sales**	**Receivables**	**Payables**
UAB Baltijos Polistirenas	Raw materials and consumables	3,712,781	2,821	-	375,517
UAB Astmaris	Materials	8,462,171	-	-	1,272,617
		12,174,952	2,821	-	1,648,134

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 2009 and 2008 the Group had not recorded any impairment of receivables from related parties.

Financial and investment transactions with the related parties:

	2009			**2008**		
	Loans received	**Repayment of loans**	**Interest paid**	**Loans received**	**Repayment of loans granted**	**Interest paid**
UAB Hermis Capital	-	5,713,379	1,087,241	29,300,000	23,586,621	87,109
UAB Genčių Nafta	-	-	-	8,750,000	8,750,000	190,137
UAB Kauno Duona	-	-	-	1,100,000	1,100,000	33,659
UAB Baltijos polistirenas	-	-	-	3,000,000	3,000,000	-
UAB Meditus	1,000,000	-	-	6,000,000	5,000,000	-
	1,000,000	5,713,379	1,087,241	48,150,000	41,436,621	310,905

As of 31 December 2009 UAB Hermis Capital held 22,958 units of ordinary bonds, issued by the Company, with the par value of LTL 100 each and 27,554 units of convertible bonds with the par value of EUR 100 each (LTL 345 equivalent) (as of 31 December 2008 UAB Hermis Capital held 28,141 units of convertible bonds with the par value of LTL 100 each) (Note 23).

Remuneration of the management and other payments

Remuneration of the Company's and subsidiaries' management amounted to LTL 1,340 thousand and LTL 635 thousand, respectively, in 2009 (LTL 2,906 thousand and LTL 1,146 thousand in 2008, respectively). The management of the Group did not receive any other loans, guarantees; no other payments were made or accrued or property transfers.

32 Subsequent events

On 25 January 2010 the Group signed an agreement with AB SEB Bankas regarding the extension of the repayment term of EUR 1,774 thousand (equivalent to LTL 6,125 thousand) of credit limit to the bank by setting new maturity term. The credit limit will have to be repaid till 31 May 2010 (it is expected to prolong the maturity further after this date).

On 15 January 2010 the Company signed an agreement with Swedbank, AB regarding the extension of the repayment term of EUR 874 thousand (equivalent to LTL 3,018 thousand) of credit limit to the bank by setting new maturity term. The credit limit will have to be repaid till 31 May 2010 (it is expected to prolong the maturity further after this date).

On 18 February 2010 AB DnB NORD Bankas has changed the factoring agreement by decreasing the limit of the factoring to LTL 4,166 thousand with the maturity term of 31 July 2010 (it is expected to prolong the maturity further after this date).

On 2 March 2010 the Company and Kazakhstan social-entrepreneurship corporation national company Saryarka signed an establishment agreement of joint company TOO Snaigė-Saryarka. It is planned that TOO Snaigė-Saryarka will be engaged in the production and sale of refrigerators in Kazakhstan and neighbouring markets. Currently the project is in the early stage of implementation. There is a consent received from the government of Kazakhstan and tentative approval from a financing bank with the condition of additional private investor, which is currently analysing the offer and did not provide the final answer yet. However the management expects that the realisation of the project will be started in 2010.

On 30 March 2010 Šiaulių Bankas made a decision to grant a loan to the Company amounting to LTL 5 million. The loan matures in 2015, annual interest rate is 9%.

As of 5 March 2010 the shareholders of the Company decided to issue 80,500 units of convertible bonds with the par value of EUR 100 (equivalent to LTL 345) each. The annual interest rate is 10%, which is paid i one payment on the maturity of the convertible bonds, the bonds expire in 368 days. Bonds can be converted to shares on the ratio of 1 : 380. Till 8 April 2010 the Company successfully issued 61,327 units of convertible bonds emission with the par value of EUR 100 (equivalent to LTL 345) each and refinanced LTL 21,191 thousand of previously issued emission (Note 23). On 8 April 2010 pursuant to the decision of convertible bonds owners 8,340 units of convertible bonds with the par value of EUR 100 (equivalent to LTL 345) each were converted into 2,908,350 ordinary registered shares of the Company with the par value of LTL 1 each and the share capital was increased accordingly. The Company made an offer for owners of unredeemed convertible bonds regarding the fulfilment of underlying obligation amounting to LTL 5,247 thousand and expects a favourable answer to be obtained till 1 May 2010.