AB SNAIGĖ

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Register of Legal Entities

Independent auditor's report to the shareholders of AB Snaigė

Report on Financial Statements

We have audited the accompanying financial statements of AB Snaigė, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), which comprise the statement of financial position as of 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on the Financial Performance and Cash Flows - Comparative Figures

We had issued a disclaimer of an audit opinion dated 5 April 2009 on the financial statements of AB Snaigė for the year ended 31 December 2008 due to significant uncertainties related to unfavourable impact on the Company's operations caused by the worldwide economic crisis. During 2009 the Company's management resolved the immediate issues that gave rise to significant uncertainties affecting the financial statements for the year ended 31 December 2008. Based on this, the Company has adjusted the figures according to the finally approved plan of operations, recording all changes in the statement of comprehensive income for the year 2009. Although a number of business reasons that gave rise to these adjustments have originated prior to the year 2009, it was not possible to determine the effects thereof on the statements of comprehensive income and cash flows between the year 2008 and the year 2009.

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Basis for Qualified Opinion on the Financial Position

As of 31 December 2010 the Company has an outstanding receivable from the subsidiary Techprominvest OOO amounting to LTL 35,757 thousand (Note 31). Recoverability of this amount is dependent on the realization of non-current assets of the subsidiary as disclosed in Note 31. We have not been able to obtain sufficient and appropriate audit evidence in respect of the realisation of the above mentioned management plans and therefore we are not able to conclude on whether the entire amount receivable from the subsidiary will be recovered.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in sections *Basis for Qualified Opinion on the Financial Performance and Cash Flows - Comparative Figures* and *Basis for Qualified Opinion on the Financial Position* above, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2010 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2010.

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

Jonas Akelis
Auditor's licence
No. 000003
President

The audit was completed on 19 April 2011.

Statement of comprehensive income

	Notes	2010	2009
Sales	3	116,103,510	108,479,593
Cost of sales	4	(99,022,520)	(96,255,265)
Gross profit		**17,080,990**	**12,224,328**
Selling and distribution expenses	5	(6,516,613)	(7,980,814)
Administrative expenses	6	(7,442,938)	(14,010,503)
Other income	7	838,721	935,970
Other expenses	8	(638,371)	(707,528)
Operating profit (loss)		**3,321,789**	**(9,538,547)**
Financial income	9	373,081	1,196,998
Financial expenses	10	(4,453,610)	(75,112,666)
(Loss) before income tax		**(758,740)**	**(83,454,215)**
Income tax	11	87,223	1,208,548
Net (loss)		**(671,517)**	**(82,245,667)**
Other comprehensive income		-	-
Total comprehensive income, net of tax:		**(671,517)**	**(82,245,667)**
Basic (loss) per share	27	(0.02)	(2.96)
Diluted profit (loss) per share	27	0.04	(1.65)

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

Managing Director	Gediminas Čeika		19 April 2011
Financial Director	Neringa Menčiūnienė		19 April 2011

Statement of financial position

	Notes	As of 31 December 2010	As of 31 December 2009
ASSETS			
Non-current assets			
Intangible assets	12	4,912,956	4,851,426
Property, plant and equipment	13	29,029,158	34,976,493
Investments into subsidiaries	1	1,466,635	1,466,635
Receivables from subsidiaries	31	35,757,375	37,405,423
Other non-current assets	23	1,000,000	-
Deferred income tax asset	11	118,330	31,107
Total non-current assets		**72,284,454**	**78,731,084**
Current assets			
Inventories	14	11,417,275	14,015,311
Trade receivables	15	14,223,412	13,602,948
Receivables from subsidiaries	31	1,458,451	1,691,884
Prepaid income tax		-	135,120
Other current assets	16	1,943,085	1,686,163
Cash and cash equivalents	17	1,779,046	1,321,035
Total current assets		**30,821,269**	**32,452,461**
Total assets		**103,105,723**	**111,183,545**

(cont'd on the next page)

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

Statement of financial position (cont'd)

	Notes	As of 31 December 2010	As of 31 December 2009
EQUITY AND LIABILITIES			
Equity			
Share capital	1, 18	30,735,715	27,827,365
Share premium	18	5,698,656	18,727,270
Legal reserve	19	2,782,737	2,782,737
Reserves	19	1,860,000	1,860,000
Retained (deficit)		(671,517)	(13,028,614)
Total equity		**40,405,591**	**38,168,758**
Liabilities			
Non-current liabilities			
Warranty provision	21	624,418	1,022,369
Subsidies	20	1,282,433	1,600,737
Non-current borrowings and financial lease obligations	23, 24	11,633,095	904,363
Non-current employee benefits	22	359,828	389,394
Total non-current liabilities		**13,899,774**	**3,916,863**
Current liabilities			
Current borrowings, current portion of non-current borrowings and financial lease obligations	23, 24	25,150,822	37,319,361
Trade payables		16,241,806	22,327,773
Advances received		627,492	1,017,229
Warranty provision	21	1,993,555	2,315,114
Other current liabilities	26	4,786,683	6,118,447
Total current liabilities		**48,800,358**	**69,097,924**
Total equity and liabilities		**103,105,723**	**111,183,545**

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

Managing Director	Gediminas Čeika		19 April 2011
Financial Director	Neringa Menčiūnienė		19 April 2011

Statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Other distributable reserves	Retained earnings (deficit)	Total equity
Balance as of 1 January 2009		**27,827,365**	**18,727,270**	**2,782,737**	**4,512,300**	**66,564,753**	**120,414,425**
Net (loss) for the year		-	-	-	-	(82,245,667)	(82,245,667)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	(82,245,667)	(82,245,667)
Transfer from reserves	19	-	-	-	(2,652,300)	2,652,300	-
Balance as of 31 December 2009		**27,827,365**	**18,727,270**	**2,782,737**	**1,860,000**	**(13,028,614)**	**38,168,758**
Net (loss) for the year		-	-	-	-	(671,517)	(671,517)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	(671,517)	(671,517)
Increase of share capital	1	2,908,350	-	-	-	-	2,908,350
Transfer from share premium	18	-	(13,028,614)	-	-	13,028,614	-
Balance as of 31 December 2010		**30,735,715**	**5,698,656**	**2,782,737**	**1,860,000**	**(671,517)**	**40,405,591**

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

Managing Director	Gediminas Čeika		19 April 2011
Financial Director	Neringa Menčiūnienė		19 April 2011

Cash flow statement

	Notes	2010	2009
Cash flows from (to) operating activities			
(Loss) before tax		(758,740)	(83,454,215)
Adjustments for non-cash items:			
Depreciation and amortisation	12, 13	6,734,501	7,656,614
(Amortisation) of subsidies	20	(318,304)	(399,974)
Result from disposal of non-current assets	7	(8,895)	45,448
Write-off of non-current assets	13	296,976	11,747
Write-off of investment to subsidiary	1, 10	-	67,846,761
Write-off of inventories		19,430	21,770
Change in allowance for trade receivables	6	272,073	256,320
Loss from derivative financial transactions		-	676,530
Change in warranty provision	21	(719,510)	(1,195,537)
Interest (income)	9	(13,216)	(17,310)
Interest expenses	10	4,078,171	3,857,647
		9,582,486	(4,694,199)
Changes in working capital:			
Decrease in inventories		2,578,606	23,280,116
Decrease in trade and other receivables		732,022	20,586,851
(Decrease) in trade payables and other payables		(7,837,034)	(20,348,870)
Advance income tax returned (paid)		135,120	(135,120)
Net cash flows from operating activities		**5,191,200**	**18,688,778**
Cash flows from (to) investing activities			
(Acquisition) of non-current assets	12, 13	(1,145,678)	(1,374,771)
Interest received		13,216	17,310
Disposal of non-current assets		8,901	135,661
Net cash flows (to) investing activities		**(1,123,561)**	**(1,256,420)**
Cash flows from (to) financing activities			
Issue of convertible bonds		-	7,162,801
Proceeds from borrowings		10,784,527	-
Interest (paid)		(1,158,636)	(2,004,375)
(Repayment) of borrowings		(12,433,537)	(21,848,617)
Financial lease (payments)		(801,982)	(828,370)
Net cash flows (to) financing activities		**(3,609,628)**	**(17,518,561)**
Net increase (decrease) in cash flows		**458,011**	**(86,203)**
Cash and cash equivalents at the beginning of the year		**1,321,035**	**1,407,238**
Cash and cash equivalents at the end of the year		**1,779,046**	**1,321,035**
Supplemental information of cash flows:			
Non-cash financing activity:			
Convertible bonds conversion to shares (Note 1)		2,908,350	-

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

Managing Director	Gediminas Čeika		19 April 2011
Financial Director	Neringa Menčiūnienė		19 April 2011

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 2010 and 2009 the shareholders of the Company were:

	2010		2009	
	Number of shares held	**Ownership share**	**Number of shares held**	**Ownership share**
UAB Hermis Capital	-	-	4,412,032	15.86%
Skandinaviska Enskilda Banken AB clients	3,720,698	12.11%	3,351,924	12.05%
Swedbank AS (Estonia) clients	15,004,428	48.82%	13,229,667	47.54%
Other shareholders	12,010,589	39.07%	6,833,742	24.55%
Total	30,735,715	100%	27,827,365	100%

As of 31 December 2010 and 2009 the Company had no information about the number of shares held by investors, which subsequently announced about their joint investment and initiated shares purchase offer (Note 32).

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 2010 and 2009. As of 31 December 2010 and 2009 the Company did not hold its own shares.

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 increased share capital was registered on 20 April 2010.

As of 31 December 2010 the Board of the Company comprised 1 representative of UAB Hermis Capital and 3 representatives of Swedbank AS clients. As of 31 December 2009 - 1 representative from the management of the Company, 1 representative of UAB Hermis Capital and 3 representatives of Swedbank AS clients.

As of 31 December of 2010 and 2009 the Company owned the following subsidiaries:

Company	**Country**	**Percentage of the shares held by the Company**	**Investment value (cost)**	**Profit (loss) of 2010**	**Shareholders' equity as of 31 December 2010**
OOO Techprominvest	Russia (Kaliningrad)	100%	67,846,761	(1,111,624)	6,639,110
TOB Snaige Ukraina	Ukraine	99%	88,875	(35,258)	25,631
OOO Moroz Trade	Russia	100%	947	-	(14,064,720)
OOO Liga Servis	Russia	100%	1,028	(292,587)	(1,315,328)
UAB Almecha	Lithuania	100%	1,375,785	38,646	248,160
Total investments into subsidiaries			**69,313,396**		
Impairment of investments into subsidiaries (OOO Techprominvest)			(67,846,761)		
Total investments into subsidiaries, net			**1,466,635**		

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 Company's activities, the management of the Company made a decision to terminate the activities of the Company's owned refrigerator factory OOO Techprominvest. The investment into subsidiary was fully impaired (Note 10) as of 31 December 2010 and 2009.

1 General information (cont'd)

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

On 13 May 2004, OOO Moroz Trade (Moscow, Russia) was established. The Company acquired 100% of shares of OOO Moroz Trade in October 2004. The subsidiary provides sales and marketing services in the Russian market. In 2010 and 2009 OOO Moroz Trade did not operate.

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

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

In 2010 the average number of employees of the Company was 637 (732 in 2009).

The Company's management approved these financial statements on 19 April 2011. The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and request that the management prepares a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements for 2010 are as follows:

2.1. Basis of preparation

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

These are the separate financial statements of the Company. The consolidated financial statements of AB Snaigė and its subsidiaries were approved on 14 April 2011 and were prepared as a separate set of financial statements.

These financial statements are prepared on the historical cost basis.

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

In 2010 following new and amended IFRSs and International Financial Reporting Interpretations Committee (hereinafter IFRIC) interpretations came into force and were adopted:

Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*

The amendments to IFRS 3 introduce significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and the accounting for business combinations achieved in stages. These changes will impact the amount of goodwill recognised in the statements of financial position, the reported results in the period that an acquisition occurs and future reported results.

The amendments to IAS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions do not give rise to goodwill, nor they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the accounting for the loss of control of a subsidiary.

The changes to IFRS 3 and IAS 27 are applied prospectively. They did not have affect on the Company's amounts in the financial statements for the year 2010 as there were no business acquisitions, loss of control of subsidiaries or transactions with non-controlling interests in 2010 in the Company.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Other

The other standards and interpretations and their amendments adopted in 2010 did not impact the financial statements of the Company, because the Company did not have the respective financial statement items and transactions addressed by these changes:

- Amendment to IFRS 2 *Share-based Payment*
- Amendment to *IAS 39 Financial Instruments: Recognition and Measurement* – Eligible Hedged Items
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*
- IFRIC 18 *Transfers of Assets from Customers*
- Improvements to IFRS (issued in 2008 and 2009 and effective on 1 January 2010).

Standards issued but not yet effective

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

Amendment to IFRS 7 *Financial instruments: Disclosures* (effective for financial years beginning on or after 1 July 2011, once adopted by the EU).
The amendment modifies disclosure requirements for certain transfers of financial assets. The management of the Company does not expect that the change will have any impact on the financial statements since the Company does not have these kinds of transfers.

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 International Accounting Standards Board (hereinafter IASB) has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 12 *Income Taxes* (effective for financial years beginning on or after 1 January 2012, once adopted by the EU).
The amendment provides a practical solution to the problem of determining whether an entity that is measuring deferred tax related to investment property, measured using the fair value model, expects to recover the carrying amount of the investment property through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. The implementation of these amendments will have no impact on the financial statements of the Company, as the Company does not have investment property.

Amendments to IAS 24 *Related Party Disclosures* (effective for financial years beginning on or after 1 January 2011).
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 the Company, 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 Company has not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs
In May 2010 IASB issued omnibus of amendments to its standards. The amendments become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The adoption of the following amendments may result in changes to accounting policies but will not have any impact on the financial position or performance of the Company:

- IFRS 3 *Business Combinations*;
- IFRS 7 *Financial instruments: Disclosures;*
- IAS 1 *Presentation of Financial Statements;*
- IAS 27 *Consolidated and Separate Financial Statements*;
- IFRIC 13 *Customer Loyalty Programmes*.

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).
The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. IFRIC 14 regulations will not have any impact on the financial statements because the Company does not have defined benefit assets.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for financial years beginning on or after 1 July 2010).
The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. Since the Company does not have transactions addressed by IFRIC 19, it will not have any impact on its financial statements.

2.2. Going concern

The Company's current liabilities exceeded current assets by LTL 17,979 thousand as of 31 December 2010 (LTL 36,645 thousand as of 31 December 2009), liquidity ratio (total current assets / total current liabilities) was 0.63 (0.47 in 2009), quick ratio ((total current assets – inventories) / total current liabilities) – 0.40 (0.27 in 2009). In 2010 the Company incurred LTL 672 thousand loss (by LTL 81,574 thousand less comparing to 2009). These financial statements for the year ended 31 December 2010 are prepared under the assumption that the Company will continue as a going concern at least 12 months from the balance sheet date. The going concern is based on the following assumptions and management plans:

- in 2011 the Company expects 12% increase in sales comparing to 2010 and additionally to optimise fixed costs of production and administration. In order to finance the working capital the Company is planning to perform successful sales of finished goods and the continuation of cooperation only with trustful partners. Trade payables are planned to be decreased using free operational cash flows;
- all convertible bonds with the maturity term on 11 April 2011 (Note 23) are refinanced, except for convertible bonds with the value of LTL 8.9 million, which are converted to the shares pursuant to the decision of convertible bonds owners dated 11 April 2011 (Note 32);

Furthermore, the subsidiary OOO Techprominvest is expected successfully dispose of its building at fair price. Based on the estimates of the management of the Company, the fair price for the building would be app. LTL 31 million and will be used to cover outstanding amounts receivable from the subsidiary (Note 31).

While preparing the financial statements for the year ended 31 December 2009 the management of the Company had concluded that a number of key assumptions supporting the going concern assumption for that year involved a high degree of uncertainty that casted significant doubt upon the Company's ability to continue as going concern. When evaluating the going concern assumption application in preparing the financial statements for the year ended 31 December 2010 the management have considered the Company's improved financial situation and financial performance during 2010, and have concluded that even though the above mentioned assumptions involve some degree of uncertainty, it is less significant than a year ago (especially taking into the account the subsequent events disclosed in Note 32. Therefore, the Company continues to adopt the going concern basis for accounting in preparing these financial statements.

2.3. Presentation currency

The Company's financial statements are presented in local currency of the Republic of Lithuania, Litas (LTL), which is the Company's functional currency. Lithuanian litas is pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2 Accounting principles (cont'd)

2.4. Investments into subsidiaries

Investments in subsidiaries are measured using the cost method in the non-consolidated statement of financial position of the Company.

Accordingly, the investment is initially recognised at cost, being the fair value of the consideration given subsequently adjusted for any impairment losses. The carrying value of the investment is tested for impairment when events or changes in circumstances indicate that the carrying value may exceed the recoverable amount of the investment. If such indications exist, the Company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its estimated recoverable amount, the investment is written down to its recoverable amount (higher of the two: fair value less costs to sell and value in use). Impairment loss is recognised in the statement of comprehensive income as financial expense for the period.

2.5. Intangible assets

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

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

<u>Research and development costs</u>

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

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

<u>Licenses</u>

Amounts paid for licences are capitalised and then 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 4 years.

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

The Company has no intangible assets with indefinite useful lifetime.

2.6. Property, plant and equipment

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the statement of comprehensive income, whenever estimated.

2 Accounting principles (cont'd)

2.6. Property, plant and equipment (cont'd)

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

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 property, plant and equipment	3 - 8 years.

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

2.7. Financial assets and liabilities

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

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

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

As of 31 December 2010 and 2009 the Company had no financial assets at fair value through profit or loss, held-to-maturity investments, and available for sale financial assets.

<u>Loans and receivables</u>

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 statement of comprehensive income 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.

2.8. Inventories

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

2.9. Cash and cash equivalents

Cash includes cash on hand and cash at 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.

In 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)

2.10. Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised in 2010 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 (except for the capitalised portion as discussed above).

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 (if applicable).

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

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

2.11. Derivative financial instruments

Forward contracts are initially recognized at cost. Subsequent to initial recognition and measurement, outstanding forwards are carried in the statement of financial position at the fair value. Fair value is determined using the discounted cash flow method applying effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. The Company had no forward contracts outstanding as of 31 December 2010 and 2009 – all forward transactions were executed in 2009.

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

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

<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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2 Accounting principles (cont'd)

2.13. 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 Company comprise factoring transactions with regress (recourse) right (the factor is entitled to returning the overdue claim back to the Company). Factored accounts receivable (with regress right) and related financing are recorded in accounts receivable caption and borrowings and financial lease obligations caption.

2.14. Financial lease and operating lease

Financial lease – the Company as a lessee

The Company 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, Company's composite interest rate on borrowings is applied. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

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

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

If the result of sales and lease back transactions is 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 Company as a lessee

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

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

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

2.15. Subsidies

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

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

2 Accounting principles (cont'd)

2.16. Provisions

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

2.17. Non-current employee benefits

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

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

2.18. Income tax

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

Since 1 January 2010 15 % income tax rate has been established for indefinite period (20% in 2009).

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

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

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

2.19. Revenue recognition

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

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

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

2 Accounting principles (cont'd)

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

Other assets

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

2.21. Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to going concern assumption (Note 2.2), depreciation (Notes 2.6. and 13), amortisation (Notes 2.5 and 12), evaluation of provisions, non-current employee benefits and impairment of accounts receivable, inventories, investment and impairment of property, plant and equipment (Notes 1, 2.16, 2.20, 12, 13, 14, 15, 21 and 22), evaluation of deferred income tax valuation allowance and deferred tax recognition (Note 11). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.22. Contingencies

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

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

2.23. Subsequent events

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

2.24. Offsetting and comparative figures

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

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year (Notes 3 and 7). In 2010 the Company accounted for income from marketing and intermediation services under the sales caption in the statement of comprehensive income. In order to correctly represent comparable information, correction was made in the statement of comprehensive income for 2009 and LTL 1,870 thousand were reclassified from other income caption to sales caption. Correction was made based on the decision of management that these services are concurrent part of the Company's main activity.

3 Segment information (in LTL thousand)

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

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

	2010	2009
Western Europe	45,515	63,551
Ukraine	41,414	14,020
Lithuania	12,017	11,482
Eastern Europe	8,361	11,084
Other CIS countries	6,925	4,307
Other Baltic states	1,161	1,982
Russia	641	1,604
Other countries	70	450
	116,104	108,480

All assets of the Company as of 31 December 2010 and 2009 are located in Lithuania and all acquisitions of non-current assets in 2010 and 2009 are connected with it.

In 2010 the sales to the buyer S.A. Conforama comprised 10.34 % of total sales (11.58 % in 2009).

4 Cost of sales

	2010	2009
Raw materials	75,197,120	66,945,278
Salaries and wages	9,266,519	8,685,832
Depreciation and amortisation	4,761,963	4,126,351
Other	9,796,918	16,497,804
	99,022,520	96,255,265

5 Selling and distribution expenses

	2010	2009
Transportation	3,277,364	3,448,849
Warranty service costs	1,003,295	547,369
Salaries and social security	846,795	682,825
Market research, sales promotion and commissions to third parties	611,470	843,808
Insurance	333,277	102,971
Certification cost	179,012	158,991
Advertising	145,842	232,370
Rent of warehouses and storage cost	61,955	103,770
Business trips	53,577	26,643
Other	4,026	1,833,218
	6,516,613	7,980,814

6 Administrative expenses

	2010	2009
Wages, salaries and social security	3,859,444	6,044,925
Change of allowance for receivables	272,073	3,636,345
Depreciation and amortisation	829,012	1,466,243
Non-current employee benefits (Note 22)	(29,566)	389,394
Taxes other than income tax	281,767	283,377
Other	2,230,208	2,190,219
	7,442,938	14,010,503

7 Other income

	2010	2009
Income from transportation services	231,366	248,283
Income from rent of premises	147,000	194,065
Income from mobile communications services	50,593	65,868
Gain on disposal of non-current assets	8,895	19,725
Income from rent of equipment	7,615	12,124
Other	393,252	395,905
	838,721	935,970

8 Other expenses

	2010	2009
Transportation expenses	234,523	252,578
Mobile communications expenses	46,592	62,029
Expenses from rent of equipment	118,083	48,931
Other	239,173	343,990
	638,371	707,528

9 Financial income

	2010	2009
Foreign currency exchange gain	357,158	830,693
Gain from foreign currency forward contracts	-	340,630
Interest income on deposits	13,216	17,316
Gain of foreign currency translation transactions	2,707	8,359
	373,081	1,196,998

10 Financial expenses

	2010	2009
Interest expenses	4,078,171	5,153,366
Foreign currency exchange loss	345,256	1,088,894
Loss of foreign currency translation transactions	8,520	1,023,645
Impairment of investment into subsidiary OOO Techprominvest (Note 1)	-	67,846,761
Other	21,663	-
	4,453,610	75,112,666

11 Income tax (in LTL thousand)

	2010	2009
Components of the income tax income (expenses)		
Current income tax for the reporting year (expenses)	-	-
Deferred income tax income	87	1,208
Income tax income recorded in statement of comprehensive income	87	1,208

	As of 31 December 2010	As of 31 December 2009
Deferred income tax asset		
Tax losses carried forward for indefinite period	2,368	2,204
Warranty provision	398	506
Allowance for receivables	648	313
Bonuses, vacation pay and other accruals	66	181
Other	68	71
Deferred income tax asset before valuation allowance	3,548	3,275
Less: valuation allowance	(2,652)	(2,517)
Deferred income tax asset, net	896	758

	As of 31 December 2010	As of 31 December 2009
Deferred income tax liability		
Development costs	(721)	(649)
Capitalised repair costs	(57)	(78)
Deferred income tax liability	(778)	(727)
Deferred income tax, net	118	31

Deferred income tax asset is recognised in the amount, which is expected to be realised. As of 31 December 2010 and 2009 the management of the Company was doubting whether the deferred income tax asset related to tax loss carry forward and allowance for accounts receivable to OOO Techprominvest will be realised in the foreseeable future.

11 Income tax (in LTL thousand) (cont'd)

The reported amount of income tax attributable to the theoretical amount that would arise from applying income tax rate of the Company (15% in 2010 and 20% in 2009) is as follows:

	2010	2009
(Loss) before tax	(759)	(83,454)
Income tax expenses computed using the effective tax rate	114	16,571
Change of deferred income tax asset valuation allowance	(135)	(451)
Non-deductible expenses	108	(510)
Unrecognised impairment of investment (Note 1)	-	(13,569)
Effect of change in income tax rate (Note 2.18)	-	(833)
Income tax income recorded in statement of comprehensive income	87	1,208

12 Intangible assets

	Development cost	Software, licenses	Total
Cost:			
Balance as of 31 December 2009	12,881,948	1,597,213	14,479,161
Additions	679,721	26,814	706,535
Disposals and write-offs	-	(13,745)	(13,745)
Balance as of 31 December 2010	13,561,669	1,610,282	15,171,951
Amortisation:			
Balance as of 31 December 2009	8,063,840	1,563,895	9,627,735
Charge for the year	608,407	36,598	645,005
Disposals and write-offs	-	(13,745)	(13,745)
Balance as of 31 December 2010	8,672,247	1,586,748	10,258,995
Net book value as of 31 December 2010	**4,889,422**	**23,534**	**4,912,956**
Net book value as of 31 December 2009	**4,818,108**	**33,318**	**4,851,426**

	Development costs	Software, licenses	Total
Cost:			
Balance as of 1 January 2009	12,488,578	1,807,859	14,296,437
Additions	440,808	-	440,808
Disposals and write-offs	(47,438)	(210,646)	(258,084)
Balance as of 31 December 2009	12,881,948	1,597,213	14,479,161
Amortisation:			
Balance as of 1 January 2009	7,215,397	1,655,003	8,870,400
Charge for the year	884,802	120,073	1,004,875
Disposals and write-offs	(36,359)	(211,181)	(247,540)
Balance as of 31 December 2009	8,063,840	1,563,895	9,627,735
Net book value as of 31 December 2009	**4,818,108**	**33,318**	**4,851,426**
Net book value as of 1 January 2009	**5,273,181**	**152,856**	**5,426,037**

12 Intangible assets (cont'd)

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

Part of non-current intangible assets of the Company with the acquisition value of LTL 8,250 thousand as of 31 December 2010, was fully amortised (LTL 8,122 thousand as of 31 December 2009) but was still in use.

On 31 December 2010 and 2009 the Company has performed the impairment test of intangible assets. After the impairment test has been performed the management did not identify the impairment of intangible assets.

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 2009	14,869,592	101,199,670	14,305,880	130,375,142
Additions	-	381,314	57,829	439,143
Disposals and write-offs	(402,898)	(705,269)	(575,141)	(1,683,308)
Reclassifications	-	(752,143)	752,143	-
Balance as of 31 December 2010	14,466,694	100,123,572	14,540,711	129,130,977
Accumulated depreciation:				
Balance as of 31 December 2009	3,888,021	79,426,957	12,083,671	95,398,649
Charge for the year	488,770	4,692,336	908,390	6,089,496
Disposals and write-offs	(106,561)	(705,205)	(574,560)	(1,386,326)
Reclassifications	-	(571,008)	571,008	-
Balance as of 31 December 2010	4,270,230	82,843,080	12,988,509	100,101,819
Net book value as of 31 December 2010	**10,196,464**	**17,280,492**	**1,552,202**	**29,029,158**
Net book value as of 31 December 2009	**10,981,571**	**21,772,713**	**2,222,209**	**34,976,493**

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Total
Cost:				
Balance as of 1 January 2009	14,869,592	104,418,303	14,783,074	134,070,969
Additions	-	843,325	102,068	945,393
Disposals and write-offs	-	(2,984,914)	(1,656,306)	(4,641,220)
Reclassifications	-	(1,077,044)	1,077,044	-
Balance as of 31 December 2009	14,869,592	101,199,670	14,305,880	130,375,142
Accumulated depreciation:				
Balance as of 1 January 2009	3,379,217	77,801,004	12,047,660	93,227,881
Charge for the year	508,804	4,921,710	1,221,225	6,651,739
Disposals and write-offs	-	(2,970,130)	(1,510,841)	(4,480,971)
Reclassifications	-	(325,627)	325,627	-
Balance as of 31 December 2009	3,888,021	79,426,957	12,083,671	95,398,649
Net book value as of 31 December 2009	**10,981,571**	**21,772,713**	**2,222,209**	**34,976,493**
Net book value as of 1 January 2009	**11,490,375**	**26,617,299**	**2,735,414**	**40,843,088**

13 Property, plant and equipment (cont'd)

The depreciation charge of the Company's property, plant and equipment for 2010 amounts to LTL 6,089 thousand (LTL 6,652 thousand in 2009). In 2010 the amount of LTL 184 thousand (LTL 461 thousand in 2009) was accounted for as administration expenses. The remaining amount of depreciation was included in the production cost.

The part of the Company's property, plant and equipment with the acquisition cost of LTL 44,893 thousand was fully depreciated as of 31 December 2010 (LTL 44,146 thousand as of 31 December 2009) but was still in active use.

As of 31 December 2010 the part of the Company's property, plant and equipment, with the net book value of LTL 13,195 thousand (LTL 6,378 thousand as of 31 December 2009) was pledged to banks as a collateral for the loans and the part of the Company's machinery and equipment, with the net book value LTL 3,247 thousand were pledged to bondholders as a collateral for ordinary bonds (Note 23).

Impairment estimation

On 31 December 2010 and 2009 the Company has performed the impairment test of intangible assets and property, plant and equipment evaluating their value in use.

The whole Company was defined as a cash generating unit (CGU). The recoverable value of CGU is established based on the calculation of value-in-use following post-tax cash flow forecasts according to financial budgets of five years, which have been approved by the top management. The cash flow forecast generally comprises twelve years (expected period of use of non-current assets) in 2010 (fourteen years in 2009). Having performed the impairment test, the management did not identify any CGU impairment.

Calculation of CGU value in use as of 31 December 2010 and 2009 is particularly dependent upon the following assumptions:

	As of 31 December 2010	**As of 31 December 2009**
Post tax discount rate / pre-tax discount rate[1)]	13 % / 13 %	16 % / 17 %
Average annual revenue growth rate for the forecasted five-year period[2)]	8 %	9 %
Average gross margin for the forecasted five-year period[3)]	25 %	22 %
Growth rate applied for the extrapolation of cash flows after the five-year period[4)]	1 %	1 %

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

2) Cash flow forecast reflects a growing demand for 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 more new orders are expected; the suspended Eastern market credit insurance significantly affected the sales of the Company (as many orders are received from CIS countries, which may not be processed as the possibility to insure the creditworthiness of clients does not exist), and as far as known by the management of the Company the possibility to re-instate the credit insurance for the Eastern markets is being discussed, which would have a significant effect on the growth of sales of the Company. Actual growth of revenues in 2010 versus 2009 comprised app. 7%, which is close to budgeted.

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

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

13 Property, plant and equipment (cont'd)

Impairment estimation (cont'd)

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

	2010	2009
Given the half rate of the expected sales growth and all other assumptions being constant	-	16 %
Given the gross margin decreased to 20% during the forecast period and all other assumptions being constant	5 %	11 %

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

14 Inventories

	As of 31 December 2010	As of 31 December 2009
Raw materials, spare parts and production in progress	7,800,601	9,003,281
Finished goods	3,712,016	5,107,372
Total inventories, gross	11,512,617	14,110,653
Less: valuation allowance for finished goods	(95,342)	(95,342)
Total inventories, net	11,417,275	14,015,311

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

As described in Note 23, in order to secure bank loans, the Company pledged inventories with the gross value of not less than LTL 10,500 thousand as of 31 December 2010 (as of 31 December 2009 – LTL 20,500 thousand).

15 Trade receivables

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

	As of 31 December 2010	As of 31 December 2009
Trade receivables, gross	16,390,086	15,655,528
Less: allowance for doubtful trade receivables	(2,166,674)	(2,052,580)
	14,223,412	13,602,948

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

As of 31 December 2010 trade receivables with the carrying value of LTL 2,167 thousand (as of 31 December 2009 – LTL 2,053 thousand) were fully impaired. Change in the allowance for doubtful trade receivables for the year 2010 have been included into administrative expenses.

The Company's trade receivables from Western countries and former and current CIS countries amounting to LTL 7,661 thousand as of 31 December 2010 (LTL 7,577 thousand as of 31 December 2009) were insured by credit insurance Atradius Sweden Kreditförsäkring Lithaunia branch in 2010 and Coface Austria Kreditversichering AG Lithuania branch in 2009.

15 Trade receivables (cont'd)

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

	As of 31 December 2010	As of 31 December 2009
Balance at the beginning of the period	(2,052,580)	(584,487)
Charge for the year	(284,073)	(1,506,036)
Write-off of trade receivables	194,324	1,582
Effect of the change in foreign currency exchange rate	(36,345)	13,428
Recovered amounts	12,000	22,933
Balance at the end of the period	(2,166,674)	(2,052,580)

Receivables are written off when it becomes evident that they will not be recovered. The ageing analysis of trade receivables as of 31 December 2010 and 2009 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
2010	12,593,498	1,309,251	215,246	3,379	2,057	99,981	14,223,412
2009	8,029,248	2,836,841	634,130	26,388	129,303	1,947,038	13,602,948

Trade receivables past due more than 120 days were insured against credit risk as of 31 December 2010 and 2009.

As of 31 December 2010 the Company had no factoring with recourse agreements, therefore no limitations on disposable assets were present. As of 31 December 2009, according to the factoring with recourse agreement, the Company's amounts receivable were pledged to the factors with the carrying amount of LTL 1,930 thousand and finished goods with the carrying amount of LTL 7,000 thousand.

16 Other current assets

	As of 31 December 2010	As of 31 December 2009
Prepayments and deferred charges	1,324,636	1,165,037
Restricted cash	15,000	-
VAT receivable	459,064	350,361
Compensations receivable	97,041	158,075
Other receivables	47,344	12,690
	1,943,085	1,686,163

17 Cash and cash equivalents

	As of 31 December 2010	As of 31 December 2009
Cash at bank	1,776,497	1,313,924
Cash on hand	2,549	7,111
	1,779,046	1,321,035

As of 31 December 2010. the inflows into the bank accounts of the Company up to LTL 10,085 thousand (LTL 10,000 thousand in 2009) are pledged as a collateral for bank loans (Note 23).

18 Share capital and share premium

According to the Law on Companies of the Republic of Lithuania, the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As of 31 December 2010 and 2009 Company was in compliance with this requirement.

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

19 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, are compulsory until the reserve reaches 10% of the share capital. Because the Company did not earn profit in 2010 no transfers to legal reserve will be made. As of 31 December 2009 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 distributable reserves before distributing the profit are transferred to retained earnings and redistributed annually under a decision of the shareholders.

As of 31 December 2010 other distributable reserves consisted of a reserve for investments amounting to LTL 1,830 thousand (as of 31 December 2009 - LTL 1,800 thousand) and reserve for social and cultural needs amounting to LTL 30 thousand (as of 31 December 2009 – LTL 60 thousand).

20 Subsidies

Balance as of 1 January 2009	10,703,880
Received during the year	-
Balance as of 31 December 2009	10,703,880
Received during the year	-
Balance as of 31 December 2010	10,703,880
Accumulated amortisation as of 1 January 2009	8,703,169
Amortisation during the year	399,974
Accumulated amortisation as of 31 December 2009	9,103,143
Amortisation during the year	318,304
Accumulated amortisation as of 31 December 2010	9,421,447
Net book value as of 31 December 2010	**1,282,433**
Net book value as of 31 December 2009	**1,600,737**

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

21 Warranty provision

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

Change in warranty provision during the year 2010 can be specified as follows:

	2010
As of 1 January	3,337,483
Charge for the year	1,101,817
Utilised	(1,821,327)
As of 31 December	2,617,973

Warranty provision is accounted for as of 31 December as:	2010
- non-current	624,418
- current	1,993,555

	2009
- non-current	1,022,369
- current	2,315,114

22 Non-current employee benefits

As of 31 December 2010 the expenses of the one-time payments for leaving employees at a retirement age amounted to LTL 360 thousand (as of 31 December 2009 – LTL 389 thousand). This change decreased administrative expenses caption in the Company's statement of comprehensive income and non-current employee benefit caption in the statement of financial position.

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

	As of 31 December 2010	As of 31 December 2009
Discount rate	4.67 %	7.67%
Employee turnover	17%	17%
Long term salary growth rate	5%	5%

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

23 Borrowings

	As of 31 December 2010	As of 31 December 2009
Non-current borrowings		
Non-current borrowings with fixed interest rate	4,019,610	-
Non-current borrowings with variable interest rate	6,784,527	-
Ordinary bonds*	757,806	-
Total non-current borrowings	11,561,943	-
Current borrowings		
Factoring liabilities	-	1,737,256
Current borrowings with variable interest rate	-	9,142,081
Ordinary bonds*	1,723,638	2,825,300
Convertible bonds**	21,190,524	21,812,741
Current borrowings with fixed interest rate	1,403,448	1,000,000
Total current borrowings	24,317,610	36,517,378
	35,879,553	36,517,378

*On 16 June 2010 the Company issued 10,000 units of ordinary bonds with the par value of EUR 100 each and yielding 10%. The Company is obliged to redeem 416 units of bonds and pay accrued interest on the 20th day of each month during the validity period and redeem remaining 432 units of bonds at maturity date on 15 June 2012. The liabilities to the owners of ordinary bonds are secured by the pledge of machinery and equipment with the net book value of LTL 3,247 thousand as of 31 December 2010.

**On 8 April 2010 the Company issued 61,372 units of convertible bonds with the par value of EUR 100 each, with the annual yield of 10%, redemption date 11 April 2011. The purpose is the refinancing of part of the convertible bonds emission issued in 2009 with the maturity date of 8 April 2010. The bonds are accounted for at amortised cost under the current liabilities caption and accrued interest amounting to LTL 1,572 thousand as of 31 December 2010 (LTL 2,843 thousand as of 31 December 2009) was accounted for under other the current accounts payable caption (Note 26). 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.

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 (Note 1).

Borrowings with variable interest rate bear 6-month VILIBOR + 4.88%, but not less than 7.1% annual interest rate as of 31 December 2010 (6 month EUR LIBOR + 2.9% - 3.5% annual interest rate as of 31 December 2009). Borrowings with the fixed interest rate bear 9% - 14% annual interest rates.

At 31 December 2010 the part of the Company's property, plant and equipment with the carrying amount of LTL 13,195 thousand (2009 – LTL 6,378 thousand), inventories with the net book value of not less than LTL 10,500 thousand (2009 – LTL 20,500 thousand), cash inflows into the bank accounts up to LTL 10,085 thousand (2009 – LTL 10,000 thousand) and the right of claim for inflows from OOO Techprominvest, according to the agreement signed between AB Snaige and OOO Techprominvest on 30 April 2010 were pledged to banks for received loans. In addition LTL 1,000 thousand cash deposit accounted for in other non-current assets was restricted and pledged to banks until May 2015.

UAB Investicijų ir verslo garantijos (entity owned by the government of the Republic of Lithuania) guaranteed the long term fixed rate borrowing repayment of in total of LTL 4,000 thousand until 24 May 2015.

As of 31 December 2009 the Company was in default of certain loan covenant s for loans amounting to LTL 9,142 thousand. Borrowings related to the agreements breached as of 31 December 2009 were accounted for under the current liabilities caption in 2009.

As of 31 December 2010 the Company was in default of loan covenant for loans amounting to LTL 11,785 thousand as of 31 December 2010. Bank letter was received in 2010 confirming that no actions will be initiated by the bank in respect of this non-compliance as 31 December 2010, given the Company complies with covenant subsequently, therefore non-current borrowings were not transferred to the current liabilities caption. In the end of first quarter of 2011 the Company was in compliance with aforementioned covenant.

23 Borrowings (cont'd)

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

	As of 31 December 2010	As of 31 December 2009
Borrowings denominated in:		
EUR	23,671,968	32,677,269
USD	-	3,690
LTL	12,207,585	3,836,419
	35,879,553	36,517,378

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

	Fixed interest rate	Variable interest rate
2011	1,403,448	-
2012 – 2016	4,019,610	6,784,527
After 2016	-	-
	5,423,058	6,784,527

As of 31 December 2010 the Company had LTL 2,397 thousand of unused funds in credit lines bearing 6 month EURIBOR + 4.5% annual interest rate and maturing on 31 March 2011. The Company also had LTL 2,000 thousand of unused loan bearing 6 month VILIBOR + 4.5%, but not less than 6.5% annual interest rate and maturing on 16 November 2013. In respect of these borrowing facilities all conditions precedent have been met.

Also see Note 32 for subsequent events related to borrowings.

24 Financial lease obligations

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

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

Future lease payments under the above-mentioned financial lease contracts as of 31 December 2010 and 2009 are as follows:

	As of 31 December 2010	As of 31 December 2009
Within one year	850,846	836,619
From one to five years	72,589	949,127
Total financial lease obligations	923,435	1,785,746
Interest	(19,071)	(79,400)
Present value of financial lease obligations	904,364	1,706,346
Financial lease obligations are accounted for as:		
- current	833,212	801,983
- non-current	71,152	904,363

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

	As of 31 December 2010	As of 31 December 2009
Machinery and equipment	2,578,088	3,033,044
Vehicles	-	19.958
	2,578,088	3,053,002

25 Operating lease

The Company has concluded several contracts of operating lease. The terms of the lease do not include restrictions of the activities of the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2010 the lease expenses of the Company amounted to LTL 182 thousand (LTL 296 thousand in 2009). Planned lease payments in 2011 amount to LTL 182 thousand.

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

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

26 Other current liabilities

	As of 31 December 2010	As of 31 December 2009
Accrued interest on convertible bonds (Note 23)	1,571,663	2,842,515
Vacation reserve	1,225,112	1,042,440
Taxes payable	739,136	614,443
Salaries and related taxes payable	778,026	598,482
Other accrued interest	260,951	497,755
Other payables and accrued expenses	211,795	522,812
	4,786,683	6,118,447

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

27 Basic and diluted profit (loss) per share

	2010	2009
Shares issued on 1 January	27,827,365	27,827,365
Weighted average number of shares*	29,867,194	27,827,365
Effect of dilution:		
Convertible ordinary shares	23,226,836	19,996,875
Weighted average number of shares adjusted for the effect of dilution	53,094,030	47,824,240
Net (loss) for the year	(671,517)	(82,245,667)
Interest on convertible bonds	2,712,556	3,529,265
Net profit (loss) for the year adjusted for the effect of dilution	2,041,039	(78,716,042)
Basic (loss) per share, in LTL	(0.02)	(2.96)
Diluted profit (loss) per share, in LTL	0.04	(1.65)

* Taking into account bonds converted to shares in April 2010.

28 Financial instruments

Fair value of financial instruments

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

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Receivables from subsidiaries	37,215,826	37,215,826	39,097,307	39,097,307
Other non-current assets	1,000,000	1,000,000	-	-
Restricted cash	15,000	15,000	-	-
Cash and cash equivalents	1,779,046	1,779,046	1,321,035	1,321,035
Current receivables	14,223,412	14,223,412	13,773,713	13,773,713
Financial liabilities				
Fixed rate borrowings	29,095,026	29,095,026	25,638,041	25,638,041
Floating rate borrowings	6,784,527	6,784,527	9,142,081	9,142,081
Financial lease obligations	904,364	904,364	1,706,346	1,706,346
Trade and other payables	18,286,215	18,286,215	22,327,773	22,327,773
Factoring liabilities	-	-	1,737,256	1,737,256

28 Financial instruments (cont'd)

The fair value of borrowings was calculated by discounting the expected future cash flows at the prevailing interest rates. As of 31 December 2010 and 2009 the market value of the current borrowings bearing fixed interest rates approximates to the fair value as fixed interest rates (9% - 14%) are close to market interest rates for respective currencies.

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, factoring liabilities and current borrowings approximates fair value.
(b) The fair value of trade and other current receivable approximates their carrying amounts.

The derivative financial instruments are carried at fair value, thus their fair value equals the carrying amount. The Company had no investments into listed entities as of 31 December 2010 and 2009.

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

	2010	**2009**
Financial assets available for sale	-	(645,691)
Loans and receivables (Note 6)	(272,073)	(3,636,342)

Net gain and loss of financial instruments include revaluation effect of foreign currency derivative financial instruments and impairment losses of receivables.

29 Capital and risk management

<u>Credit risk</u>

The maximum exposure of the credit as of 31 December 2010 and 2009 comprises the carrying values of receivables, cash and deposits at banks. As stated in Note 31, on 31 December 2010 the carrying amount of receivables from OOO Techprominvest was LTL 35,890 thousand (LTL 38,260 thousand in 2009).

Except for receivables from subsidiaries, the concentration of the Company's receivables is rather insignificant. As of 31 December 2010 receivables from top ten clients of the Company accounted for 68.4% (65.3% as of 31 December 2009) of the total receivables of the Company.

The credit policy implemented by the Company and credit risk is constantly controlled. Credit risk assessment is applied to all clients willing to get a payment deferral. The Company's trade receivables from Western countries and former and current CIS countries amounting to LTL 7,661 thousand as of 31 December 2010 (LTL 7,577 thousand as of 31 December 2009) were insured by credit insurance Atradius Sweden Kreditförsäkring Lithaunia branch in 2010 and Coface Austria Kreditversichering AG Lithuania branch in 2009.

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

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

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

29 Capital and risk management (cont'd)

Interest rate risk

The part of the Company's borrowings is with variable rates, related to VILIBOR and EURIBOR, which creates an interest rate risk. As of 31 December 2010 and 2009 the Company did not use any financial instruments to hedge cash inflows and interest rate fluctuation risk related to debt instruments with variable interest rate.

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

	Increase/ decrease of basis points	Effect on the profit before tax (LTL thousand)
2010		
LTL	+ 100	(68)
LTL	- 100	68
2009		
EUR	+ 100	(126)
EUR	- 200	251

Liquidity risk

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

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

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2010 and 2009 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	After 5 years	Total
Interest bearing loans, financial lease and other borrowings	-	897,034	25,834,242	14,852,178	-	41,583,454
Trade and other payables	7,867,177	8,564,584	21,840	-	-	16,453,601
Interest payable	-	79,225	1,753,389	-	-	1,832,614
Balance as of 31 December 2010	**7,867,177**	**9,540,843**	**27,609,471**	**14,852,178**	**-**	**59,869,669**
Interest bearing loans and borrowings	9,142,081	2,937,204	25,240,076	904,363	-	38,223,724
Trade and other payables	6,446,673	16,403,912	-	-	-	22,850,585
Interest payable	-	8,675	2,973,464	445,202	-	3,427,341
Balance as of 31 December 2009	**15,588,754**	**19,349,791**	**28,213,540**	**1,349,565**	**-**	**64,501,650**

The Company seeks to maintain sufficient financing to meet the financial liabilities on time. In 2010 the management of the Company believes that during 2011 the restructuring of maturity terms of some financial obligations and the additional monetary funds to finance the operations of the Company will be implemented successfully (Notes 2.2 and 32).

29 Capital and risk management (cont'd)

Foreign exchange risk

The Company significantly decreased income earned in US dollars. Also there were no liabilities left in US dollars as of 31 December 2010. Foreign exchange risk decreased significantly because most of income was earned in euros. Litas is pegged to euro at the rate of 3.4528 litas for 1 euro. There were no new derivative foreign currency transactions made in 2010 and 2009. The Company does not apply hedging accounting for derivative financial instruments.

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

	Increase (decrease) of LTL/USD exchange rate	Effect on the profit before tax, LTL thousand
2010	5%	2
	-5%	(2)
2009	5%	327
	-5%	(327)

Capital management

The Company manages share capital, share premium, legal reserves, other reserves and retained earnings as capital. The primary objectives of the Company's capital management are to ensure that the Company complies with the externally imposed capital requirements and to maintain appropriate capital ratios in order to ensure its business and to maximise the shareholders' benefit.

The Company manages its capital structure and makes adjustments to it in the light of changes in the economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As described in Note 1, 2,908,350 ordinary shares with the nominal value of LTL 1 each were issued in 2010.

The Company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 December 2010 and 2009 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Company.

30 Commitments and contingencies

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

The Company acknowledged and accounted for under trade payables caption a part of the adjudged amount in total LTL 1,680 thousand as of 31 December 2010 (LTL 1,560 thousand for unpaid goods, LTL 120 thousand interest and court expenses in the remainder) and additionally accounted for LTL 100 thousand of legal interest payable in administration expenses for 2010 (LTL 120 thousand for 2009).

The Company does not acknowledge a part of the adjudged amount in total of LTL 489 thousand (and 6% legal interest charged on it) as the goods for the mentioned payable were not delivered by the Plaintiff. The Company expects either the delivery of the goods for the adjudged amount and corresponding recognition of trade payable thereof or to win the ongoing legal process with respect to LTL 489 thousand (and 6% legal interest charged on it) and therefore did not recognised the provision for the above mentioned amount in these financial statements as of 31 December 2010.

31 Related party transactions

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

Amber Trust II S.C.A. (shareholder)
UAB Hermis Capital (companies controlled by members of management and their close relatives);
UAB Meditus (company controlled by members of management and/or their close relatives).

Companies UAB Baltijos Polistirenas and UAB Astmaris are no longer related in 2009 and 2010 although they were in 2008.

Subsidiaries:

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

Transactions carried out with subsidiaries:

	Purchases		Sales	
	2010	**2009**	**2010**	**2009**
OOO Techprominvest	2,588,883	1,613,571	79,571	772,656
TOB Snaigė Ukraina	113,942	916,038	-	180,008
UAB Almecha	7,450,996	6,995,356	5,920,003	5,658,683
OOO Liga-Servis	-	4,731	-	-
	10,153,821	9,529,696	5,999,574	6,611,347

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

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

	2010	**2009**
Non-current receivables		
Non-current receivable from OOO Techprominvest	37,910,615	39,558,662
Less: allowance	(2,153,239)	(2,153,239)
Total non-current receivables	35,757,376	37,405,423
Current receivables		
Trade receivables from OOO Techprominvest	132,853	854,499
Trade receivables from TOB Snaigė Ukraina	6,804	39,279
Trade receivables from UAB Almecha	1,318,794	798,106
Total current receivables	1,458,451	1,691,884
	37,215,827	39,097,307

31 Related party transactions (cont'd)

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

	Receivables from subsidiaries and granted loans neither past due nor impaired	Receivables from subsidiaries and granted loans past due but not impaired						
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2010	1,480,268	13,712	16,308	-	7,424	35,698,115	37,215,827
2009	2,003,973	14,995	18,992	5,652	12,627	37,041,068	39,097,307

As of 31 December 2009 the Company accounted for impairment of receivables from OOO Techprominvest amounting to LTL 2,153 thousand. The impairment charge was accounted for as administration expenses in the statement of comprehensive income. The Company's management believes that the remaining amount of long term receivable from this subsidiary amounting to LTL 35,757 thousand will be recovered from the sale of the subsidiary's buildings and by purchasing back the machinery and equipment. Carrying value of building as of 31 December 2010 amounts to LTL 18,621 thousand and the management expects to dispose it in a few years for a price of at least LTL 31,000 thousand; such plans are based on analysis of real estate market and actual discussions with potential buyers, however no binding sales-purchase agreements have been made as of the date of release of these financial statements.

Carrying value of machinery and equipment to be retrieved back including estimated transportation and installation expenses as of 31 December 2010 approximately amounts to LTL 10,000 thousand. As further disclosed in Note 32 the above mentioned building as part of machinery and equipment have been damaged, however according to the Company's management this accident does not impact the recoverability of amount receivable as assets were insured. Therefore there is no need to account for additional valuation allowance for receivable.

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

	2010	2009
OOO Techprominvest	13,030	5,597
TOB Snaigė Ukraina	8,287	58,003
OOO Liga-Servis	13,766	344,771
UAB Almecha	748,984	613,551
	784,067	1,021,922

Financial and investment transactions with the related parties:

	2010			2009		
	Loans received	Repayment of loans	Interest paid	Loans received	Repayment of loans	Interest paid
UAB Hermis Capital	-	-	-	-	5,713,379	1,087,241
Amber Trust II S.C.A.	-	576,942	423,068	-	-	-
	-	576,942	423,068	-	5,713,379	1,087,241

On 31 December 2009 a transfer of claim agreement was signed between Amber Trust II SCA and UAB Meditus according to which Amber Trust II SCA has undertaken the right to claim for outstanding LTL 1,000 thousand loan bearing 14% annual interest rate from AB Snaige and accrued interest in total LTL 423 thousand. During 2010 the Company repaid LTL 577 thousand of loan and LTL 423 thousand of interest and the outstanding payable as of 31 December 2010 comprised LTL 423 thousand loan (accounted for under current borrowings caption) and LTL 91 thousand interest (accounted for under other current liabilities caption).

As of 31 December 2010 UAB Hermis Capital held 32,287 units of convertible bonds with the par value of EUR 100 (equivalent to LTL 345) each (Note 23).

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 (equivalent to LTL 345) each.

As of 31 Decemeber 2010 the Company had no signed guarantee agreements, according to which it guaranteed payments to suppliers for liabilities of the subsidiaries.

31 Related party transactions (cont'd)

Remuneration of the management and other payments

The management of the Company includes the chairman of the board, board members, the general manager and functional managers. Remuneration of the Company's and subsidiaries' management amounted to LTL 1,264 thousand in 2010 (LTL 1,340 thousand in 2009). In 2010 and 2009 the management of the Company did not receive any loans, guarantees, no other payments or property transfers were made or accrued.

32 Subsequent events

During the period from 4 to 7 January 2011 a part of the roof of the building held by the subsidiary OOO Techprominvest (Note 1) has broken and made damage to machinery and equipment, which was packed and ready to be transported to the premises of the Company in Alytus. The net book value of the damaged machinery and equipment comprises app. LTL 4,000 thousand based on the management's estimates, while the net book value of total machinery and equipment to be transported to the Company amounts to LTL 10,591 thousand. The building and machinery and equipment were insured against damage risk at the moment of the accident, however as of the date of release of these financial statements the insurance company's investigation was still in process. The management of the Company expects the damage loss will be compensated.

On 11 January 2011 UAB Hermis Capital signed an agreement to sell convertible bonds issued by the Company (ISIN - LT1000401315, nominal value - 100 EUR, redemption date - 11 April 2011) to the following shareholders of the Company: KJK Fund SICAV-SIF – 6,617 bonds, Firebird Republics Fund, Ltd – 1,629 bonds, Firebird Avrora Fund, Ltd – 1,630 bonds. The agreement also gives buyers the rights to acquire the remaining 22,411 convertible bonds held by UAB Hermis Capital, which can be converted to shares until 10 April 2011.

On 7 February 2011 the shareholders of the Company KJK Fund SICAV-SIF, Firebird Republics Fund, Ltd., Firebird Avrora Fund, Ltd. and Amber Trust S.C.A. (the Funds) signed the Shareholders Agreement and became legal persons acting in concert whose acquired shares in the Company jointly entitle to 38.64 % (represents 11,875,795 shares) votes in the general meeting of the shareholders of the Company. The shareholders KJK Fund SICAV-SIF, Firebird Republics Fund, Ltd., Firebird Avrora Fund, Ltd. on behalf of the Funds as of 14 March 2011 announced the mandatory non-competitive offer to purchase the remaining 18,859,920 of shares of the Company for EUR 0.33 (equivalent to LTL 1.14) each.

On 31 March 2011 the credit line extension agreement has been signed with the bank. The credit line limit is set to EUR 694 thousand (LTL 2,396 thousand equivalent) and bears 6 month EURBIROR + 4.5% annual interest rate. The credit line matures on 31 March 2012.

On 6 April 2011 the LTL 8.3 million loan agreement was signed. The loan bears 9 % annual interest rate and matures on 6 April 2013.

On 11 April 2011 pursuant to the decision of convertible bonds owners 23,386 units of convertible bonds with the par value of EUR 100 each (equivalent to LTL 345) each were converted into 8,886,680 ordinary registered shares of the Company with the par value of LTL 1 each and the share capital was increased accordingly.

Convertible bonds, which matured on 11 April 2011 and amounted to LTL 23.4 million redemption value, were redeemed using LTL 6.9 million of loan obtained on 6 April 2011, LTL 2.1 million own Company's funds and LTL 5.5 million granted by current shareholders in the form of short term debt. The remaining LTL 8.9 million of convertible bonds were converted to ordinary registered shares of the Company as described above.

As of 18 April 2011 the shareholders of the Company decided to issue new non-public emission of 30,000 units of convertible bonds with the par value of LTL 100 each. The annual interest rate is 9 %, which are paid quarterly and on the maturity of the convertible bonds, the bonds expire in 732 days. Bonds can be converted to shares on the ratio of 1 : 100 at maturity.