AB SNAIGĖ

CONSOLIDATED 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 and its subsidiaries (hereinafter the Group), which comprise the consolidated statement of financial position as of 31 December 2010, the consolidated 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 Group for the year ended 31 December 2008 due to significant uncertainties related to unfavourable impact on the Group's operations caused by the worldwide economic crisis. During 2009 the Group'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 Group has adjusted the figures according to the finally approved plan of operations, recording all changes in the consolidated 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 consolidated statements of comprehensive income and cash flows between the year 2008 and the year 2009.

Basis for Qualified Opinion on the Financial Position

Significant uncertainty exists in respect of the recoverable amount of manufacturing and administrative premises - building of the subsidiary Techprominvest OOO (net book value amounting to LTL 18,622 thousand as of 31 December 2010), the recoverability of which is highly dependent upon the favourable disposal as further described in Note 2.2. We are not able to obtain sufficient and appropriate audit evidence in respect of this matter, therefore we are not able to conclude on whether the entire carrying value of these assets 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 Group 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.

Consolidated statement of comprehensive income

	Notes	2010	2009
Sales	3	113,838,664	123,035,965
Cost of sales	4	(96,411,168)	(110,413,978)
Gross profit		**17,427,496**	**12,621,987**
Selling and distribution expenses	6	(6,759,482)	(9,519,077)
Administrative expenses	7	(12,923,681)	(27,444,126)
Other income	5	749,746	506,486
Other expenses	8	(300,138)	(504,810)
Operating (loss)		**(1,806,059)**	**(24,339,540)**
Financial income	9	2,839,416	360,256
Financial expenses	10	(4,126,869)	(9,499,859)
(Loss) before income tax		**(3,093,512)**	**(33,479,143)**
Income tax income (expense)	11	480,605	(4,703,092)
Net (loss)		**(2,612,907)**	**(38,182,235)**
Other comprehensive income			
Exchange differences on translation of foreign operations	19	567,044	(1,599,980)
Total comprehensive income, net of tax		**(2,045,863)**	**(39,782,215)**
Net (loss) attributable to:			
The shareholders of the Company		(2,612,706)	(38,181,050)
Non-controlling interest		(201)	(1,185)
Total comprehensive income, net of tax, attributable to:			
The shareholders of the Company		(2,045,662)	(39,781,030)
Non-controlling interest		(201)	(1,185)
Basic (loss) per share	27	(0.087)	(1.372)
Diluted profit (loss) per share	27	0.002	(0.665)

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

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

Consolidated statement of financial position

	Notes	As of 31 December 2010	As of 31 December 2009
ASSETS			
Non-current assets			
Intangible assets	12	4,914,786	4,857,966
Property, plant and equipment	13	56,696,210	52,612,170
Other non-current assets	23	1,000,000	-
Deferred income tax asset	11	122,106	44,995
Total non-current assets		**62,733,102**	**57,515,131**
Assets classified as held for sale	13	**-**	**9,577,200**
Current assets			
Inventories	14	12,489,892	18,919,843
Trade receivables	15	14,950,992	15,295,242
Prepaid income tax		-	135,120
Other current assets	16	2,147,465	2,006,019
Cash and cash equivalents	17	1,970,839	1,725,087
Total current assets		**31,559,188**	**38,081,311**
Total assets		**94,292,290**	**105,173,642**

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

Consolidated statement of financial position (cont'd)

	Notes	As of 31 December 2010	As of 31 December 2009
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the Company			
Share capital	1, 18	30,735,715	27,827,365
Share premium	18	5,698,656	18,727,270
Legal reserve	19	2,828,472	2,828,472
Reserves	19	1,860,000	1,860,000
Foreign currency translation reserve	19	(6,274,902)	(6,841,946)
Retained (deficit)		(4,272,240)	(14,688,148)
		30,575,701	**29,713,013**
Non-controlling interest		**1,475**	**1,676**
Total equity		**30,577,176**	**29,714,689**
Liabilities			
Non-current liabilities			
Grants and subsidies	20	1,282,433	1,600,737
Warranty provision	21	769,517	1,139,120
Deferred income tax liability	11	150,898	515,337
Non-current borrowings and financial lease obligations	23, 24	11,765,095	904,363
Non-current employee benefits	22	359,828	389,394
Total non-current liabilities		**14,327,771**	**4,548,951**
Current liabilities			
Current borrowings, current portion of non-current borrowings and financial lease obligations	23, 24	25,201,822	37,519,361
Trade payables		16,162,154	22,662,229
Advances received		627,570	1,046,343
Warranty provision	21	1,993,555	2,620,737
Other current liabilities	26	5,402,242	7,061,332
Total current liabilities		**49,387,343**	**70,910,002**
Total equity and liabilities		**94,292,290**	**105,173,642**

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

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

Consolidated statement of changes in equity

		Attributable to equity holders of the Company								
	Notes	Share capital	Share premium	Legal reserve	Reserves	Foreign currency translation reserve	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
Balance as of 1 January 2009		**27,827,365**	**18,727,270**	**2,828,472**	**4,512,300**	**(5,241,966)**	**20,840,602**	**69,494,043**	**2,861**	**69,496,904**
Net (loss) for the year		-	-	-	-	-	(38,181,050)	(38,181,050)	(1,185)	(38,182,235)
Other comprehensive income	19	-	-	-	-	(1,599,980)	-	(1,599,980)	-	(1,599,980)
Total comprehensive income		-	-	-	-	**(1,599,980)**	**(38,181,050)**	**(39,781,030)**	**(1,185)**	**(39,782,215)**
Transfer from reserves	19	-	-	-	(2,652,300)	-	2,652,300	-	-	-
Balance as of 31 December 2009		**27,827,365**	**18,727,270**	**2,828,472**	**1,860,000**	**(6,841,946)**	**(14,688,148)**	**29,713,013**	**1,676**	**29,714,689**
Net (loss) for the year		-	-	-	-	-	(2,612,706)	(2,612,706)	(201)	(2,612,907)
Other comprehensive income	19	-	-	-	-	567,044	-	567,044	-	567,044
Total comprehensive income		-	-	-	-	**567,044**	**(2,612,706)**	**(2,045,662)**	**(201)**	**(2,045,863)**
Share capital increase	1	2,908,350	-	-	-	-	-	2,908,350	-	2,908,350
Transfer to retained deficit	18	-	(13,028,614)	-	-	-	13,028,614	-	-	-
Balance as of 31 December 2010		**30,735,715**	**5,698,656**	**2,828,472**	**1,860,000**	**(6,274,902)**	**(4,272,240)**	**30,575,701**	**1,475**	**30,577,176**

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

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

Consolidated cash flow statement

	Notes	2010	2009
Cash flows from (to) operating activities			
(Loss) before tax		(3,093,512)	(33,479,143)
Adjustments for non-cash items:			
Depreciation and amortisation	12, 13	8,238,166	9,996,445
(Amortisation) of subsidies	20	(318,304)	(399,974)
Result from disposal of non-current assets	5	(38,077)	(8,790)
Write-off of non-current assets	13	812,378	9,421,051
Write-off of inventories		161,725	21,770
Change in allowance for trade receivables	7	343,559	2,820,663
Loss on change in fair value of derivative financial instruments		-	645,961
Change in warranty provision	21	(996,785)	(1,579,224)
Foreign currency exchange loss, net		-	84,735
Interest (income)	9	(13,235)	(19,622)
Interest expenses	10	4,091,649	2,803,719
		9,187,564	(9,692,409)
Changes in working capital:			
Decrease in inventories		6,268,226	37,686,134
(Increase) decrease in trade and other receivables		(140,755)	26,669,232
(Decrease) in trade payables and other payables		(10,212,807)	(28,921,106)
Advance income tax returned (paid)		135,120	(212,971)
Net cash flows from operating activities		**5,237,348**	**25,528,880**
Cash flows from (to) investing activities			
(Acquisition) of tangible assets	13	(724,627)	(143,322)
(Acquisition) of intangible assets	12	(708,605)	(440,808)
Proceeds from disposal of non-current assets		68,507	176,030
Interest received		13,235	19,622
Net cash flows (to) investing activities		**(1,351,490)**	**(388,478)**

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

Consolidated cash flow statement (cont'd)

	2010	2009
Cash flows from (to) financing activities		
Proceeds from borrowings	10,784,527	-
Interest (paid)	(1,163,771)	(2,803,719)
(Repayment) of non-current borrowings	(12,458,880)	(28,621,329)
Financial lease (payments)	(801,982)	(828,370)
Emission of convertible bonds	-	7,162,801
Net cash flows (to) financing activities	**(3,640,106)**	**(25,090,617)**
Net increase in cash and cash equivalents	**245,752**	**49,785**
Cash and cash equivalents at the beginning of the year	**1,725,087**	**1,675,302**
Cash and cash equivalents at the end of the year	**1,970,839**	**1,725,087**
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.

General 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.

The Group consists of AB Snaigė and the following subsidiaries as of 31 December 2010 (hereinafter the Group) (the structure of the Group remains unchanged comparing to 2009):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
OOO Techprominvest	Russia (Kaliningrad)	100%	(917,630)	6,833,104
TOB Snaige Ukraina	Ukraine	99%	(35,258)	25,631
OOO Moroz Trade	Russia	100%	-	(14,064,720)
OOO Liga Servis	Russia	100%	(292,587)	(1,315,328)
UAB Almecha	Lithuania	100%	38,646	248,160

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.

1 General information (cont'd)

The subsidiary OOO Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. On 12 August 2009 due to global economic crisis and particularly unfavourable effect of it on the Group activities, the management of the Group made a decision to terminate the activities of AB Snaigė refrigerator factory OOO Techprominvest. Goodwill that arose during the acquisition of minority of the subsidiary in 2006 and 2007 amounting to LTL 12,313 thousand (at the moment of acquisition RUB 123,168 thousand) was written off as of 31 August 2009. The expenses of write-off of the carrying amount of goodwill amounting to LTL 9,390 thousand were included into administrative expenses caption in 2009. Foreign currency revaluation reserve related to goodwill that appeared due to foreign currency fluctuations amounting to LTL 2,923 thousand is accounted for in equity (Note 19).

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

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

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

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

As of 31 December 2010 the number of employees of the Group was 777 (as of 31 December 2009 – 812).

The Group's management authorised 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 Group'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 financial statements are prepared on the historical cost basis.

Adoption of new and/or changed IFRSs and IFRIC interpretations

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.

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

Adoption of new and/or changed IFRSs and IFRIC interpretations (cont'd)

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 Group'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 Group.

Other

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

- 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 Group 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 Group does not expect that the change will have any impact on the financial statements since the Group 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 Group 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 Group, as the Group 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 Group, however, it may impact the related parties disclosures.

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

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 Group 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 Group:

- 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*.

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 Group 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 Group does not have transactions addressed by IFRIC 19, it will not have any impact on its financial statements.

2.2 Going concern

The Group's current liabilities exceeded current assets by LTL 17,828 thousand as of 31 December 2010 (LTL 32,829 thousand as of 31 December 2009), liquidity ratio (total current assets / total current liabilities) was 0.64 (0.54 as of 31 December 2009), quick ratio ((total current assets – inventories) / total current liabilities) – 0,39 (0.27 as of 31 December 2009). In 2010 the Group incurred LTL 3,094 thousand pre tax loss (by LTL 30,385 thousand less than in 2009). Despite this, these financial statements for the year ended 31 December 2010 are prepared under the assumption that the Group will continue as a going concern at least 12 months from the balance sheet date. The going concern is based on the following assumptions and management plans:

- in 2011 the Group expects 12% increase sales comparing to 2010 and additionally to optimise fixed costs of production and administration. In order to finance the working capital the Group is planning to perform successful sales of finished goods and 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 Group, the fair price for the building would be app. LTL 31 million.

While preparing the financial statements for the year ended 31 December 2009 the management of the Group 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 Group'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 Group'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 Group continues to adopt the going concern basis for accounting in preparing these financial statements.

2 Accounting principles (cont'd)

2.3 Presentation currency

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

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

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

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

The applicable exchange rates of the functional currencies as of the 31 December 2010 and 2009 were as follows:

	2010	**2009**
RUB	0.085535	0.079465
UAH	0.32788	0.29842

2.4 Principles of consolidation

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

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

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

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

<u>Business combinations from 1 January 2010</u>

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

2 Accounting principles (cont'd)

2.4 Principles of consolidation (cont'd)

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

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

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

<u>Business combinations prior to 1 January 2010</u>

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Intangible assets, except for goodwill

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

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

2 Accounting principles (cont'd)

2.5 Intangible assets, except for goodwill

Research and development

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

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

Licenses

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

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised over a period not exceeding 4 years.

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

2.6 Property, plant and equipment

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

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

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

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

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

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

2 Accounting principles (cont'd)

2.6 Property, plant and equipment (cont'd)

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

Buildings and structures	15 - 63 years,
Machinery and equipment	5 - 30 years,
Vehicles	4 - 6 years,
Other property, plant and equipments	3 - 8 years.

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

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

2.7 Non-current assets held for sale

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

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

2.8 Financial assets

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

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

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

The Group did not have financial assets at fair value through profit or loss, held to maturity investments or available for sale financial assets as of 31 December 2010 and 2009.

<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 Accounting principles (cont'd)

2.9 Inventories

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

2.10 Cash and cash equivalents

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

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

2.11 Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised in 2009 and 2010.

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

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 remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2.12 Derivative financial instruments

The Group engages in forward foreign currency contracts. Forward contracts are initially recognized at cost. Subsequent to initial recognition and measurement, outstanding forwards are carried in the 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 Group 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 Accounting principles (cont'd)

2.13 Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

2.14 Factoring

Factoring transaction is a funding transaction wherein the group transfers to factor claim rights for determined fee. The companies alienate rights to receivables due at a future date according to invoices. Factoring transactions of the Group comprise factoring transactions with regress (recourse) right (the factor is entitled to returning the overdue claim back to the Group). Factored accounts receivable (with regress right) and related financing are recorded in accounts receivable caption and borrowings and financial lease obligations caption.

2.15 Financial lease and operating lease

Financial lease – the Group as lessee

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

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

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

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

2 Accounting principles (cont'd)

2.15 Financial lease and operating lease (cont'd)

Operating lease – the Group as lessee

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

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

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

2.16 Grants and subsidies

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

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

2.17 Provisions

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

2.18 Non-current employee benefits

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

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

2 Accounting principles (cont'd)

2.19 Income tax

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

The standard income tax rate in Lithuania was 15% in 2010 (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 Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

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

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

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

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

2.20 Revenue recognition

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

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

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

In these consolidated financial statements intercompany sales are eliminated.

2.21 Impairment of assets

Financial assets

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

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

Other assets

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

2 Accounting principles (cont'd)

2.22 Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to going concern assumptions (Note 2.2), depreciation (Notes 2.6. and 13), amortisation (Notes 2.5. and 12), provisions, non-current employee benefits, evaluation of impairment for accounts receivable, inventories and property, plant and equipment (Notes 2.17, 2.18, 2.21, 13, 14, 15, 21 and 22), evaluation of deferred income tax asset recognition and valuation allowance (Note 11). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

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

2.23 Contingencies

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

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

2.24 Subsequent events

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

2.25 Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain 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 5). In 2010 the Group accounted the 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 Group's main activity.

3 Segment information

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

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

Group	Total segment sales revenue		Inter-segment sales		Sales revenue		Total assets by its location *		Acquisition of property, plant and equipment and intangible assets	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Russia	2,518	20,141	(367)	(1,605)	2,151	18,536	28,842	33,654	-	-
Ukraine	41,508	14,326	(94)	(180)	41,414	14,146	28	41	-	-
Western Europe	45,517	63,571	-	-	45,517	63,571	-	-	-	-
Eastern Europe	8,442	11,084	-	-	8,442	11,084	-	-	-	-
Lithuania	23,320	21,852	(15,230)	(13,117)	8,090	8,735	65,422	71,479	1,433	1,660
Other CIS countries	6,994	4,524	-	-	6,994	4,524	-	-	-	-
Other Baltic states	1,161	1,990	-	-	1,161	1,990	-	-	-	-
Other countries	70	450	-	-	70	450	-	-	-	-
Total	129,530	137,938	(15,691)	(14,902)	113,839	123,036	94,292	105,174	1,433	1,660

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

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

In 2010 the sales to the buyer S.A. Conforama comprised 10.54 % of total sales and in 2009 sales to the buyer OOO Electrolux RUS comprised 12.52 % of total sales.

4 Cost of sales

	2010	2009
Raw materials	73,214,075	76,851,438
Salaries and wages	9,022,149	9,945,582
Depreciation and amortisation	4,636,384	4,725,012
Other	9,538,560	18,891,946
	96,411,168	110,413,978

5 Other income

	2010	2009
Income from transportation services	231,366	248,283
Income from rent of premises	325,397	23,991
Gain on disposal of property, plant and equipment	38,077	8,790
Income from rent of equipment	3,847	651
Other	151,059	224,771
	749,746	506,486

6 Selling and distribution expenses

	2010	2009
Transportation	3,467,997	4,418,373
Warranty service expenses	988,621	793,805
Salaries and social security	882,297	727,124
Market research, sales promotion and commissions to third parties	524,442	825,548
Insurance	336,225	114,892
Advertising	180,908	250,462
Certification expenses	179,012	158,991
Rent of warehouses and storage expenses	112,788	469,224
Production dispatch expenses	29,978	46,951
Business trips	53,577	32,827
Depreciation and amortisation	-	39,801
Other	3,637	1,641,079
	6,759,482	9,519,077

7 Administrative expenses

	2010	2009
Salaries and social security	5,259,567	8,432,410
Depreciation and amortisation	2,181,468	2,594,190
Taxes, other than income tax	1,196,856	1,270,050
Change in allowance for accounts receivable (Note 15)	343,559	2,255,790
Write-off of goodwill (Note 1)	-	9,390,299
Non-current employee benefits (Note 22)	(29,566)	389,394
Other	3,971,797	3,111,993
	12,923,681	27,444,126

Change of allowance for receivables in the years 2010 and 2009 is mainly related to overdue receivables from clients in Russia and Ukraine (Note 15).

8 Other expenses

	2010	2009
Transportation expenses	234,523	252,578
Expenses from rent of equipment	1,549	48,931
Result of sale of non-current assets	-	65,173
Expenses of auxiliary departments	-	31,922
Other	64,066	106,206
	300,138	504,810

9 Financial income

	2010	2009
Foreign currency exchange gain, net	2,821,649	-
Gain on revaluation of foreign currency derivatives	-	340,630
Interest income and other	17,767	19,626
	2,839,416	360,256

10 Financial expenses

	2010	2009
Interest expenses	4,091,649	5,607,863
Foreign currency exchange loss, net	-	2,888,474
Loss on revaluation of foreign currency derivatives	-	726,587
Realised loss on foreign currency derivatives	-	260,004
Other	35,220	16,931
	4,126,869	9,499,859

11 Income tax

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

	2010	2009
Components of the income tax expense (income)		
Current income tax for the reporting year	(10)	(24)
Deferred income tax income (expenses)	491	(4,679)
Income tax income (expenses) recorded in the statement of comprehensive income	481	(4,703)

11 Income tax (cont'd)

	As of 31 December 2010	As of 31 December 2009
Deferred income tax asset		
Tax loss carried forward	10,742	8,966
Allowance for receivables	648	313
Warranty provisions	427	589
Accrued liabilities	66	181
Other	72	85
Deferred income tax asset before valuation allowance	11,955	10,314
Less: valuation allowance	(11,055)	(9,301)
Deferred income tax asset, net	900	833
Deferred income tax liability		
Capitalised development and repair costs	(929)	(881)
Difference of tax basis and carrying amount of inventories	-	(422)
Deferred income tax liability	(929)	(1,303)
Deferred income tax, net	(29)	(470)
Presented in the statement of financial position:		
Deferred income tax asset	122	45
Deferred income tax liability	(151)	(515)

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

	Balance as of 31 December 2009	Recognised in statement of comprehensive income	Effect of changes in foreign currency rate	Balance as of 31 December 2010
Tax loss carried forward	8,966	1,182	594	10,742
Allowance for receivables	313	335	-	648
Accruals	181	(115)	-	66
Warranty provisions	589	(164)	2	427
Other	85	(13)	-	72
Difference of tax basis and carrying amount of inventories	(422)	463	(41)	-
Capitalised development and repair costs	(881)	(37)	(11)	(929)
Valuation allowance	(9,301)	(1,160)	(594)	(11,055)
Deferred income tax, net	(470)	491	(50)	(29)

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

Tax loss amounting to LTL 15,787 thousand can be carried forward for indefinite period and tax loss amounting to LTL 37,390 thousand can be carried forward for six years on average.

11 Income tax (cont'd)

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

	2010	2009
Profit (loss) before tax	(3,094)	(33,479)
Income tax (expenses) income computed using the statutory tax rate (15% in 2010 and 20% in 2009)	464	6,696
Non-tax deductible expenses	1,716	(2,012)
Change in income tax valuation allowance	(1,754)	(6,443)
Difference in income taxes rates of subsidiaries	55	-
Effect of change of income tax rate (Note 2.19)	-	(2,944)
Income tax (expenses) income recorded in statement of comprehensive income	481	(4,703)

12 Intangible assets

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

12 Intangible assets (cont'd)

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

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

On 31 December 2010 and 2009 the Group performed the impairment test of intangible assets. After the impairment test has been performed the management did not identify the impairment of intangible assets (Note 13).

13 Property, plant and equipment

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

13 Property, plant and equipment (cont'd)

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

The depreciation charge of the Group's property, plant and equipment for 2010 amounts to LTL 7,586 thousand (LTL 8,963 thousand for 2009). The amount of LTL 6,057 thousand for 2010 (LTL 7,470 thousand for 2009) was included into production costs. The remaining amount of LTL 1,529 thousand (LTL 1,493 thousand for 2009) was included into administration expenses in the Group's statement of comprehensive income.

The Group's management has performed an internal analysis in order to assess whether subsidiary's owned industrial building, which is not actively used in operations, should be classified as investment property or asset held for sale. However it was decided, that the respective classification criteria are not met and therefore asset should be accounted as designated for own use.

At 31 December 2010 buildings of the Group with the net book value of LTL 6,238 thousand (as of 31 December 2009 – LTL 22,678 thousand) and machinery and equipment with the net book value of LTL 7,359 thousand (as of 31 December 2009 – LTL 5,204 thousand) were pledged to banks as a collateral for the loans (Note 23).

The liabilities to the owners of ordinary bonds are secured by the pledge of machinery and equipment with the net book value of LTL 3,247 thousand as of 31 December 2010 (Note 23).

<u>Impairment estimation</u>

On 31 December 2010 and 2009 the Group has performed the impairment test of intangible assets and property, plant and equipment. Assessment of impairment of a part of property, plant and equipment, the net book value of which amounts to LTL 18,622 thousand as of 31 December 2010 and LTL 18,867 thousand as of 31 December 2009 (industrial building of subsidiary OOO Techprominvest), was based on comparative market price method. After the impairment test has been performed the management did not identify the impairment of the industrial building.

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

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

13 Property, plant and equipment (cont'd)

Impairment estimation (cont'd)

Attribution of the mentioned remaining part of net book values (LTL thousand) of intangible assets and property, plant and equipment to AB Snaigė CGU as of 31 December 2010 and 2009 is presented below:

	2010	**2009**
Intangible assets and property, plant and equipment	42,989	38,603
Less: grants	(1,282)	(1,601)
Total	**41,707**	**37,002**

AB Snaigė CGU

The whole Company was defined as a cash generating unit (CGU). The recoverable value of CGU is established based on the calculation of value-in-use following post-tax cash flow forecasts according to financial budgets of five years, which have been approved by the top management. The cash flow forecast 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:

	2010	**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) Sales growth rate. 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.

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.

The realisation of aforementioned assumptions is closely related to realisation of general going concern assumptions made by the management of the Group and disclosed in Note 2.2.

13 Property, plant and equipment (cont'd)

Impairment estimation (cont'd)

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

	2010	2009
Given the half rate of the expected sales growth and all other assumptions being constant	-	13 %
Given the gross margin decreased to 20% during the forecast period and all other assumptions being constant	1 %	11 %

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

Assets reclassified as held for sale

In 2009 the management of the Group planned to use the major part of Kaliningrad plant equipment in the construction of the new refrigerator plant in Kazakhstan, which would be operated by enterprise TOO Snaige-Saryarka established by the Company in cooperation with Kazakhstan social-entrepreneurship corporation national company Saryarka. The management of the Group expected that this project will be realised in the upcoming year, therefore the assets have been categorised as held for sale as of 31 December 2009. Calculation of depreciation was stopped in April 2009, after the decision to participate in the joint venture has been taken.

As of 31 December 2010 the development of the enterprise TOO Snaige-Saryarka was not certain due to changes in governing officers in Kazakhstan social-entrepreneurship corporation national company Saryarka and the management of the Group at the end of the year 2010 made a decision to transfer the equipment and machinery, classified as held for sale as of 31 December 2009, to the manufacturing facilities in Alytus. As a result the aforementioned machinery and equipment was reclassified to property, plant and equipment as of 31 December 2010 and attributed to AB Snaige CGU for impairment testing purposes.

14 Inventories

	As of 31 December 2010	As of 31 December 2009
Raw materials and spare parts and production in progress	8,505,394	10,470,164
Finished goods	3,802,014	8,504,123
Other	277,826	40,898
Total inventories, gross	12,585,234	19,015,185
Less: valuation allowance for finished goods	(95,342)	(95,342)
Total inventories, net	12,489,892	18,919,843

Raw materials and spare parts consist of compressors, components, plastics, wires, metals and other materials used in the production. The carrying amount of inventories accounted for at net realisable value amounted to LTL 579 thousand and LTL 1,100 thousand as of 31 December 2010 and 2009 respectively.

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

15 Trade receivables

	As of 31 December 2010	As of 31 December 2009
Trade receivables	28,536,018	27,899,204
Less: valuation allowance for doubtful trade receivables	(13,585,026)	(12,603,962)
	14,950,992	15,295,242

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 13,585 thousand (as of 31 December 2009 – LTL 12,604 thousand) were impaired and fully provided for. Change in valuation allowance for doubtful trade receivables was included within administration expenses.

The Group's trade receivables from Western countries and former and current CIS countries amounting to LTL 7,661 thousand as of 31 December 2010 (LTL 8,091 thousand as of 31 December 2009) were insured by credit insurance Atradius Sweden, in 2009 – by credit insurance Coface Austria Kreditversichering AG Lithuania branch.

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

	2010	2009
Balance at the beginning of the period	(12,603,962)	(10,372,687)
Charge for the year	(479,304)	(2,713,130)
Write-offs of trade receivables	194,324	22,932
Effect of the change in foreign currency exchange rate	(831,829)	457,340
Amounts paid	135,745	1,583
Balance in the end of the period	(13,585,026)	(12,603,962)

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	12,905,309	1,398,400	396,722	60,410	66,591	123,560	14,950,992
2009	8,992,516	2,840,955	641,576	26,388	171,642	2,622,165	15,295,242

As of 31 December 2010 the Group 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 Group'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 expenses	1,156,778	1,299,316
VAT receivable	466,933	457,060
Compensations receivable from suppliers	97,042	158,075
Restricted cash	15,000	-
Other receivables	411,712	91,568
	2,147,465	2,006,019

17 Cash and cash equivalents

	As of 31 December 2010	As of 31 December 2009
Cash at bank	1,965,694	1,713,531
Cash on hand	5,145	11,556
	1,970,839	1,725,087

As of 31 December 2010 the accounts of the Group in foreign currency and Litas up to LTL 10,085 thousand (up to 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 the Company was in compliance with this requirement.

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

19 Reserves

<u>Legal reserve</u>

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As of 31 December 2009 the legal reserve was fully formed. Because the Company did not earn profit in 2010 no transfers to legal reserve will be made.

<u>Non-restricted reserves</u>

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).

<u>Foreign currency translation reserve</u>

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

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

20 Subsidies

Balance as of 1 January 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 subsidies were designated.

21 Warranty provision

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

Changes in warranty provisions in 2010 were as follows:

	2010
As of 1 January	3,759,857
Charged during the year (Note 6)	988,621
Utilised	(2,018,094)
Foreign currency exchange effect	32,688
As of 31 December	2,763,072

Warranty provisions are accounted for as of 31 December as:

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

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

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 Group's statement of comprehensive income and non-current employee benefit caption in the statement of financial position.

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

	As of 31 December 2010	As of 31 December 2009
Discount rate	4.67 %	7.67 %
Rate of employee turnover	17 %	17 %
Annual salary increase	5 %	5 %

The Group 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	6,916,527	
Ordinary bonds*	757,806	-
	11,693,943	-
Current borrowings		
Convertible bonds**	21,190,524	21,812,741
Ordinary bonds*	1,723,638	2,825,300
Current borrowings with fixed interest rate	1,403,448	1,000,000
Current borrowings with variable interest rate	51,000	9,342,081
Factoring liabilities	-	1,737,256
	24,368,610	36,717,378
	36,062,553	36,717,378

*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 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 current liabilities 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).

23 Borrowings (cont'd)

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.

As of 31 December 2010 buildings with the carrying amount of LTL 6,238 thousand (2009 – LTL 22,678 thousand), machinery and equipment with the net book value of LTL 7,359 thousand (2009 – LTL 5,204 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), as well as the right of claim for inflows from OOO Techprominvest, according to the agreement signed between AB Snaige and OOO Techprominvest on 30 April 2010, was pledged to the banks for loans provided. In addition LTL 1,000 thousand cash deposit accounted for in other non-current assets was restricted and pledged to banks until May 2015.

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

As of 31 December 2009 the Group 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 Group 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 Group 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 Group was in compliance with aforementioned covenant.

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	12,390,585	4,036,419
	36,062,553	36,717,378

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	51,000
2012 – 2016	4,019,610	6,916,527
After 2016	-	-
	5,423,058	6,967,527

As of 31 December 2010 the Group 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 Group 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 and 2009 are denominated in EUR.

The variable interest rates on the financial lease obligations in EUR vary depending on the 6-month EURIBOR + 2.246% margin.

Future minimal lease payments under the above-mentioned financial lease contracts 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 accounted for as:		
- current	833,212	801,983
- non-current	71,152	904,363

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

	As of 31 December 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 Group has concluded several contracts of operating lease of land and premises. The terms of lease do not include restrictions of the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. In 2010 the lease expenses of the Group amounted to LTL 290 thousand (LTL 350 thousand in 2009).

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

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

26 Other current liabilities

	As of 31 December 2010	As of 31 December 2009
Accrued interest on convertible bonds (Note 23)	1,571,663	2,842,515
Salaries and related taxes	1,724,586	1,425,809
Vacation reserve	1,356,500	1,148,417
Other accrued interest	260,951	497,755
Other taxes payable	260,769	640,497
Other payables and accrued expenses	227,773	506,339
	5,402,242	7,061,332

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

27 Basic and diluted profit (loss) per share

	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, attributable to the shareholders of Company	(2,612,706)	(38,181,050)
Interest on convertible bonds	2,712,556	3,529,265
Net (loss) for the year, attributable to the shareholders of Company, adjusted for the effect of dilution, in LTL	99,850	(34,651,785)
Basic (loss) per share, in LTL	(0.087)	(1.372)
Diluted profit (loss) per share, in LTL	0.002	(0.665)

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

28 Financial instruments

<u>Fair value of financial instruments</u>

The carrying amounts and fair values of the Group's financial assets and financial liabilities as of 31 December 2010 and 2009 were as follows:

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1,970,839	1,970,839	1,725,087	1,725,087
Other non-current assets	1,000,000	1,000,000		
Restricted cash	15,000	15,000	-	-
Trade and other receivables	15,048,034	15,048,034	15,453,317	15,453,317
Financial liabilities				
Fixed rate borrowings	29,095,026	29,095,026	25,638,041	25,638,041
Variable rate borrowings	6,967,527	6,967,527	9,342,081	9,342,081
Financial lease obligations	904,364	904,364	1,706,346	1,706,346
Trade and other payables	18,222,541	18,222,541	26,508,838	26,508,838
Factoring liabilities	-	-	1,737,256	1,737,256

28 Financial instruments (cont'd)

Fair value of 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 the fair value as fixed interest rates (9 % - 14 %) are close to market interest rates.

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

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

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

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

	2010	2009
Financial assets available for sale	-	(645,961)
Loans and receivables (Note 7)	(343,559)	(2,255,790)

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

29 Capital and risk management

Credit risk

Concentration of trading counterparties of the Group is rather insignificant. As of 31 December 2010 amounts receivable from the main 10 customers of the Group accounted for approximately 68.4 % (57.46 % as of 31 December 2009) of the total Group's trade receivables. The maximum exposure of the credit as of 31 December 2010 and 2009 comprise the carrying values of receivables.

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

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

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

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

A significant part of trade receivables is insured (Note 15). The Group does not guarantee for other parties' liabilities.

29 Capital and risk management (cont'd)

Interest rate risk

The part of the Group's borrowings is with variable rates, related to LIBOR, VILIBOR and EURIBOR, which creates an interest rate risk. As of 31 December 2010 and 2009 the Group did not use any financial instruments to manage interest rate risk.

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

	Increase/ decrease in basis points	Effect on the profit before tax (LTL thousand)
2010		
LTL	+ 100	(68)
LTL	- 200	136
2009		
EUR	+ 100	(126)
LTL	+ 100	(2)
EUR	- 200	251
LTL	- 200	4

Liquidity risk

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

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

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans, financial lease and borrowings	-	910,134	25,874,404	14,997,378	-	41,781,916
Interest payable	-	79,225	1,753,389	-	-	1,832,614
Trade and other payables	8,748,900	7,641,027	-	-	-	16,389,927
Balance as of 31 December 2010	**8,748,900**	**8,630,386**	**27,627,793**	**14,997,378**	**-**	**60,004,457**
Interest bearing loans, financial lease and borrowings	9,142,081	2,937,204	25,440,076	904,363	-	38,423,724
Interest payable	-	13,607	2,973,464	445,202	-	3,432,273
Trade and other payables	16,972,717	9,536,121	-	-	-	26,508,838
Other financial liabilities	-	580,904	1,742,711	1,436,243	-	3,759,858
Balance as of 31 December 2009	**26,114,798**	**13,067,836**	**30,156,251**	**2,785,808**	**-**	**72,124,693**

29 Capital and risk management (cont'd)

Liquidity risk (cont'd)

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

Foreign exchange risk

The Group significantly reduced income earned in US dollars. Also, there were no liabilities left in US dollars as of 31 December 2010. Consequently, foreign exchange risk decreased significantly because most of income was earned in euros to which Litas is pegged at the rate of 3.4528 Litas for 1 euro.

Monetary assets and liabilities of the Group denominated in various currencies as of 31 December 2010 and 2009 were as follows (LTL):

	2010		2009	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	3,743,936	26,385,169	2,438,687	43,935,929
EUR	14,805,430	34,517,364	12,612,225	26,573,434
USD	80,567	54,547	900,995	62,945
RUB	391,901	843,806	1,895,860	1,330,954
Other	12,790	4,225	14,386	3,880
Total	19,034,624	61,805,111	17,862,153	71,907,142

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

	Increase (decrease)	Effect on the profit before tax (LTL thousand)
LTL/USD exchange rate increase (decrease)		
2010	+ 5%	1
	- 5%	(1)
2009	+ 5%	42
	- 5%	(42)
2010	+ 10%	2
	- 10%	(2)
2009	+ 10%	84
	- 10%	(84)
LTL/RUB, EUR/RUB exchange rate increase (decrease)		
2010	+ 5%	(23)
	- 5%	23
2009	+ 5%	13
	- 5%	(13)
2010	+ 10%	(46)
	- 10%	46
2009	+ 10%	26
	- 10%	(26)

29 Capital and risk management (cont'd)

Foreign exchange risk (cont'd)

The following table demonstrates the sensitivity of the Group's profit before tax (due to change in the fair value of monetary assets and liabilities) to a reasonably possible change in respect of currency exchange rate (EUR held by subsidiary OOO Techprominvest), with all other variable held constant:

	Increase/ decrease in exchange rate	Effect on the profit before tax (LTL thousand)
2010		
EUR	+ 5 %	1,765
EUR	- 5 %	(1,765)
2009		
EUR	+ 5 %	1,941
EUR	- 5 %	(1,941)

The impact of translating the net assets of Russian operations into LTL using a sensitised LTL/RUB (EUR/RUB) exchange rate is excluded from the foreign exchange rate sensitivity analysis above.

Capital management

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

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

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

30 Commitments and contingencies

On 25 June 2009 a claim for the debt of LTL 2,049 thousand was filed against the Company by A/S Comfitt Glass (hereinafter the Plaintiff) at Kaunas County Court. According to the Plaintiff, the debt was for delivered and not paid goods. The Company 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 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 recognise 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 Group or have influence on it. To determine whether the parties are related the assessment is based on the nature of relation rather than the form.

The related parties of the Group and the transactions with related parties during 2010 and 2009 were as follows:

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 not related in 2009 and 2010 although they were in 2008.

The Group has a policy to conduct related party transactions on commercial terms and conditions. Outstanding balances at the year-end are unsecured, interest-free and settlement occurs in cash. There were no guarantees provided or received for any related party receivables or payables. As of 31 December 2010 and 2009 the Group has not recorded any impairment of receivables from related parties.

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 transfer of claim agreement was signed between Amber Trust II SCA and UAB Meditus according towhich Amber Trust II SCA has undertaken the right to claim the outstanding LTL 1,000 thousand loan bearing 14% annual interest rate from AB Snaige and accrued interest in total of LTL 423 thousand. During 2010 the Company repaid LTL 577 thousand of loan and LTL 423 interest and the outstanding payable as of 31 December 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 December 2010 the Company had no signed guarantee agreements, according to which it guaranteed payments to suppliers for liabilities of the subsidiaries OOO Techprominvest and UAB Almecha.

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

Remuneration of the Company's and subsidiaries' management amounted to LTL 1,264 thousand and LTL 335 thousand, respectively, in 2010 (LTL 1,340 thousand and LTL 635 thousand in 2009, respectively). The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

32 Subsequent events

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 (estimated repair cost comprise app. LTL 3,000 thousand based on management's estimates) 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 comprise 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 the 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 Group'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.