AB SNAIGĖ

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

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Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditors' report to the shareholders of AB Snaigė

Report on the Financial Statements

We have audited the accompanying financial statements of AB Snaigė (hereinafter the Company), which comprise the statement of financial position as at 31 December 2009, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (a summary of significant accounting policies and other explanatory notes).

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in section *Basis for Qualified Opinion on the Financial Position*, 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 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 audit opinion on the financial position.

Basis for Disclaimer of Opinion on the Financial Performance and Cash Flows

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

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Basis for Qualified Opinion on the Financial Position

As of 31 December 2009 the Company has an outstanding receivable from the subsidiary Techprominvest OOO amounting to LTL 38,260 thousand. Recoverability of this amount is dependent on the realization of non-current and current assets of the subsidiary. Part of this amount approximately comprising LTL 12,422 thousand is highly dependent upon the outcome of the joint venture establishment in Kazakhstan in the future (Note 32), as the Company is planning to obtain shares of new joint venture in return to this outstanding amount. We are not able to obtain sufficient audit evidence in respect of the recoverability of this part of the outstanding receivable from the subsidiary.

Disclaimer of Opinion on the Financial Performance and Cash Flows

Because of the significance of the matters described in section *Basis for Disclaimer of Opinion on the Financial Performance and Cash Flows* in relation to the Company's financial performance and cash flows for the year ended 31 December 2009, we are not in a position to, and we do not, express an opinion on the statements of comprehensive income and cash flows for the year then ended.

Qualified Opinion on the Financial Position

In our opinion, except for the effect of such adjustments, if any, as might have been required had we been able to perform the procedures described in section *Basis for Qualified Opinion on the Financial Position* above, the accompanying financial statements present fairly, in all material respects, the financial position of AB Snaigė as of 31 December 2009 in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without further qualifying our opinion on the financial position, we draw your attention that as discussed in Note 2.2. the Company was operating with losses in 2008 and 2009, its current liabilities significantly exceed current assets as of 31 December 2009 and it did not redeem part of the issued convertible bonds in the amount of LTL 5,247 thousand due on 8 April 2010. These conditions, along with other matters set forth in Note 2.2., indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as going concern highly depends on the realisation of the management future plans and support from the shareholders as well as on external financing. The same management forecasts have been used also to assess the recoverability of the non-current assets of the Company (Note 13). The accompanying financial statements do not include any adjustments (including adjustments to the carrying value of the assets if the above mentioned assumptions/forecasts do not come true) that may be needed as a result of the outcome of this uncertainty.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Management Report for the year ended 31 December 2009 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2009.

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

Jonas Akelis
Auditor's licence
No. 000003
President

The audit was completed on 12 April 2010.

Statement of comprehensive income

	Notes	2009	2008
Sales	3	106,609,531	253,348,814
Cost of sales	4	(96,255,265)	(230,321,848)
Gross profit		**10,354,266**	**23,026,966**
Other income	7	2,806,032	2,637,799
Selling and distribution expenses	5	(7,980,814)	(16,989,786)
Administrative expenses	6	(14,010,503)	(16,710,775)
Other expenses	8	(707,528)	(1,733,104)
Operating (loss)		**(9,538,547)**	**(9,768,900)**
Financial income	9	1,196,998	8,655,024
Impairment of investment into subsidiary OOO Techprominvest	1	(67,846,761)	-
Financial expenses	10	(7,265,905)	(13,131,218)
(Loss) before tax		**(83,454,215)**	**(14,245,094)**
Income tax	11	1,208,548	(883,107)
Net (loss)		**(82,245,667)**	**(15,128,201)**
Other comprehensive income		-	-
Total comprehensive income, net of tax:		**(82,245,667)**	**(15,128,201)**
Basic (loss) per share	27	(2.96)	(0.60)
Diluted (loss) per share	27	(1.65)	(0.47)

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

Managing Director	Gediminas Čeika		12 April 2010
Financial Director	Neringa Menčiūnienė		12 April 2010

Statement of financial position

	Notes	As of 31 December 2009	As of 31 December 2008
ASSETS			
Non-current assets			
Intangible assets	12	4,851,426	5,426,037
Property, plant and equipment	13	34,976,493	40,843,088
Investments into subsidiaries	1	1,466,635	69,313,396
Receivables from subsidiaries	31	37,405,423	-
Deferred income tax asset	11	31,107	-
Total non-current assets		**78,731,084**	**115,582,521**
Current assets			
Inventories	14	14,015,311	37,295,427
Trade receivables	15	13,602,948	28,008,371
Receivables from subsidiaries	31	1,691,884	45,555,435
Prepaid income tax		135,120	1,614,526
Derivative financial instruments	28, 29	-	233,992
Other current assets	16	1,686,163	1,176,471
Cash and cash equivalents	17	1,321,035	1,407,238
Total current assets		**32,452,461**	**115,291,460**
Total assets		**111,183,545**	**230,873,981**

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

Statement of financial position (cont'd)

	Notes	As of 31 December 2009	As of 31 December 2008
EQUITY AND LIABILITIES			
Equity			
Share capital	18	27,827,365	27,827,365
Share premium		18,727,270	18,727,270
Legal reserve	19	2,782,737	2,782,737
Reserves	19	1,860,000	4,512,300
Retained (deficit) earnings		(13,028,614)	66,564,753
Total equity		**38,168,758**	**120,414,425**
Liabilities			
Non-current liabilities			
Warranty provision	21	1,022,369	1,685,042
Subsidies	20	1,600,737	2,000,711
Deferred income tax liability	11	-	1,177,441
Non-current borrowings and financial lease obligations	23, 24	904,363	1,706,200
Non-current employee benefits	22	389,394	-
Total non-current liabilities		**3,916,863**	**6,569,394**
Current liabilities			
Current borrowings, current portion of non-current borrowings and financial lease obligations	23, 24	37,319,361	52,031,709
Trade payables		22,327,773	42,500,664
Advances received		1,017,229	1,177,730
Warranty provision	21	2,315,114	2,847,978
Other current liabilities	26	6,118,447	5,332,081
Total current liabilities		**69,097,924**	**103,890,162**
Total equity and liabilities		**111,183,545**	**230,873,981**

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

Managing Director	Gediminas Čeika		12 April 2010
Financial Director	Neringa Menčiūnienė		12 April 2010

Statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Other distributable reserves	Retained earnings	Total equity
Balance as of 31 December 2007		**23,827,365**	**12,727,270**	**2,382,737**	**34,087,600**	**52,517,654**	**125,542,626**
Net (loss) for the year		-	-	-	-	(15,128,201)	(15,128,201)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**(15,128,201)**	**(15,128,201)**
Transfer from/to reserves	19	-	-	400,000	(29,575,300)	29,175,300	-
Increase of share capital	1	4,000,000	6,000,000	-	-	-	10,000,000
Balance as of 31 December 2008		**27,827,365**	**18,727,270**	**2,782,737**	**4,512,300**	**66,564,753**	**120,414,425**
Net (loss) for the year		-	-	-	-	(82,245,667)	(82,245,667)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**(82,245,667)**	**(82,245,667)**
Transfer from reserves	19	-	-	-	(2,652,300)	2,652,300	-
Balance as of 31 December 2009		**27,827,365**	**18,727,270**	**2,782,737**	**1,860,000**	**(13,028,614)**	**38,168,758**

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

Managing Director	Gediminas Čeika		12 April 2010
Financial Director	Neringa Menčiūnienė		12 April 2010

Cash flow statement

	2009	2008
Cash flows from (to) operating activities		
(Loss) before tax	(83,454,215)	(14,245,094)
Adjustments for non-cash items:		
Depreciation and amortisation	7,656,614	15,749,919
(Amortisation) of subsidies	(399,974)	(1,014,205)
Result from disposal of non-current assets	45,448	(27,207)
Write-off of non-current assets	67,858,508	162,315
Write-off of inventories	21,770	3,505
Change in allowance for trade receivables	256,320	229,156
Loss (gain) from derivative financial transactions	676,530	(738,510)
Change in warranty provision	(1,195,537)	2,011,280
Interest (income)	(17,310)	(880,135)
Interest expenses	3,857,647	6,094,841
	(4,694,199)	7,345,865
Changes in working capital:		
Decrease in inventories	23,280,116	3,626,320
Decrease in trade and other receivables	20,586,851	8,738,271
(Decrease) in trade payables and other payables	(20,366,180)	(22,331,297)
Income tax (paid)	(135,120)	(1,614,526)
Interest (paid)	(2,004,375)	(3,165,936)
Net cash flows from (to) operating activities	**16,667,093**	**(7,401,303)**
Cash flows (to) investing activities		
(Acquisition) of non-current assets	(1,374,771)	(3,289,593)
Disposal of non-current assets	135,661	193,799
Net cash flows (to) investing activities	**(1,239,110)**	**(3,095,794)**

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

Cash flow statement (cont'd)

	2009	2008
Cash flows from (to) financing activities		
Issue of shares	-	10,000,000
Issue of convertible bonds	7,162,801	17,136,530
Proceeds from non-current borrowings	-	13,186,351
(Repayment) of borrowings	(21,848,617)	(29,636,180)
Financial lease (payments)	(828,370)	(888,216)
Net cash flows (to) from financial activities	**(15,514,186)**	**9,798,485**
Net (decrease) in cash flows	**(86,203)**	**(698,612)**
Cash and cash equivalents at the beginning of the year	**1,407,238**	**2,105,850**
Cash and cash equivalents at the end of the year	**1,321,035**	**1,407,238**
Supplemental cash flow information		
Non-cash investing and financing activity		
Non-cash acquisition of shares of the subsidiary OOO Techprominvest (set off with accounts receivable)	-	55,197,921
Earned but not received interest from loans to subsidiaries	-	(855,064)

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

Managing Director	Gediminas Čeika		12 April 2010
Financial Director	Neringa Menčiūnienė		12 April 2010

Notes to the financial statements

1 General information

AB Snaigė (hereinafter the Company) is a public company registered in the Republic of Lithuania. The address of its registered office is as follows:

Pramonės Str. 6,
Alytus,
Lithuania.

The Company is engaged in producing refrigerators and refrigerating equipment. The Company was registered on 1 April 1963. The Company's shares are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius stock exchange.

As of 31 December 2009 and 2008 the shareholders of the Company were:

	2009		2008	
	Number of shares held	Percentage	Number of shares held	Percentage
UAB Survesta	-	-	7,034,891	25.28%
UAB Hermis Capital	4,412,032	15.86%	98,821	0.36%
Skandinaviska Enskilda Banken AB clients	3,351,924	12.05%	3,852,141	13.84%
Swedbank AS (Estonia) clients	13,229,667	47.54%	12,002,781	43.13%
Other shareholders	6,833,742	24.55%	4,838,731	17.39%
Total	27,827,365	100%	27,827,365	100%

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as of 31 December 2009 and 2008. As of 31 December 2009 and 2008 the Company did not hold its own shares.

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

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

As of 31 December of 2009 and 2008 the Company owned the following subsidiaries:

Company	Country	Percentage of the shares held by the Company	Investment value (cost)	Profit (loss) of 2009	Shareholders' equity as of 31 December 2009
OOO Techprominvest	Russia (Kaliningrad)	100%	67,846,761	(15,444,632)	7,017,639
TOB Snaige Ukraina	Ukraine	99%	88,875	(83,135)	55,871
OOO Moroz Trade	Russia	100%	947	-	(13,074,308)
OOO Liga Servis	Russia	100%	1,028	(1,050,795)	(950,989)
UAB Almecha	Lithuania	100%	1,375,785	(706,151)	209,514
Total investments into subsidiaries			**69,313,396**		
Impairment of investments into subsidiaries (OOO Techprominvest)			(67,846,761)		
Total investments into subsidiaries, net			**1,466,635**		

The subsidiary OOO Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. On 12 August 2009 due to global economic crisis and particularly unfavourable effect of it on the Company's activities, the management of the Company made a decision to terminate the activities of the Company's owned refrigerator factory OOO Techprominvest. The investment into subsidiary was fully impaired (Note 10).

1 General information (cont'd)

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

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

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

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

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

In 2009 the average number of employees of the Company was 732 (1,404 in 2008).

The Company's management approved these financial statements on 12 April 2010. The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and request that the management prepares a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements for 2009 are as follows:

2.1. Basis of preparation

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

These are the separate financial statements of the Company. The consolidated financial statements of AB Snaigė and its subsidiaries were approved on 12 April 2010 and were prepared as a separate set of financial statements.

These financial statements are prepared on the historical cost basis.

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

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

- IFRS 8 *Operating Segments;*
- Amendment to IAS 1 *Presentation of Financial Statements;*
- Amendment to IAS 23 *Borrowing Costs;*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*
- Amendment to IFRS 2 *Share-based Payment;*
- Amendments to IFRS 7 *Financial Instruments: Disclosures;*
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation;
- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* – Embedded derivatives;
- IFRIC 13 *Customer Loyalty Programmes;*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;*
- IFRIC 15 *Agreement for the Construction of Real Estate;*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation;*
- Improvements to IFRS (issued in 2008 and effective on 1 January 2009).

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

The principal effects of these changes are as follows:

IFRS 8 *Operating Segments*

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

Amendment to IAS 1 *Presentation of Financial Statements*

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

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

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

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

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

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

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2013, once adopted by the EU). IFRS 9 will eventually replace IAS 39. The IASB has issued the first part of the standard, establishing a new classification and measurement framework for financial assets. The Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 24 *Related Party Disclosures* (effective for financial years beginning on or after 1 January 2011, once adopted by the EU).
The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Company, 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 amendment will have no impact on the financial position or performance of the Company, as the Company does not have such instruments.

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

Improvements to IFRSs

In May 2008 and April 2009 IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company:

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

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

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

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

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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

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

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

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

2.2. Going concern

The Company's current liabilities exceeded current assets by LTL 36,645 thousand as of 31 December 2009, liquidity ratio was 0.47, quick ratio – 0.27; it did not redeem part of the issued convertible bonds in the amount of LTL 5,247 thousand; in 2009 the Company incurred LTL 82,246 thousand loss. Despite this, these financial statements for the year ended 31 December 2009 are prepared under the assumption that the Company will continue as a going concern at least 12 months from the statement of financial position date. The going concern is based on the following assumptions and management plans:

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

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

2.3. Presentation currency

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

2 Accounting principles (cont'd)

2.4. Investments into subsidiaries

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

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

2.5. Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives (3 years).

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

Research and development costs

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit by applying amortisation periods from 4 to 8 years. During the period of development, the asset is tested for impairment annually.

Licenses

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

Software

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

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

The Company has no intangible assets with indefinite useful lifetime.

2.6. Property, plant and equipment

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

The 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 income statement, whenever estimated.

2 Accounting principles (cont'd)

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

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

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

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

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

2.7. Financial assets and liabilities

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

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

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

As of 31 December 2009 and 2008 the Company had no financial assets at fair value through profit or loss, held-to-maturity investments, and available for sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Current receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivables are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts and accounts receivable are derecognised (written-off) when they are assessed as uncollectible.

2.8. Inventories

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

2 Accounting principles (cont'd)

2.9. Cash and cash equivalents

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

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

2.10. Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing cost were capitalised in 2008 and 2009.

Borrowings are initially recognised at fair value of proceeds received, net of expenses incurred. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings.

The borrowings are classified as non-current if the completion of a refinancing agreement before the statement of financial position date provides evidence that the substance of the liability at the statement of financial position date was non-current.

Convertible bonds are separated into liability and equity components based on the terms of the contract.

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

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

2.11. Derivative financial instruments

The Company 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.

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

2.12. Derecognition of financial assets and liabilities

<u>Financial assets</u>

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

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

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

2 Accounting principles (cont'd)

2.12 Derecognition of financial assets and liabilities (cont'd)

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.

2.13. Factoring

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

2.14. Financial lease and operating lease

Financial lease – the Company as a lessee

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

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

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

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

Operating lease – the Company as a lessee

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

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

If the result of sales and lease back transactions is operating lease and it is obvious that the transaction has been carried out at fair value, any profit or loss is recognised immediately. If the sales price is lower than the fair value, 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 Accounting principles (cont'd)

2.15. Grants and subsidies

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

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

2.16. Provisions

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

2.17. Non-current employee benefits

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

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

2.18. Income tax

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

The income tax rate in Lithuania was 20 % in 2009 (15 % in 2008). After the amendments of Income Tax Law of the Republic of Lithuania had come into force, 15 % income tax rate has been established for indefinite period starting 1 January 2010.

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

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

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

2 Accounting principles (cont'd)

2.19. Revenue recognition

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

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

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

2.20. Impairment of assets

Financial assets

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

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

Other assets

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

2.21. Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to going concern assumption (Note 2.2), depreciation (Notes 2.6. and 13), amortisation (Notes 2.4. and 12), evaluation of provisions, non-current employee benefits and impairment of accounts receivable, inventories, investment and impairment of property, plant and equipment (Notes 1, 2.16, 2.20, 12, 13, 14, 15, 21 and 22), evaluation of deferred income tax valuation allowance and deferred tax recognition (Note 11). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.22. Contingencies

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

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

2.23. Subsequent events

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

2.24. Offsetting and comparative figures

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

3 Segment information (in LTL thousand)

The Company's sole business segment 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 Company in these financial statements.

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

	2009	2008
Western Europe	63,551	80,992
Ukraine	12,150	72,618
Lithuania	11,482	18,132
Eastern Europe	11,084	37,919
Other CIS countries	4,307	7,743
Other Baltic states	1,982	5,283
Russia	1,604	29,451
Other countries	450	1,211
	106,610	253,349

All assets of the Company as of 31 December 2009 and 2008 and all acquisitions of non-current assets in 2009 and 2008 are connected with Lithuania's geographical segment.

In 2009 the sales to the buyer S.A. Conforama comprised 11.58% of total sales.

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

4 Cost of sales

	2009	2008
Raw materials	66,945,278	148,654,495
Salaries and wages	8,685,832	18,360,802
Depreciation and amortisation	4,126,351	15,003,722
Other	16,497,804	48,302,829
	96,255,265	230,321,848

Due to the ongoing economic crisis in 2009 the Company has significantly decreased its operational volume. Expenses were decreasing proportionally to the decrease in sales, moreover the Company has implemented efficient cost minimisation plan. Depreciation decreased due to reasons described in Note 13.

5 Selling and distribution expenses

	2009	2008
Transportation	3,448,849	4,523,372
Market research, sales promotion and commissions to third parties	843,808	1,385,179
Salaries and social security	682,825	1,639,573
Warranty service costs	605,202	6,225,671
Advertising	232,370	1,287,226
Certification cost	158,991	162,720
Rent of warehouses and storage cost	103,770	502,358
Insurance	102,971	368,990
Business trips	26,643	72,732
Production dispatch cost	7,057	214,852
Other	1,768,328	607,113
	7,980,814	16,989,786

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

6 Administrative expenses

	2009	2008
Wages, salaries and social security	6,044,925	9,296,494
Change of allowance for receivables	3,636,345	229,156
Depreciation and amortisation	1,466,243	1,747,549
Non-current employee benefits (Note 22)	389,394	-
Taxes other than income	283,377	226,067
Other	2,190,219	5,211,509
	14,010,503	16,710,775

Due to the ongoing economic crisis in 2009 the Company has significantly decreased its operational volume. Expenses were decreasing proportionally to the decrease in sales, moreover the Company has implemented efficient cost minimisation plan. In 2009 the Company paid LTL 1,917 thousand termination benefits for employees.

7 Other income

	2009	2008
Marketing and intermediation services	1,870,062	-
Income from transportation services	248,283	1,026,765
Income from rent of premises	194,065	368,663
Income from mobile communications services	65,868	9,640
Gain on disposal of non-current assets	19,725	27,207
Income from rent of equipment	12,124	325,235
Other	395,905	880,289
	2,806,032	2,637,799

In 2009 the Company was providing marketing and intermediation services to its clients and generated income in the amount of LTL 1,870 thousand (none in 2008).

8 Other expenses

	2009	2008
Transportation expenses	252,578	794,291
Mobile communications expenses	62,029	14,436
Expenses from rent of equipment	48,931	246,561
Other	343,990	677,816
	707,528	1,733,104

9 Financial income

	2009	2008
Foreign currency exchange gain	830,693	5,873,251
Gain from foreign currency forward contracts	340,630	1,557,874
Interest income on loans granted	17,316	880,135
Gain of foreign currency translation transactions	8,359	343,764
	1,196,998	8,655,024

10 Financial expenses

	2009	2008
Interest expenses	5,153,366	6,094,841
Foreign currency exchange loss	1,088,894	4,857,600
Loss of foreign currency translation transactions	1,023,645	2,178,777
	7,265,905	13,131,218

11 Income tax (in LTL thousand)

	2009	2008
Components of the income tax income (expenses)		
Income tax for the reporting year (expenses)	-	-
Deferred income tax income (expenses)	1,208	(883)
Income tax income (expenses) recorded in income statement	1,208	(883)

	2009	2008
Deferred income tax asset		
Tax losses carried forward for indefinite period	2,204	890
Warranty provision	506	913
Allowance for receivables	313	117
Bonuses, vacation pay and other accruals	181	146
Other	71	-
Deferred income tax asset before valuation allowance	3,275	2,066
Less: valuation allowance	(2,517)	(2,066)
Deferred income tax asset, net	758	-

	2009	2008
Deferred income tax liability		
Development costs	(649)	(1,044)
Capitalised repair costs	(78)	(133)
Deferred income tax liability	(727)	(1,177)
Deferred income tax, net	31	(1,177)

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

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

The reported amount of income tax attributable to the theoretical amount that would arise from applying income tax rate of the Company (20 % in 2009; 15 % in 2008) is as follows:

	2009	2008
(Loss) before tax	(83,454)	(14,245)
Income tax expenses computed using the effective tax rate	16,571	2,137
Change of deferred income tax asset valuation allowance	(451)	(2,066)
Non-deductible expenses	(510)	(660)
Unrecognised impairment of investment (Note 1)	(13,569)	-
Effect of change in income tax rate (Note 2.18)	(833)	(294)
Income tax income (expenses) recorded in income statement	1,208	(883)

12 Intangible assets

	Development cost	Software, licenses	Total
Cost:			
Balance as of 31 December 2008	12,488,578	1,807,859	14,296,437
Additions	440,808	-	440,808
Disposals and write-offs	(47,438)	(210,646)	(258,084)
Balance as of 31 December 2009	12,881,948	1,597,213	14,479,161
Amortisation:			
Balance as of 31 December 2008	7,215,397	1,655,003	8,870,400
Charge for the year	884,802	120,073	1,004,875
Disposals and write-offs	(36,359)	(211,181)	(247,540)
Balance as of 31 December 2009	8,063,840	1,563,895	9,627,735
Net book value as of 31 December 2009	**4,818,108**	**33,318**	**4,851,426**
Net book value as of 31 December 2008	**5,273,181**	**152,856**	**5,426,037**

12 Intangible assets (cont'd)

	Development costs	Software, licenses	Total
Cost:			
Balance as of 1 January 2008	11,127,747	2,042,059	13,169,806
Additions	1,558,485	5,800	1,564,285
Disposals and write-offs	(197,654)	(240,000)	(437,654)
Balance as of 31 December 2008	12,488,578	1,807,859	14,296,437
Accumulated amortisation:			
Balance as of 1 January 2008	6,152,241	1,696,723	7,848,964
Charge for the year	1,100,214	198,208	1,298,422
Disposals and write-offs	(37,058)	(239,928)	(276,986)
Balance as of 31 December 2008	7,215,397	1,655,003	8,870,400
Net book value as of 31 December 2008	**5,273,181**	**152,856**	**5,426,037**
Net book value as of 1 January 2008	**4,975,506**	**345,336**	**5,320,842**

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

Part of the non-current intangible assets of the Company with the acquisition value of LTL 8,122 thousand as of 31 December 2009, was fully amortised (LTL 6,793 thousand as of 31 December 2008) but was still in use.

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

13 Property, plant and equipment

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Total
Cost:				
Balance as of 31 December 2008	14,869,592	104,418,303	14,783,074	134,070,969
Additions	-	843,325	102,068	945,393
Disposals and write-offs	-	(2,984,914)	(1,656,306)	(4,641,220)
Reclassifications	-	(1,077,044)	1,077,044	-
Balance as of 31 December 2009	14,869,592	101,199,670	14,305,880	130,375,142
Accumulated depreciation:				
Balance as of 31 December 2008	3,379,217	77,801,004	12,047,660	93,227,881
Charge for the year	508,804	4,921,710	1,221,225	6,651,739
Disposals and write-offs	-	(2,970,130)	(1,510,841)	(4,480,971)
Reclassifications	-	(325,627)	325,627	-
Balance as of 31 December 2008	3,888,021	79,426,957	12,083,671	95,398,649
Net book value as of 31 December 2009	**10,981,571**	**21,772,713**	**2,222,209**	**34,976,493**
Net book value as of 31 December 2008	**11,490,375**	**26,617,299**	**2,735,414**	**40,843,088**

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 2008	14,869,592	105,572,539	14,628,185	135,070,316
Additions	-	1,330,733	394,575	1,725,308
Disposals and write-offs	-	(1,571,714)	(1,152,941)	(2,724,655)
Reclassifications	-	(913,255)	913,255	-
Balance as of 31 December 2008	14,869,592	104,418,303	14,783,074	134,070,969
Accumulated depreciation:				
Balance as of 1 January 2008	2,786,892	67,384,406	11,151,729	81,323,027
Charge for the year	592,325	12,236,775	1,622,397	14,451,497
Disposals and write-offs	-	(1,529,394)	(1,017,249)	(2,546,643)
Reclassifications	-	(290,783)	290,783	-
Balance as of 31 December 2008	3,379,217	77,801,004	12,047,660	93,227,881
Net book value as of 31 December 2008	**11,490,375**	**26,617,299**	**2,735,414**	**40,843,088**
Net book value as of 1 January 2008	**12,082,700**	**38,188,133**	**3,476,456**	**53,747,289**

The depreciation charge of the Company's property, plant and equipment for 2009 amounts to LTL 6,652 thousand (LTL 14,452 thousand in 2008). In 2009 the amount of LTL 461 thousand (LTL 450 thousand in 2008) was accounted for as administration expenses in the income statement of the Company. The remaining amount of depreciation was included in the production cost.

The Company has revised the useful lives of property, plant and equipment and starting from 1 January 2009 prolonged the depreciation rates of equipment (machinery and equipment) from 4-10 to 4.5-12 years on average with the purpose to reflect the anticipated useful lives of the asset more correctly. If the Company applied on average 4-10 years depreciation rates (rates before change in estimate) the depreciation expenses for 2009 would increase by LTL 5,764 thousand and the balance of property, plant and equipment would decrease by LTL 5,764 thousand.

The part of the Company's property, plant and equipment with the acquisition cost of LTL 44,146 thousand was fully depreciated as of 31 December 2009 (LTL 38,346 thousand as of 31 December 2008) but was still in active use.

As of 31 December 2009 the part of the Company's property, plant and equipment, with the net book value of LTL 6,378 thousand (LTL 6,646 thousand as of 31 December 2008) was pledged to banks as a collateral for the loans (Note 23).

The liabilities to the owners of ordinary bonds are secured by the pledge of machinery and equipment with the net book value of LTL 8,512 thousand as of 31 December 2009 (Note 23).

<u>Impairment estimation</u>

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

The whole Company was defined as a cash generating unit (CGU). The recoverable value of CGU is established based on the calculation of value-in-use following post-tax cash flow forecasts according to financial budgets of five years, which have been approved by the top management. The cash flow forecast applies 16% post-tax discount rate (17% pre-tax). The extrapolation of cash flows after the five-year period applies 1% growth rate. The growth rate does not exceed the expected average increase rate of the industry. The cash flow forecast generally comprises fourteen years (expected period of use of non-current assets). Having performed the analysis, the management did not identify any CGU impairment.

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

- sales growth rate (cash flow forecast reflects a growing demand of production since 2011 due to the following factors: the planned recovery of the overall economic environment; due to lower sales volume until 2011, production at wholesale and retail warehouses, as evaluated by the management, should already be sold out, therefore new orders are expected; the suspended Eastern market credit insurance significantly affected the sales of the 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. Average annual growth rate for the forecasted five-year period is 9.27 %.

13 Property, plant and equipment (cont'd)

Impairment estimation (cont'd)

- discount rate (for the cash flow discounting the Company applies weighted average cost of capital (post-tax) of 16%, which includes the required return on equity and debt considering the level of risk of invested capital).
- gross profit (at the evaluation of the management of the Company the gross profit margin in the cash flow forecast makes 21-23% before depreciation expenses of non-current assets. In the cash flow forecast the management of the 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);
- growth rates are used for the extrapolation of cash flows after the period set in the budget (1%).

In the opinion of the management of the Company, the most important and most change-like assumption is the expected sales growth. Based on the evaluation of the management, in case of half the rate of the expected sales growth in the period of five years of the financial budget, the impairment of non-current assets would be equal to approximately 16% of their net book value as of 31 December 2009. At the moment of preparing these financial statements the management of the Company did not expect any significant changes of the assumptions.

14 Inventories

	As of 31 December 2009	As of 31 December 2008
Raw materials, spare parts and production in progress	9,003,281	20,600,671
Finished goods	5,107,372	16,694,756
Total inventories, gross	14,110,653	37,295,427
Less: valuation allowance for finished goods	(95,342)	-
Total inventories, net	14,015,311	37,295,427

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

Changes in the allowance for inventories for the year 2009 have been included into administrative expenses.

As described in Note 23, in order to secure bank loans, the Company pledged inventories with the gross value of not less than LTL 20,500 thousand as of 31 December 2009 (as of 31 December 2008 – LTL 26,300 thousand).

15 Trade receivables

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

	As of 31 December 2009	As of 31 December 2008
Trade receivables, gross	15,655,528	28,592,858
Less: allowance for doubtful trade receivables	(2,052,580)	(584,487)
	13,602,948	28,008,371

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

As of 31 December 2009 trade receivables with the carrying value of LTL 2,053 thousand (as of 31 December 2008 – LTL 584 thousand) were fully impaired.

Changes in the allowance for doubtful trade receivables for the year 2009 have been included into administrative expenses.

The Company's trade receivables from Western countries and former and current CIS countries amounting to LTL 7,577 thousand as of 31 December 2009 (LTL 22,885 thousand as of 31 December 2008) were insured by credit insurance Coface Austria Kreditversichering AG Lithuania branch.

15 Trade receivables (cont'd)

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

	As of 31 December 2009	As of 31 December 2008
Balance at the beginning of the period	(584,487)	(355,331)
Charge for the year	(1,506,036)	(311,810)
Write-off of trade receivables	1,582	-
Effect of the change in foreign currency exchange rate	13,428	39,596
Recovered amounts	22,933	43,058
Balance at the end of the period	(2,052,580)	(584,487)

Receivables are written off when it becomes evident that they will not be recovered. The ageing analysis of trade receivables as of 31 December 2009 and 2008 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired: Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2009	8,029,248	2,836,841	634,130	26,388	129,303	1,947,038	13,602,948
2008	16,097,894	4,645,675	4,830,027	1,503,506	746,361	184,908	28,008,371

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

16 Other current assets

	As of 31 December 2009	As of 31 December 2008
Prepayments and deferred charges	1,165,037	351,911
VAT receivable	350,361	757,015
Compensations receivable	158,075	38,319
Other receivables	12,690	29,226
	1,686,163	1,176,471

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

17 Cash and cash equivalents

	As of 31 December 2009	As of 31 December 2008
Cash at bank	1,313,924	1,406,843
Cash on hand	7,111	395
	1,321,035	1,407,238

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

18 Share capital

According to the Law on Companies of the Republic of Lithuania, the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As of 31 December 2009 and 2008 Company was in compliance with this requirement.

19 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with Lithuanian Business Accounting Standards, are compulsory until the reserve reaches 10% of the share capital. According to the Lithuanian legislation the Company transferred LTL 400 thousand to the legal reserve in 2008. As of 31 December 2009 and 2008 the legal reserve was fully formed.

Non-restricted reserves

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

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

20 Subsidies

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

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

21 Warranty provision

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

Change in warranty provision during the year 2009 can be specified as follows:

	2009
As of 1 January	4,533,020
Charge for the year	605,202
Utilised	(1,800,739)
As of 31 December	3,337,483

Warranty provision is accounted for as of 31 December as:	2009
- non-current	1,022,369
- current	2,315,114
	2008
- non-current	1,685,042
- current	2,847,978

22 Non-current employee benefits

As of 31 December 2009 the expenses of the one-time payments for leaving employees at a retirement age amounted to LTL 389 thousand. This amount is included under administrative expenses caption in the Company's income statement and under non-current employee benefit caption in the statement of financial position.

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

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

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

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

23 Borrowings

	As of 31 December 2009	As of 31 December 2008
Current borrowings		
Factoring liabilities	1,737,256	10,851,922
Current borrowings with variable interest rate	9,142,081	16,162,652
Ordinary bonds	2,825,300	-
Convertible bonds	21,812,741	17,475,240
Current borrowings with fixed interest rate	1,000,000	6,713,379
	36,517,378	51,203,193

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

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

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

At 31 December 2009 buildings with the carrying amount of LTL 6,378 thousand (2008 – LTL 6,646 thousand), inventories with the net book value of not less than LTL 20,500 thousand (2008 – LTL 26,300 thousand), cash inflows into the bank accounts up to LTL 10,000 thousand (2008 – LTL 12,375 thousand) and the major part of OOO Techprominvest shares are pledged as a collateral for loans from banks.

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

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

	As of 31 December 2009	As of 31 December 2008
Borrowings denominated in:		
EUR	32,677,269	20,339,015
USD	3,690	4,135,108
LTL	3,836,419	26,729,070
	36,517,378	51,203,193

As of 31 December 2009 and 2008 the Company did not have unused funds in credit lines and overdrafts.

24 Financial lease obligations

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

The interest rate on the financial lease obligations in euros varies depending on the 6-month EURIBOR + 1.1% margin and 6-month LIBOR EUR + 1.2% margin.

Future lease payments under the above-mentioned financial lease contracts as of 31 December 2009 and 2008 are as follows:

	As of 31 December 2009	As of 31 December 2008
Within one year	836,619	925,627
From one to five years	949,127	1,791,054
Total financial lease obligations	1,785,746	2,716,681
Interest	(79,400)	(181,965)
Present value of financial lease obligations	1,706,346	2,534,716
Financial lease obligations are accounted for as:		
- current	801,983	828,516
- non-current	904,363	1,706,200

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

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

25 Operating lease

The Company has concluded several contracts of operating lease. The terms of the lease do not include restrictions of the activities of the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2009 the lease expenses of the Company amounted to LTL 296 thousand (LTL 283 thousand in 2008). Planned lease payments in 2010 amount to LTL 256 thousand.

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

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

26 Other current liabilities

	As of 31 December 2009	As of 31 December 2008
Vacation reserve	1,042,440	967,082
Taxes payable	614,443	931,772
Salaries and related taxes payable	598,482	1,144,490
Other payables and accrued expenses	3,863,082	2,288,737
	6,118,447	5,332,081

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

27 Basic and diluted (loss) per share

	2009	2008
Shares issued on 1 January	27,827,365	23,827,365
Weighted average number of shares	27,827,365	25,120,043
Effect of dilution:		
Convertible ordinary shares	19,996,875	2,940,984
Weighted average number of shares adjusted for the effect of dilution	47,824,240	28,061,027
Net (loss) for the year	(82,245,667)	(15,128,201)
Interest on convertible bonds	3,529,265	1,804,965
Net (loss) for the year adjusted for the effect of dilution, in LTL	(78,716,042)	(13,323,236)
Basic (loss) per share, in LTL	(2.96)	(0.60)
Diluted (loss) per share, in LTL	(1.65)	(0.47)

28 Financial instruments

Fair value of financial instruments

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

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Receivables from subsidiaries	39,097,307	39,097,307	45,555,435	45,555,435
Cash and cash equivalents	1,321,035	1,321,035	1,407,238	1,407,238
Derivative financial instruments	-	-	233,992	233,992
Current receivables	13,773,713	13,773,713	28,075,916	28,075,916
Financial liabilities				
Fixed rate borrowings	25,638,041	25,638,041	30,691,332	30,691,332
Floating rate borrowings	9,142,081	9,142,081	16,162,652	16,162,652
Financial lease obligations	1,706,346	1,706,346	2,534,716	2,534,716
Trade payables	22,327,773	22,327,773	42,500,664	42,500,664
Other financial liabilities	1,737,256	1,737,256	10,851,922	10,851,922

28 Financial instruments (cont'd)

The fair value of borrowings was calculated by discounting the expected future cash flows at the prevailing interest rates. As of 31 December 2009 and 2008 the market value of the current borrowings bearing fixed interest rates approximates to the fair value as fixed interest rates (14-18%) 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, factoring liabilities and current borrowings approximates fair value.
(b) The fair value of trade and other current receivable approximates their carrying amounts.

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

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

	2009	2008
Financial assets available for sale	(645,691)	(544,152)
Loans and receivables	(3,636,345)	(229,156)

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

29 Capital and risk management

Credit risk

The maximum exposure of the credit as of 31 December 2009 and 2008 comprise the carrying values of receivables. As stated in Note 31, on 31 December 2009 the carrying amount of receivables from OOO Techprominvest was LTL 38,260 thousand (LTL 44,891 thousand in 2008).

Except for receivables from subsidiaries, the concentration of the Company's receivables is fairly high. As of 31 December 2009 receivables from top ten clients of the Company accounted for 65.2 % (52.0 % as of 31 December 2008) of the total receivables of the Company.

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

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

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

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

29 Capital and risk management (cont'd)

Interest rate risk

The part of the Company's borrowings is with variable rates, related to LIBOR and EURIBOR, which creates an interest rate risk. As of 31 December 2009 and 2008 the Company did not use any financial instruments to hedge cash inflows and interest rate fluctuation risk related to debt instruments with variable interest rate.

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

	Increase/ decrease of basis points	Effect on the profit before tax (LTL thousand)
2009		
EUR	+ 100	(126)
LTL	+ 100	-
USD	+ 100	-
EUR	- 200	251
LTL	- 200	-
USD	- 200	-
2008		
EUR	+ 100	(229)
LTL	+ 100	(25)
USD	+ 100	(41)
EUR	- 200	457
LTL	- 200	51
USD	- 200	83

Liquidity risk

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

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

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2009 and 2008 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	After 5 years	Total
Interest bearing loans, financial lease and other borrowings	9,142,081	2,937,204	25,240,076	904,363	-	38,223,724
Trade payables	6,446,673	15,881,100	-	-	-	22,327,773
Interest payable	-	8,675	2,973,464	445,202	-	3,427,341
Balance as of 31 December 2009	**15,588,754**	**18,826,979**	**28,213,540**	**1,349,565**	-	**63,978,838**
Interest bearing loans and borrowings	16,809,366	17,131,232	18,091,111	1,706,200	-	53,737,909
Trade payables	28,207,497	14,293,167	-	-	-	42,500,664
Interest payable	-	27,772	69,339	84,853	-	181,964
Balance as of 31 December 2008	**45,016,863**	**31,452,171**	**18,160,450**	**1,791,053**	-	**96,420,537**

29 Capital and risk management (cont'd)

Liquidity risk (cont'd)

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

Foreign exchange risk

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

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

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

	Increase (decrease) of LTL/USD exchange rate	Effect on the profit before tax, LTL thousand
2009	5 %	327
	-5 %	(327)
2008	5 %	302
	-5 %	565

Capital management

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

The Company manages its capital structure and makes adjustments to it in the light of changes in the economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As described in Note 1, 4,000,000 ordinary shares with the nominal value of LTL 1 each were issued in 2008 for LTL 2.5 each. Funds from the increase of capital were used to finance working capital.

The Company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 December 2009 and 2008 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Company.

30 Commitments and contingencies

On 25 June 2009 a claim for the debt of LTL 2,049 thousand was filed against the Company by A/S Comfitt Glass (hereinafter the Plaintiff) at Kaunas County Court. According to the Plaintiff, the debt was for delivered and not paid goods. The Company does not admit the part of the debt amounting to LTL 489 thousand, since a part of the goods was not delivered to the Company. On 12 February 2010 Kaunas County Court adopted a decision to satisfy the claim and adjudged the debt of LTL 2,049 thousand of the Company to the Plaintiff along with LTL 126 thousand in interest and 6% legal interest on the adjudged amount to be calculated from the day the proceedings started until the day the court decision is executed. As of the date of issue of these financial statements, the outcome of this claim was known and the Company acknowledged a part of the debt amounting to LTL 1,560 thousand as of 31 December 2009 and has accounted for it as a trade payable; therefore, the provision of LTL 151 thousand related to events mentioned above including the adjudged interest is reflected in these financial statements and included into administrative costs in the income statement. The Company has filed an appeal against the court decision regarding the adjudged debt of LTL 489 thousand for undelivered goods, which are not accounted for in these financial statements, since the outcome of this case is uncertain and the management expects to win it.

31 Related party transactions

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

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

Subsidiaries:

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

Transactions carried out with subsidiaries:

	Purchases		Sales	
	2009	2008	2009	2008
OOO Techprominvest	1,613,571	273,266	772,656	28,139,961
TOB Snaigė Ukraina	916,038	2,934,986	180,008	920,278
UAB Almecha	6,995,356	8,085,349	5,658,683	4,819,586
OOO Liga-Servis	4,731	-	-	-
	9,529,696	11,293,601	6,611,347	33,879,825

The Company has a policy to conduct subsidiary transactions on contractual terms. Outstanding balances at the year-end are unsecured, receivables, except loans granted, are interest-free and settlement occurs in cash. There were no pledged significant amounts of assets to ensure the repayment of receivables from related parties.

31 Related party transactions (cont'd)

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

	2009	2008
Non-current receivables		
Non-current receivable from OOO Techprominvest	39,558,662	-
Less: allowance	(2,153,239)	-
Total non-current receivables	37,405,423	-
Current receivables		
Trade receivables from OOO Techprominvest	854,499	44,891,140
Trade receivables from TOB Snaigė Ukraina	39,279	200,880
Trade receivables from UAB Almecha	798,106	462,492
Trade receivables from OOO Liga – Servis	-	923
Total current receivables	1,691,884	45,555,435
	39,097,307	45,555,435

In September 2008 the Company increased share capital of subsidiary OOO Techprominvest by LTL 55,197,921. The share capital was increased by receivables from OOO Techprominvest for the sold but not repaid equipment and granted but not repaid loans.

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

	Receivables from subsidiaries and granted loans neither past due nor impaired	Receivables from subsidiaries and granted loans past due but not impaired					
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2009	2,003,973	14,995	18,992	5,652	12,627	37,041,068	39,097,307
2008	3,641,051	1,833,647	2,038,245	1,592,667	2,447,549	34,002,276	45,555,435

As of 31 December 2009 the Company accounted for impairment of receivables from OOO Techprominvest amounting to LTL 2,153 thousand. The impairment charge was accounted for as administration expenses in the income statement. The Company's management believes that the remaining amount of receivable from this subsidiary amounting to LTL 38,260 thousand will be recovered from the sale of the subsidiary's inventories, finished goods and buildings and by contributing equipment to a newly established entity in Kazakhstan and there is no need to account for additional valuation allowance.

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

	2009	2008
OOO Techprominvest	5,597	117,865
TOB Snaige Ukraina	58,003	162,567
OOO Liga-Servis	344,771	7,945
UAB Almecha	613,551	294,979
	1,021,922	583,356

31 Related party transactions (cont'd)

Transactions with other related parties (included under the trade payables caption in the Company's statement of financial position):

2009

	Purchases	Sales	Receivables	Payables
UAB Baltijos Polistirenas	2,457,333	-	-	225,732
UAB Astmaris	776,475	-	-	-
	3,233,808	-	-	225,732

2008

	Purchases	Sales	Receivables	Payables
UAB Baltijos Polistirenas	3,712,781	2,821	-	375,517
UAB Astmaris	8,462,171	-	-	1,272,617
	12,174,952	2,821	-	1,648,134

In 2009 and 2008 the Company's transactions with UAB Baltijos Polistirenas, UAB Astmaris represented acquisitions of production raw materials.

Financial and investment transactions with the related parties:

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

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

The Company has signed several guarantee agreements, according to which it guaranteed payments to suppliers for the liabilities of the subsidiary OOO Techprominvest and UAB Almecha.

	Trade payable by the subsidiary	
	As of 31 December 2009	As of 31 December 2008
UAB Lisiplast	-	1,191,776
UAB Mechel Nemunas	-	122,734

On 25 April 2008 the Company guaranteed for RUB 94 million (equivalent to LTL 7,8 million as of 31 December 2008) credit limit, granted by creditor bank ZAO IKB Evropeiskij to the subsidiary OOO Techprominvest. As of 31 December 2008 OOO Techprominvest has used RUB 81,269 thousand (equivalent of LTL 6,733 thousand) of the credit limit. As of 31 December 2009 – nil.

As of 31 December 2009 there were no valid guarantee agreements.

31 Related party transactions (cont'd)

Remuneration of the management and other payments

The management of the Company includes the chairman of the board, board members, the general manager and functional managers. Remuneration of the Company's and subsidiaries' management amounted to LTL 1,340 thousand in 2009 (LTL 2,906 thousand in 2008). In 2009 and 2008 the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

32 Subsequent events

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

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

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

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

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

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