DVARČIONIŲ KERAMIKA

5 April 2011 No. 23-492
Vilnius

Lithuanian Securities Commission
Konstitucijos ave. 23
LT-08105 Vilnius

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 21 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, President of DVARCIONIU KERAMIKA AB Audris Imbrasas and Chief Accountant of DVARCIONIU KERAMIKA AB Rūta Zinkevičienė, hereby confirm that, to the best of our knowledge, the attached DVARCIONIU KERAMIKA AB audited financial statements for the year ended 31 December 2010, prepared in accordance to International Financial Reporting Standards, provide a true and fair view of the assets, liabilities, financial position and profit or loss of DVARCIONIU KERAMIKA AB.

Enclosed: DVARCIONIU KERAMIKA AB annual report and financial statements for the year ended 31 December 2010.

President	Audris Imbrasas
Chief Accountant	Rūta Zinkevičienė

DVARČIONIŲ KERAMIKA AB

Independent Auditor's Report,
Annual Report and Financial Statements
for the year ended 31 December 2010

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Information about the Company

Dvarčionių Keramika AB

Company's code 110628481

VAT payer code LT106284811

Telephone No.	+ 370 5 2317021
Fax No.	+ 370 5 2317061
Situated in:	Keramiku 2, Vilnius, LT-10233 Lithuania
Web page:	www.keramika.lt
E-mail:	info@keramika.lt

Board

Juozas Raišelis	Chairman
Audris Imbrasas	Board member, President
Mindaugas Bučas	Board member, Production and Technology Director
Liudmila Subač	Board member, Human Resources and Administration Director
Giedrius Kolesnikovas	Board member

Management

Audris Imbrasas	President
Julius Svidinskas	Sales and Marketing Director
Mindaugas Bučas	Production and Technology Director
Liudmila Subač	Human Resources and Administration Director

Auditor

Deloitte Lietuva UAB

Banks

Swedbank, AB
AB SEB bank
AB bank Snoras
AB DnB NORD bank

Deloitte.

UAB „Deloitte Lietuva"
Jogailos g. 4
LT-01116 Vilnius
Lietuva

Įmonės k.: 111525235
PVM mok. k.: LT115252314
Duomenys kaupiami ir saugomi
Juridinių asmenų registre

Tel.: +370 5 255 3000
Faks.: +370 5 212 6844
www.deloitte.lt

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dvarčionių keramika AB:

Report on the Financial Statements

We have audited the accompanying financial statements (pages 34 to 62) of Dvarčionių keramika AB (thereafter – "the Company"), which comprise the statement of financial position as of 31 December 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter
The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 33 to the financial statements, the Company incurred a net loss of LTL'000 5,353 during the year ended December 31, 2010 and, as of that date, the Company's current liabilities exceeded its current assets by LTL'000 3,212. Management's plans concerning these matters are also described in Note 33. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect to this matter.

Other Matter
The financial statements of the Company for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on 7 April 2010.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2010 (pages 6 to 33) and have not noted any material inconsistencies between the historical financial information included in it and the financial statements for the year ended 31 December 2010.

Simonas Rimašauskas
General Director, Auditor
Auditor's Certificate No. 000466
UAB Deloitte Lietuva

Vilnius, Lithuania
1 April 2011

1. The Company's financial position, performance and development review, description of major risks and uncertainties faced by the Company

1.1. The Company's financial position, performance and development review

The Company's key performance indicators for the period from 2006 to 2010:

	2006 As restated	2007	2008	2009	2010
Sales revenue, LTL'000	56,923	69,469	72,026	44,380	25,699
Gross profit, LTL'000	15,553	17,162	17,379	9,958	4,990
Gross profit margin, %	27%	25%	24%	22%	19%
Operating profit, LTL'000	1,880	571	2,592	(5,480)	(4,849)
Operating profit margin, %	3.3 %	0.8%	3.6%	(12.3%)	(18.87%)
EBITDA, LTL'000	9,233	7,920	9,979	1,505	832
EBITDA margin, %	16%	11%	14%	3.4%	3.2%
Net profit (loss), LTL'000	(113)	(1,525)	73	(6,042)	(5,353)
Net profit (loss) margin, %	(0.2%)	(2.2%)	0.1%	(13.6%)	(20.83%)
Return on assets, % (ROA)	(0.1%)	(2.1%)	0.1%	(12.6%)	(9.4%)
Return on equity, % (ROE)	(0.5%)	(6.7%)	0.3%	(36.1%)	(23.17%)
Profit (loss) per share, LTL	(0.01)	(0.15)	0.01	(0.61)	(0.54)
Total assets, LTL'000	81,491	73,863	74,935	48,056	51,866
Shareholders equity, LTL'000	24,347	22,706	22,779	16,737	21,055
Long-term liabilities, LTL'000	36,999	32,939	24,332	17,468	12,885
Working capital, LTL'000	7,931	8,008	5,525	2,827	(3,212)
Net change in cash flows, LTL'000	762	(1,038)	(95)	(108)	(1)
Investments, LTL'000	1,051	1,893	2,025	160	7
Production volume, thousand m2	2,302	2,247	2,849	874	1,044
Number of employees at the end of the year	303	285	297	175	165
Average salary, LTL/month	2,101	2,602	2,605	2,260	2,122

The continuing economic downturn, reduced bank lending and real estate market downturn directly influenced the activities of the Company. The decrease in sales revenue was impacted by several reasons. First of all, the decline in demand for ceramic tiles in Lithuania, secondly, the growth of unemployment and decelerating average salaries growth rate. Decrease of sales volume in 2010 was also affected by the decline of the gross domestic product per capita. The downturn in the market resulted in the decrease in sales prices. Due to increased taxes on energy the Company was not able to reduce the production cost.

The Company earned 5 million LTL of gross profit during 2010; during 2009 the gross profit was 10 million LTL. Gross profit margin in 2010 was 19% (2009 - 22%). Gross profit margin rate was impacted by changes in sales structure, pricing and changes in cost of sales. Sales prices are dependent on structure of customers and product variety, competitors' actions and consumer purchase power. Cost of sales is dependent on level of use of production capacity, and changes in prices of separate cost of sales items.

During 2010, sales decreased by 42% and were 25,699 thousand LTL.

Operating loss for the year 2010 was 4.8 million LTL. The comparison of operating results for the years 2010 and 2009 shows that in 2010 the Company has reduced operating expenses and operating loss decreased by 0.6 million LTL in comparison to 2009, although the gross profit in 2009 was two times higher than the gross profit in 2010.

Net result for the year 2010 was 5.4 million LTL loss, while in 2009 net loss was 6 million LTL. The main reason for net loss - decreased sales and fixed assets impairment after revaluation performed in November 2010.

EBITDA in 2010 was 0.8 million LTL or 3.2 % from sales and decreased by 0.7 million LTL in comparison to 2009. In 2009 EBITDA was 1.5 million LTL or 3.4 % from sales). Decrease in EBITDA margin was influenced by decrease in revenues.

Working capital in 2010 was negative - 3 million LTL. In 2009, working capital was 2.8 million LTL. The Company's liquidity ratio is 0.8. This ratio shows that the Company's liquidity is manageable. Although the ratio is less than one but this means that the Company receives goods, materials and services from suppliers on credit. Part of production and goods are sold for cash through a network of retail trade, the use of cash flow from retail trade is used to finance long term investments and to have a negative working capital.

During 2010 the Company produced 1,044 thousand square meters of stone mass and ceramic tiles i.e., 19.5 % more than in 2009. Because of decreased demand for tiles, the shareholders have decided to stop Nasseti production line in January 2009 and it has not been operating since. However, if in 2011 sales plans will be reached, the consideration will be given to use the Nasseti line partially or completely. The remaining tile production line Sacmi was utilized 70% during 2010.

As of 31 December 2010 the Company employed 165 employees; as of 31 December 2009 – 175; as of 31 December 2008 - 297. Decrease in employees was due to halt of operating of the Nasseti production line. The number of employees decreased proportionally in production and in administration. The number of employees did not change significantly during 2010. The average monthly wage for one employee was 2,122 LTL before taxes. In comparison to 2009 average wage decreased by 6%.

1.2. Description of major risks and uncertainties faced by the Company

Economical:

- Decline in construction sector has negative impact on market of construction materials and products including ceramic tiles;
- Seasonality of construction sector – majority of works are done in warm period, although interior works partly are done in colder period as well;
- Competition – due to the growth of producers in Central and Eastern Europe, Russia and Ukraine, the competition is getting harder in foreign and domestic markets;
- Substitutes – with rapid growth of producers of construction materials and wood products, their prices are decreasing and the competition is increasing;
- Price of resources – growth of prices for electricity, gas, materials, gasoline, makes it harder to achieve the Company's goals;
- Increase in imports – imports from Central Europe and Eastern Asia are constantly growing. Trade centers promote that, as they are oriented to the price of production;
- Custom procedures – for the production sold outside the EU (e.g. CIS), high custom charges are applied, they worsen the competitiveness of production imported into these markets;
- Certifications – in foreign markets there is a requirement to have quality certificates for the production planned to be sold. The Company posses all required certificates; however some of the countries lack continuity in their certification policies which creates a risk of temporary disruption of exports to these markets. Certification requirements as well as custom charges are means by which governments of

foreign countries try to protect local producers.

Technical – technological:

- Prices of resources force to constantly look for possibilities how to eliminate negative price effect – look for new suppliers, introduce new elements to composition of the product, implement innovative solutions;
- Price increase in energy resources require to look for more efficient use of the resources.

Ecological:

- The Company operates in accordance with the requirements of ISO 14001 standard;
- Waste which is generated as an outcome of production process is cleaned by the Company's cleaning equipment;
- The Company has not received any fines or sanctions for pollution in 2010.

2. Analysis of financial and non-financial results, information related to environment and personnel

2.1 Revenue

The Company's main business is manufacturing of ceramic and stone tiles, wholesale and retail trade. This business is risky due to changes in prices of raw materials, products in markets, energy resources and competition.

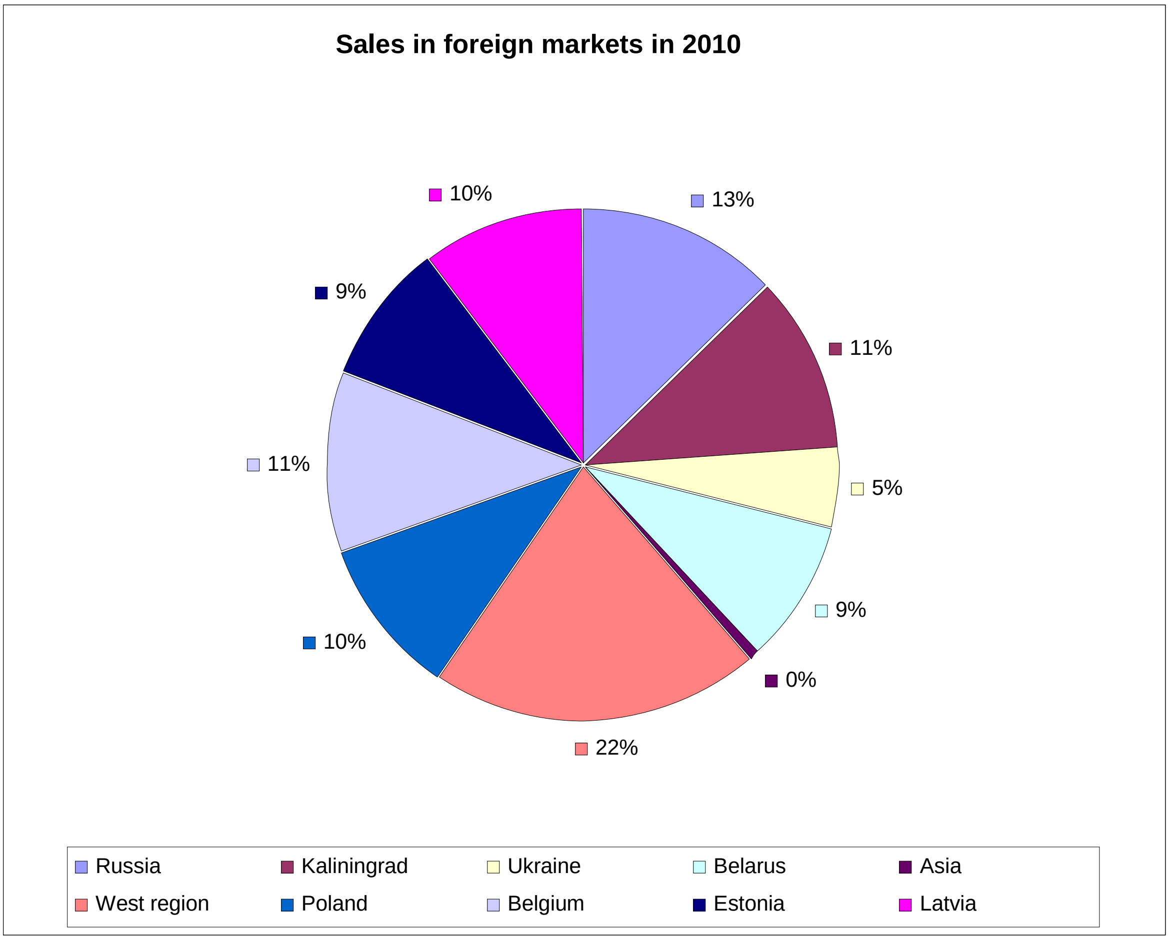
In 2010 revenue was 25.7 million LTL. Comparing to 2009 the sales decreased by 42%. The sales decrease was impacted by the continuing economic downturn, reduced bank financing, real estate market downturn and high level of unemployment. Considering the decrease of sales revenues, influenced by drastic construction and real estate volumes decrease, the Company is constantly looking for opportunities to improve its internal processes and tries to mitigate the cost growth by efficient use of available resources. It is important to note that the economic situation and increasing competition does not have an adverse impact on the Company's values and attitude. Dvarcioniu Keramika AB, as the sole representative of Lithuania in the world of ceramic and stone tiles manufacturing market, continues to provide highest quality of the latest interior design solutions.

Sales in Lithuania

Sales volume in Lithuania is 48% from total sales, while in 2009 it was 65%. The Company's production is sold in all biggest construction material trade centers also in its own-brand shops. The Company has 12 its own brand retail shops situated in all biggest Lithuanian towns. The Company's shops sell not only the Company's production, but also sanitary equipment, materials for tiles pasting and also provide the services of professional designers.

Export sales

Despite the global downturn in the economy in recent years, Dvarcioniu Keramika AB was able to expand export production areas - the Company's produced tiles currently are being sold in Belgium, Denmark, Sweden, Finland, Norway, the Czech Republic, Russia and Belarus.



2.2. Supply and Logistics

Several suppliers supply the Company basic raw materials, packaging materials, stationery, household and other materials. It reduces the dependence on suppliers, and enables a bargaining for more favorable conditions for cooperation. For other specific materials, which are supplied by one supplier, the safe 4-week reserve of inventory is held.

Companies, selected by tenders, perform transportation and other services. It allows the Company to achieve the optimum price-quality ratio.

For the purpose of reducing the supply risk, long term contracts are signed with main suppliers. Alternative suppliers of raw materials, basic materials and services are selected and explored. The list of main suppliers is updated four times a year, which may change due to economic and environment changes.

The suppliers are being selected taking based on their reliability, financial results, recommendations of the partners, materials delivery and service quality, transportation costs, environmental requirements and payment for production terms. Majority of raw materials and designs of new products to Dvarcioniu Keramika AB are supplied by well known and recognized companies in the world of ceramics: Iris-group, Fritta S.L., Ferro S.L. Quimicer. With most of these companies, the Company has worked for approximately ten years. Long-term cooperation in introducing new, advanced products, exchanging relevant information and improving the production and logistics processes allows saving time and capital recourses.

Long-term cooperation agreements are signed with gas and electricity suppliers.

The equipment for production is purchased from well-known foreign manufacturers. Good and productive relationship with manufacturers enables to purchase equipment and spare parts on favorable market conditions and ensures timely delivery of them.

In 2009 storing system effectiveness was improved (the software was updated, the warehouse activity was automated, effective system for staff motivation was introduced). It increased the efficiency of logistics department and the flexibility of the entire Company in promptly dealing with radical changes in market conditions. Also, the effectiveness and productivity of the logistics department was improved in 2010 to meet the clients' changing needs.

2.3. Production

Production volumes
In 2010 Dvarcioniu Keramika AB produced 1,044 thousand sq. meters of tiles, whereas in 2009 - 874 thousand sq. meters were produced. The 2010 production volume was divided as follows: wall tiles 49%, floor tiles – 51%.

Innovations
While pursuing the Company's long-term strategy and the most important goals to maintain its leading position in the Lithuanian and expand in foreign markets by fully meeting ever-changing clients' needs, the Company is constantly expanding and renewing its product range. In order to provide customers with the highest technological and aesthetic quality tile collections that reflect the latest interior trends, Dvarcioniu Keramika AB is engaged in close cooperation with the Italian design studios for exceptional interior design solutions.

The company, following not only the latest tile fashion trends, but also by applying the most innovative manufacturing technologies and using new materials, introduced to the market three new glazed ceramic tile and stone collections - "Bazaltina" "Romantika" and "Linea". While creating "Linea" and "Romantika" collections new materials as well as special technology were applied for the first time, thus allowing high-gloss glaze to be used in production of 25x40 cm tile. Ceramic tile collection "Linea" was presented to Lithuanian Product of the Year contest and won the Lithuanian Product of the Year title. Since 2000, Dvacioniu Keramika AB has won seven awards in the "Lithuanian Product of the Year" competition.

2.4. Management of quality and environment issues, experimental laboratory

Quality and Environment Safety management system
Dvarcioniu Keramika AB activity is fully compliant with the quality and environment safety management ISO9001 & ISO14001 standard requirements. Quality management system was implemented and certified from 1999; environmental safety management system from 2002.

Quality and Environment Safety management systems external audit and results
Recertification of ISO9001 and ISO14001 quality and environmental management systems was accomplished in August 2008. New certificates were issued: No. 37667-2008-AQ-FIN-FINAS, No. 37669-2008-AE-FIN-FINAS. In September 2010 Det Norske Veritas UAB performed routine maintenance audits. No deficiencies were noted. Next recertification audit is planned in 2011 August-September.

Accredited experimental laboratory
Dvarcioniu Keramika AB Certified experimental laboratory was certified in 1999, accreditation no. LA.01.025. The accreditation provides the right to the laboratory to issue to its products EC declarations of conformity in accordance with LST EN 14411 standard.
The accreditation and supervision of the experimental laboratory is performed by NAB – National Accreditation Bureau. Last audit by National Accreditation Bureau was done in May of 2010. Results were positive. Laboratory's compliance with EN ISO/IEC 17025:2005 standard requirements was confirmed.
Next audit is planned in the first half of 2011.
During 2010 experimental laboratory of Dvarcioniu Keramika AB has issued 18 experimental protocols to external clients and took part in inter-laboratory comparative experiments together with VGTU Thermo insulation institute Construction material laboratory.

2.5 Human resources

Employees
On 31 December 2010, there were 165 full-time employees in the Company, on 31 December 2009 – 175 and on 31 December of 2008 – 297.

Allocation of Employee job positions at Dvarcioniu Keramika AB is presented below:

Employee education	No. of Employees 31.12.2010	No. of Employees 31.12.2009	No. of Employees 31.12.2008
University	45	48	86
Higher	38	34	64
Professional schools	44	58	109
High school	38	35	38
TOTAL:	**165**	**175**	**297**

Allocation of Employee job positions	Amount of Employees 31.12.010	Amount of Employees 31.12.2009	Amount of Employees 31.12.2008
Managers	10	11	23
Specialist	70	74	92
Workers	85	90	182
TOTAL:	**165**	**175**	**297**

More than 47% of the Company employees work in the Company for more than 5 years.

Collective agreement
The collective agreement defines relationships between employees, employed by the Company based on work agreements, agreements between employees and the Company relating to work conditions, payment, administration, safety, and time off schedules as well as other social and economical conditions.

The Company's management cooperates with the professional union, provides information, and discusses the Company's business issues.

Increase in qualification
The basis for the Company's successful activities are creative and continuously developed employees, who are not afraid of responsibility and continuously search for new work implementation forms, effective problem solving solutions. Employees participate in the training project "Training of senior and middle level management of industrial leading companies to increase cooperation and competitiveness in the international context of companies with the largest economic potential" which is financed by the European Social Fund and the Confederation of Lithuanian Industrialists. Employee training and qualification is performed based on the Company's Quality management system ISO 9001 procedures. In 2010, 27% of employees took part in the trainings. Not only external trainings are encouraged but internal ones as well.

Job safety
There are suitable and safe working conditions in the Company. Health and safety committee is present. There were no serious accidents during 2010.

3. Links and extra explanations about data presented in the financial statement

All the additional information is presented in the following financial statements.

4. Quantity of owned and acquired shares of the Company, their par value and the part of share capital formed by these shares

Authorized capital registered in the register of enterprises – 19,810,920 LTL.

Capital is divided into 9,905,460 ordinary registered shares.

Par value of one share - 2 LTL

All shares of the Company are fully paid off.

5. Own shares acquired or transferred during the financial year, their par value and the part of share capital formed by these shares

The company did not hold, acquire or transfer any shares during the financial year.

6. Information about the payments for owned shares if they were acquired or transferred for a fee

The company did not hold, acquire or transfer any shares during the financial year.

7. Reason of acquisition of own shares during the financial year

None.

8. Information about the Company's branches and representative offices

The Company does not have branches or representative offices.

9. Important events after the reporting period

There were no important subsequent events

10. The Company's plans and forecasts

The Company does not publicly announce its plans and forecasts.

11. Information about the research and development activities.

The Company did not conduct any research and development activities.

12. When the Company uses financial derivatives and when it is important for valuation of the Company's assets, shareholders equity, liabilities, financial status and results, the Company discloses the goals of financial risk management, used hedging instruments which are accounted as such for main groups of planned transactions as well as extent of pricing risk, liquidity risk and cash flow risk.

The Company did not use any derivative financial instruments, which are important in assessing the Company's assets, equity, liabilities, financial position and results.

DVARČIONIŲ KERAMIKA AB disclosure form regarding the Compliance with the Governance Code for the Companies Listed on AB NASDAQ OMX Vilnius Regulated Market

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of the company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	No	The Company has prepared development strategy, which is not announced publicly.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company seeks to ensure rights of all major stakeholders.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The governing bodies of the Company are: general meeting of shareholders, Board of directors and chief executive officer.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Company's collegial management body is Board of directors.

2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	No	
2.5. A Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Board of directors consists of 5 members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	No	
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and	No	

fair monitoring of the company's management bodies as well as representation of minority shareholders.		
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The Company complies with the recommendation.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The Company complies with the recommendation.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The Company's collegial body members are qualified specialists.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	
3.7. A member of the collegial body should be considered to be independent only if he/she is free of any business, family or other relationship with the company, its controlling shareholder or the	No	The Company's financial statements disclose the related parties' transactions as required by the International financial reporting standards. Transactions between the related parties are

management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of		performed using arm's length principle. No other means to evaluate the independence of members of governing bodies are applied because no means are specified in internal documents of the Company (statute, regulations).

the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	The Company has not specified the conception of independence.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	The Company complies with the recommendation.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The Company complies with the recommendation. The members of collegial bodies perform its functions: actively participate in collegial body meetings and devote enough of their time for such meetings.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and	Yes	The Company complies with the recommendation.

committing to shareholders.		
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	Transactions between the Company and its shareholders, members of the Management Board and Supervisory Council and other natural or legal persons who has influence or may have influence on the Company's management are approved according to the procedures specified in the statute of the Company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience of the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and	No	

members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one	No	The Company has no internal audit committee.

should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. The Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.		

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	Yes	The collegial body conducts the assessment of its activities and reviews its objectives.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Company complies with the recommendation.

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The Company complies with the recommendation.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Company complies with the recommendation.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Company complies with the recommendation.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists only of the ordinary shares that give the same voting, ownership, dividend and other rights to all of their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company complies with the recommendation.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when	Yes	Transactions are made on the basis prescribed in the Company's statute.

significant corporate issues, including approval of transactions referred to above, are discussed.		
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	Procedures of convening and conducting a general shareholders' meeting ensure equal opportunities for the shareholders to effectively participate at the meetings and not prejudice the rights and interests of the shareholders.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Public announcements are made using Stock exchange information system and in press. Also, the announcements are placed in the web page of the Company.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company complies with recommendation.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In	Yes	The Company complies with the recommendation.

case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.		
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	The Company complies with the recommendation.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or verbally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Not applicable	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Not applicable	There were no such cases in 2010.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	No such practice has been established in the Company.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	No such practice has been established in the Company.

8.3. Remuneration statement should include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	No such practice has been established in the Company.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	No such practice has been established in the Company.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	No such practice has been established in the Company.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	No such practice has been established in the Company.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;	No	The Company discloses payments to the Board members in the explanatory notes of the financial statements.

2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. Regarding shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant	No	No such practice has been established in the Company.

of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.		
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or	No	

issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company's management system assures that the rights of stakeholders are protected according to laws.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) The Company's objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and related parties, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with recommendation.

10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the AB NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company provides information in English and Lithuanian in AB NASDAQ OMX Vilnius information system at the same time. Information is announced in the stock exchange trading system and web page. Such process ensures that all the information users gets information at the same time. The Company also tries to announce essential information in non trade time – before or after trade sessions. No comments, interview or other essential information is provided before it becomes public through official stock exchange information system.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company sends information to the Stock exchange and Securities Commission, and later with some comments to the mass media. At the same time information is placed in the official website of the Company. Such process ensures that all the information users gets information at the same time. The Company provides information in English and Lithuanian.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company has updated its web site and announces information specified in the recommendation 10.7.

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	No	Candidate audit company is proposed by the Board of directors.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	Audit company has not provided any service except audit itself.

During the period from 1 January 2009 to 8 July 2009, supervision of the activities of the Company was carried out by the supervisory board of the Company. On 8 July 2009, members of the supervisory board of the Company resigned, therefore, from 8 July 2009 to 1 January 2010 functions of the supervisory board actually were not executed. By a decision of the shareholders of the Company, as of 9 February 2010 the supervisory board, as a body carrying out the supervision of the activity of the Company, has been canceled.

President
Audris Imbrasas

1 April 2011

DVARČIONIŲ KERAMIKA AB
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2010
All amounts are in LTL thousands, unless otherwise stated

	Notes	2010	2009
ASSETS			
Property, plant and equipment	**5**	36,807	29,872
Intangible assets	**6**	3	17
Trade and other receivables		-	6
Investment property	**7**	42	1,183
Investments in associates	**8**	300	300
Total non-current assets		**37 152**	**31 378**
Inventories	**9**	10,049	11,258
Prepaid income tax		104	116
Trade and other receivables	**10**	4,454	5,196
Cash and cash equivalents	**11**	107	108
Total current assets		**14,714**	**16,678**
TOTAL ASSETS		**51,866**	**48,056**
EQUITY			
Share capital		19,811	19,811
Legal reserve	**12**	125	125
Revaluation reserve	**12**	12,043	2,902
Retained earnings		(10,924)	(6,101)
Total equity		**21,055**	**16,737**
LIABILITIES			
Loans	**14**	10,747	16,888
Finance lease liabilities	**15**	160	269
Deferred tax liabilities	**28**	1,978	311
Total non-current liabilities		**12,885**	**17,468**
Loans	**14**	8,053	6,636
Finance lease liabilities	**15**	109	125
Trade payables	**17**	7,374	5,040
Prepayments		657	126
Other payables and accrued expenses	**18**	1,733	1,924
Total current liabilities		**17,926**	**13,851**
Total liabilities		**30,811**	**31,319**
TOTAL EQUITY AND LIABILITIES		**51,866**	**48,056**

The accompanying notes on pages from 38 to 62 are an integral part of these financial statements.

These financial statements were approved and signed on 1 April 2011:

President
Audris Imbrasas

Chief Accountant
Rūta Zinkevičienė

	Notes	2010	2009
Income	**19, 20**	25,699	44,380
Cost of sales	**20, 21**	(20,709)	(34,422)
Gross profit		**4,990**	**9,958**
Other income	**22**	360	3,248
Selling expenses	**23**	(5,557)	(7,295)
Administrative expenses	**24**	(4,642)	(11,391)
Result from operating activities		**(4,849)**	**(5,480)**
Finance income	**26**	39	3
Finance cost	**26**	(624)	(1,171)
Net finance cost		**(585)**	**(1,168)**
Loss before taxes		**(5,434)**	**(6,648)**
Income tax benefit	**28**	81	606
Net loss		**(5,353)**	**(6,042)**
Other comprehensive income, net of taxes		9,671	-
Total comprehensive income for the period, net of taxes		**4,318**	**(6,042)**
Loss per share			
Basic and reduced loss per share (in LTL)	**13**	**(0.54)**	**(0.61)**

The accompanying notes on pages from 38 to 62 are an integral part of these financial statements.

These financial statements were approved and signed on 1 April 2011:

President	Chief Accountant
Audris Imbrasas	Rūta Zinkevičienė

DVARČIONIŲ KERAMIKA AB
STATENENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
All amounts are in LTL thousands, unless otherwise stated

	Notes	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Balance as of 1 January 2009		**19,811**	**125**	**3,594**	**(751)**	**22,779**
Loss for the period		-	-	-	(6,042)	(6,042)
Decrease of revaluation reserve due to depreciation or write-off of revaluated assets		-	-	(692)	692	-
Other comprehensive income		-	-	-	-	-
Balance as of 31 December 2009	**12**	**19,811**	**125**	**2,902**	**(6,101)**	**16,737**
Loss for the period		-	-	-	(5,353)	(5,353)
Decrease of revaluation reserve due to depreciation or write-off of revaluated assets		-	-	(762)	530	(232)
Increase of revaluation reserve due to revaluation		-	-	9,903	-	9,903
Balance as of 31 December 2010	**12**	**19,811**	**125**	**12,043**	**(10,924)**	**21,055**

The accompanying notes on pages from 38 to 62 are an integral part of these financial statements.

These financial statements were approved and signed on 1 April 2011:

President Audris Imbrasas	Chief Accountant Rūta Zinkevičienė

	Notes	2010	2009
Cash flow from operating activities:			
Loss for the year		**(5,353)**	**(6,042)**
Adjustments for:			
Depreciation and amortization	5, 6	4,020	6,985
Net result from disposal and write-off of non-current assets		2	(2,683)
Impairment of non-current assets	24	1,622	2,015
Impairment of trade receivables	10	12	320
Write-off (reversal) of inventory to net realizable value	9	(140)	269
Interest, net	26	466	982
Deferred tax expenses	28	(81)	(606)
		548	**1,240**
Change in inventories	9	1,349	13,271
Change in trade and other receivables	10	736	2 823
Change in trade and other payables	17	2,334	(9,057)
Change in prepayments		569	(134)
Change in other payables and accrued expenses	18	(191)	(128)
		4,797	**6,775**
Interest paid		(376)	(985)
Income tax paid		(26)	(512)
Net cash from operating activities		**4,943**	**6,518**
Cash flows from investing activities:			
Acquisitions of non-current tangible assets	5	(7)	(157)
Acquisitions of intangible assets	6	(2)	(3)
Proceeds from sales of non-current tangible assets		5	4,047
Interest received		-	3
Net cash from/used in investing activities		**(4)**	**3,890**
Cash flows from financing activities:			
Loans received	14	495	495
Repayment of loans	14	(5,310)	(10,749)
Repayment of finance lease	15	(125)	(215)
Decrease of factoring financing		-	(47)
Net cash used in financing activities		**(4,940)**	**(10 516)**
Net decrease in cash and cash equivalents		**(1)**	**(108)**
Cash and cash equivalents as of 1 January	11	**108**	**216**
Cash and cash equivalents as of 31 December	11	**107**	**108**

The accompanying notes on pages from 38 to 62 are an integral part of these financial statements.

These financial statements were approved and signed on 1 April 2011:

President Audris Imbrasas	Chief Accountant Rūta Zinkevičienė

- ## General Information

Dvarcioniu keramika AB (thereinafter – the Company) was registered on 10 June 1994. The Company‘s code 110628481. The Company‘s head office is located at Keramiku str. 2, LT-10233, Vilnius, Lithuania.

The Company is the largest and most advanced producer of ceramic tiles in the Baltic countries.

As of 31 December 2010 there were 165 employees in the Company (as of 31 December 2009 – 175).

Shares of Dvarcioniu keramika AB are quoted in AB NASDAQ OMX Vilnius.

- ## Basis of preparation of financial statements

Statement of compliance

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

The board approved and signed annual report and financial statements on 1 April 2011.

The shareholders of the Company have a statutory right either to approve these financial statements or not to approve them and require management to prepare the new financial statements.

Basis of preparation of financial statements

The financial statements have been prepared on a cost basis, except for property, plant and equipment which are stated at revaluated amount.

The financial statements are presented in national Lithuanian currency – Litas (LTL), which is the Company’s functional currency.

The financial year of the Company coincides with the calendar year.

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS, as adopted by the European Union, requires management to make judgments and estimates on the basis of certain assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed below.

Market uncertainties

The ongoing global liquidity crisis resulted in, among other things, a lower liquidity levels in economy, a lower level of capital market funding and lower liquidity. In addition, Lithuania has been experiencing economic downturn which has affected, and may continue to affect, the activities of enterprises operating in this environment. These financial statements reflect management‘s assessment of the impact of the Lithuanian and global business environment on the operations and the financial position of the Company. The future developments in business environment may differ from management‘s assessment.

Useful lives of property, plant and equipment

Asset useful lives are assessed annually and changed when there is a reason to believe that the remaining live of the asset does not reflect to the position of technical condition, prospective economic utilization and physical condition.

Impairment of property, plant and equipment

The Company makes an assessment, at least once per year, whether there are any indicators that property, plant and equipment have suffered impairment. In cases of signs of impairment, the Company performs an impairment test in accordance with accounting policy set out in note 3.

Impairment of investments in associates

Since the shares of associated entity are not listed, the Company estimated the recoverable value of the investment based on the carrying value of the Company‘s share in the associate‘s net assets, which based on management’s judgment approximates its fair value as of 31 December 2010.

Net realizable value of inventories
The Company, at least once per year, evaluates the net realizable value of inventories and compares it with cost.

Impairment of accounts receivable
The Company makes an assessment, at least once per year, whether the impairment loss should be recorded in the statement of comprehensive income, and makes judgments whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be indentified in individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, international or local economic conditions that influence the group of receivables.

Management evaluates probable cash flows from the debtors based on the historical loss experience related to the debtors with similar credit risks. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Utilization of tax losses
Information about assumptions regarding the utilization of tax losses is included in note 28.

- **Significant accounting policies**

The accounting policies set out below have been applied to all periods presented in these financial statements.

Foreign currency
Transactions in foreign currency are translated into Litas at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Litas at exchange rates prevailing at that date. Gains and losses arising on exchange are included in the statement of comprehensive income. As of 31 December the applicable rates used for principal currencies were as follows:

	2010	**2009**	**2008**
USD	2.6099	2.4052	2.4507
EUR	3.4528	3.4528	3.4528
PLN	0.87160	0.83536	0.83326

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction.

Financial assets
The company initially recognizes loans, amounts receivable and deposits on the date that they are originated. All other financial assets are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

According to IAS 39 Financial instruments: Recognition and Measurement, financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets. All purchases and sales of financial assets are recognized on the trade date. When financial assets are initially recognized, they are measured at fair value plus, except in case of investments at fair value through profit or loss, directly attributable transaction costs.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transactions costs. After initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash on hand, cash in transit and cash in banks, demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Effective interest rate method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Company initially recognizes debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: loans, borrowings, trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transactions costs. After initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are stated at cost less impairment losses recognized, where the investment‘s carrying amount exceeds its estimated recoverable amount in the Company‘s statement of financial position.

Property, plant and equipment

Property, plant and equipment are stated at their revaluated amounts, less any subsequent accumulated depreciation or subsequent accumulated impairment losses. The revaluated amount is the fair value at the date of the revaluation, which was carried out on 15 November 2010 by the independent appraisers. Property, plant and equipment are revaluated every five years.

If an asset’s carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in a profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Depreciation is accounted for on the straight-line basis over the estimated useful lives of the related asset. Revaluated assets are depreciated over the remaining useful lives.

Depreciation is provided in equal monthly installments except for the month placed in service over the expected useful lives as follows:

Buildings	7 – 60 years
Machinery and equipment	2 – 20 years
Vehicles	8 – 20 years
Other equipment	2 – 15 years

Non-current assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the remaining finance lease term, whichever is shorter.

The gain or loss arising on the disposal of an item of non-current assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

Intangible assets
Intangible assets are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Amortization is charged on a straight-line basis to write-off the cost of each asset over the estimated useful live of 3 years.

Investment property
Investment property of the Company, which consists of investments in buildings held to earn rental revenue, is initially recognized at acquisition cost. Subsequently all investment property is carried at cost less accumulated depreciation and impairment losses.

Transfer from and to investment property are made only when there is an evidence of change in use of asset.

Emission rights
The European Union Emission Allowance Trading Scheme was established by Directive 2003/07/EC and commenced on 1 January 2005. The first phase ran for the three-year period from 2005 to 2007; the second runs for five years from 2008 to 2012 to coincide with the first Kyoto Commitment Period. The scheme works on a Cap and Trade basis. The European Union Member States are required to set an emission cap for each phase for all 'installations' covered by the Scheme. This cap is established in national Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tones of carbon dioxide equivalents) permitted per installation for each phrase for which allowances will be allocated on an annual basis.

The Member States are required to allocate allowances to installations by 28 February each year according to the NAP (a certain number of allowances are kept in reserve for new installations).

The Member States must ensure that by 30 April of the following year the operator of each installation surrenders a number of allowances equal to the total emissions from the installation during the preceding calendar year.

When the Company has sufficient allowances to meet its obligations, the net approach is applied, the amount of the provision is equal to the costs of the assets and neither the asset nor the provision is presented on the statement of the financial position.

If the Company has a lack of emission rights, the liability is recognized in the statement of financial position, which is estimated by the value of future expenses (economical recourses) required to settle the emission rights obligation.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Company as lessor</u>
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

<u>The Company as lessee</u>
Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized in the statement of comprehensive income.

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost or net realizable value. The FIFO method is used as a basis for calculating the cost. The work in progress and finished goods comprise of raw materials, direct labor cost, other direct costs and related production overheads. Net realizable value is estimated selling price in the ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

Impairment

Financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result event that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected and that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include defaults by the debtors, restructuring of an amount receivable on terms that were not used in normal business relations, indications that a party will enter bankruptcy, the disappearance of an active market of financial assets. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at individual and collective level. All individually significant receivables are assessed for a specific impairment. All individually significant receivables found not to be specifically impaired are collectively assessed for any impairment that has occurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU).

An impairment loss is recognized in the statement of comprehensive income if the carrying amount of the asset exceeds its estimated recoverable amount. Impairment losses are recognized in respect of CGUs are firstly allocated to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are recognized when there is evidence that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Employee benefits

The Company does not have any adopted defined contribution and benefit plans and has no share based payment schemes. Post employment obligations to employees retired are implemented by the State.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Sales of services</u>
Sales of services are recognized on performance of the services.

Finance income and finance costs
Finance costs comprise interest expenses on borrowings, fines and profit (loss) from foreign currency change. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the statement of comprehensive income using the effective interest method.
Foreign currency gains and losses are reported on a net basis.

Income tax
Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit (loss), except items recognized directly in equity or in other comprehensive income. Current tax is calculated according to the taxable income or loss for the year, using tax rates applicable at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax asset is recognized only when it is probable that future taxable profits will be available against which they can be utilized. Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings per share
The Company presents basic and reduced earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Reduced EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all reduced potential ordinary shares which comprise convertible notes and share options granted to employees.

Contingencies
Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Related parties
Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

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

Determination of fair value
Fair value is defined as the established amount for which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Management of the Company is of the opinion that carrying amounts of trade and other receivables, trade and other payables as well as borrowings approximate their fair value.

Standards and Interpretations effective in the current period

The following amendments to the existing International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (hereinafter the EU) are effective for the current period:

- IFRS 1 (revised) "First-time Adoption of IFRS" adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010);
- IFRS 3 (revised) "Business Combinations" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009);
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Additional Exemptions for First-time Adopters, adopted by the EU on 23 June 2010 (effective for annual periods beginning on or after 1 January 2010);
- Amendments to IFRS 2 "Share-based Payment" - Group cash-settled share-based payment transactions adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010);
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009);
- Amendments to various standards and interpretations "Improvements to IFRSs (2009)" resulting from the annual improvement project of IFRS published on 16 April 2009, adopted by the EU on 23 March 2010 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010);
- IFRIC 12 "Service Concession Arrangements" adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009);
- IFRIC 15 "Agreements for the Construction of Real Estate" adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010);
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009);
- IFRIC 17 "Distributions of Non-Cash Assets to Owners" adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009);
- IFRIC 18 "Transfers of Assets from Customers" adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

The adoption of these amendments to the existing standards has not led to any changes in the Company accounting policies.

Standards and Interpretations issued by the IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective and the Company has elected not to adopt these standards, revisions and interpretation in advance of their effective dates:

- IAS 24 "Related party disclosures" (revised in 2009) – modifies the definition of a related party and simplifies disclosures for government-related entities (effective for annual periods beginning on or after 1 January 2011). The Company does not expect any impact on its financial position or performance as the Company is not a government-related entity;
- Amendments to IAS 32 "Financial Instruments: Presentation" – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010) address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Company has not entered into any arrangements that would fall within the scope of the amendments. However, if the Company does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues;
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010). The Company does not expect any impact on its financial position or performance from these amendments;
- Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011). The amendment is deemed to have no impact on the financial statements of the Company;
- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation). The amendments are deemed to have no impact on the financial statement of the Company;

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" – provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments (effective for annual periods beginning on or after 1 July 2010). To date, the Company has not entered into transactions of this nature. However, if the Company does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Standards and Interpretations issued by the IASB but not yet adopted by the EU

At present, IFRS's as adopted by the EU do not significantly differ from regulations adopted by IASB except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 1 April 2011:

- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011);
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012);

The Company's management anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

• Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk,
- capital management risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or other party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

The Company has no significant credit risk concentration, because credit risks are allocated between numerous customers.

The Company accounts for an allowance for impairment that represents its estimate of incurred losses in respect to trade and other receivables. This allowance for impairment includes only specific loss related to particularly significant trade and other receivables.

At the reporting date the maximum credit risk for trade and other receivables by customers could be specified as follows:

	2010		2009	
	Amount receivable	Share, %	Amount receivable	Share, %
1. Customer 1	847	19%	1,062	20%
2. Customer 2	499	11%	665	13%
3. Customer 3	322	7%	468	9%
4. Customer 4	252	6%	299	6%
5. Customer 5	232	5%	285	5%
6. Customer 6	226	5%	246	5%
Other customers and other receivables	2,076	47%	2,171	42%
Total	**4,454**	**100%**	**5,196**	**100%**

At the reporting date the maximum credit risk for trade and other receivables by geographic regions could be specified as follows:

	2010	2009
Lithuania	1,677	2,711
Euro-zone countries	1,771	1,137
Ukraine	125	249
Belarus	260	317
Russia	621	782
Total	**4,454**	**5,196**

At the reporting date the ageing of trade receivables could be specified as follows:

	2010		2009	
	Total amount	Impairment	Total amount	Impairment
Not overdue	3,329	-	174	-
Overdue 0-30 days	816	1	3,998	-
Overdue 31-60 days	129	10	245	-
Overdue 61-90 days	69	22	143	-
More than 91 day	371	227	1,069	433
Total	**4,714**	**260**	**5,629**	**433**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and complicated conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operating expenses, including the serving of financial liabilities; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted (for example, natural disasters).

The liquidity risk can be managed by planning the cash flows of the Company. In order to minimize the liquidity risk, cash flows forecasts are prepared.

The contractual maturities of liabilities, including estimated interest payments are as follows:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	2-5 years
As of 31 December 2010					
Loans	18,800	(19,454)	(5,190)	(3,236)	(11,028)
Finance lease liabilities	269	(278)	(58)	(57)	(163)
Trade payables	7,374	(7,374)	(7,374)	-	-
Prepayments	657	(657)	(657)	-	-
Other payables and accrued expenses	1,733	(1,733)	(1,733)	-	-
Total	**28,833**	**(29,496)**	**(15,012)**	**(3,259)**	**(11 191)**
As of 31 December 2009					
Loans	23,524	(24,604)	(3,280)	(3,281)	(18,042)
Finance lease liabilities	394	(411)	(67)	(67)	(278)
Trade payables	5,040	(5,040)	(5,040)	-	-
Prepayments	126	(126)	(126)	-	-
Other payables and accrued expenses	1,924	(1,924)	(1,924)	-	-
Total	**31,008**	**(32,105)**	**(10,437)**	**(3,348)**	**(18,320)**

Market risk

Market risk is the risk that changes in market prices and interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest risk

The Company's borrowings are subject to variable interest rates related to EURIBOR and LIBOR EUR. As of 31 December 2010 the Company did not use any financial instruments to hedge its exposure of cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rate.

Financial liabilities with variable interest rate were as follows:

	Contractual currency	2010	2009
Loans	EUR	18,262	23,524
Finance lease liabilities	EUR	269	394
Total		**18,531**	**23,918**

The interest rate of these agreements is from 1.96% to 5.57% (2009 – from 1.71% to 5.57%).

The change of average annual interest rate of the Company's borrowings by 1 percentage point would increase (decrease) the interest expenses and the result of the year as of 31 December 2010 by approximately LTL'000 140.

Currency risk

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings as well as on sales amounts receivable that are denominated in currencies other than Litas. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate. Changes could occur if the government macroeconomic policy changes.

During the year, currency exchange rates in respect of Litas were as follows:

	2010		2009	
	31 December	Average	31 December	Average
1 EUR	3.4528	3.4528	3.4528	3.4528
1 USD	2.6099	2.6067	2.4052	2.4828
1 PLN	0.87160	0.86541	0.8354	0.7998

The Company‘s foreign currency risk was as follows:

	LTL	EUR	USD	PLN
As of 31 December 2010				
Trade and other receivables	1,677	2,569	-	208
Cash and cash equivalents	61	46	-	-
Loans	(538)	(18,262)	-	-
Finance lease liabilities	-	(269)	-	-
Trade payables	(4,312)	(2,948)	(10)	(104)
Total	**(3,036)**	**(18,864)**	**(10)**	**(104)**

	LTL	EUR	USD	PLN
As of 31 December 2009				
Trade and other receivables	2,438	2,764	-	-
Cash and cash equivalents	98	10	-	-
Loans	-	(23,524)	-	-
Finance lease liabilities	-	(394)	-	-
Trade payables	(2,614)	(2,258)	(10)	(158)
Total	**(78)**	**(23,402)**	**(10)**	**(158)**

Equity management

The management‘s policy is to maintain a significant equity base in comparison to borrowings so as to maintain investors, creditors and market confidence and to sustain future development of the business.

Management also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a higher equity position.

There were no changes in the Company‘s equity management policy during the financial year.

The company is obligated to keep its equity up to 50% of its share capital, as required by the Law on Companies of Republic of Lithuania.

5. Property, plant and equipment

As of 31 December the Company's property, plant and equipment consisted of the following:

	Buildings	Machinery and equipment	Vehicles	Other assets	Construction in progress	Total
Revaluated amount						
As of 1 January 2009	**38,778**	**69,238**	**1,116**	**5,351**	**633**	**115,116**
Additions	-	104	-	53	-	157
Disposals	(1,130)	(347)	(87)	(62)	-	(1,626)
Write-offs	-	(3)	-	(48)	-	(51)
Transfer to investment assets	(566)	(238)	-	-	-	(804)
As of 31 December 2009	**37,082**	**68,754**	**1,029**	**5,294**	**633**	**112,792**
Additions	-	1	-	6	-	7
Disposals	-	-	-	(18)	-	(18)
Write-offs	-	-	-	(1)	-	(1)
Transfer from investment assets	1,392	238	-	-	-	1,630
Revaluation result	16,144	20,174	-	-	-	36,318
As of 31 December 2010	**54,618**	**89,167**	**1,029**	**5,281**	**633**	**150,728**
Accrued depreciation and impairment						
As of 1 January 2009	**16,800**	**52,702**	**807**	**3,694**	**633**	**74,636**
Depreciation per year	1,936	4,588	58	364	-	6,946
Disposals	(106)	(68)	(63)	(29)	-	(266)
Write-offs	-	(3)	-	(44)	-	(47)
Transfer to investment assets	(142)	(222)	-	-	-	(364)
Impairment loss	-	2,015	-	-	-	2,015
As of 31 December 2009	**18,488**	**59,012**	**802**	**3,985**	**633**	**82,920**
Depreciation per year	1,801	1,833	47	323	-	4,004
Disposals	-	-	-	(10)	-	(10)
Write-offs	-	-	-	(5)	-	(5)
Transfer from investment assets	267	222	-	-	-	489
Revaluation result	8,667	17,856	-	-	-	26,523
As of 31 December 2010	**29,223**	**78,923**	**849**	**4,293**	**633**	**113,921**
Carrying amount as of 31 December 2009	**18,594**	**9,742**	**227**	**1,309**	**-**	**29,872**
Carrying amount as of 31 December 2010	**25,395**	**10,244**	**180**	**988**	**-**	**36,807**

Depreciation costs are accounted for in cost of sales, selling and administrative expenses. Depreciation expenses accounted for in cost of sales were LTL'000 3,041 (2009 - LTL'000 1,861), accounted for in selling expenses – LTL'000 435 (2009 – 575 LTL) and accounted for in administrative expenses - LTL'000 529 (2009 – LTL'000 – 4,510). Of these LTL'000 281 is depreciation of the unused production line Nasseti.

The Company's property, plant and equipment last time were revaluated on 15 November 2010, based on valuation performed by independent appraisers. Valuation was made on the basis of market value for buildings and replacement value method for machinery and equipment.

As of 31 December 2010 the carrying amount of the vehicles, machinery and equipment acquired under finance leases was LTL'000 269 (as of 31 December 2009 – LTL'000 394).

As of 31 December 2010 the carrying amount of the property, plant and equipment pledged to Swedbank AB for the loan (note 14) consisted of the following:

	2010	**2009**
Buildings	25,357	17,411
Machinery and equipment	9,571	9,742
Total	**34,928**	**27,153**

Evaluation of property, plant and equipment

Production line not in use

Due to decreasing demand for tiles, in January 2009, shareholders made a decision to stop Nasseti production line, and the production line is still not used. While preparing the financial statements for the year ended 31 December 2010 the Company calculated the recoverable amount of this production line. The recoverable amount of Nasseti production line was LTL‘000 562 (as of 31 December 2009 – LTL‘000 726) and was calculated by taking into consideration its fair value less cost of sales.

Revaluation of property, plant and equipment

The Company‘s property, plant and equipment were revaluated on 15 November 2010. The revaluation was performed by independent appraisers. The increase in buildings value LTL‘000 9,014 (reduced by LTL‘000 1,352 of deferred tax liability), was recognized in equity‘s revaluation reserve. The decrease in buildings value was LTL‘000 1,537 from which LTL‘000 232 reduced equity‘s revaluation reserve for remaining credits of not depreciated balances that existed in the revaluation reserve as of 31 December 2010 and LTL‘000 1,035 were accounted for in expenses in the 2010 statement of comprehensive income. The increase in equipment value was LTL‘000 2,636 (reduced by LTL‘000 395 of deferred tax liability) and it was recognized in equity‘s revaluation reserve. The decrease in equipment value was LTL‘000 317 and was accounted for in expenses in the 2010 statement of comprehensive income.

Assessment of property, plant and equipment in use

The Company also assessed the value in use of the property, plant and equipment as of 31 December 2010. The value in use was determined by discounting the future cash flows generated from the continuing use of the tangible non-current assets. The calculation of the value in use was based on the following key assumptions:

- When estimating the future cash flows, it was expected that the Company’s revenue from sales would be 30 million Litas in 2011, whereas in 2012 it would be 35 million Litas with the further growth to 43 million Litas in 2015;
- Monetary inflows for the subsequent periods have been planned by applying 2% growth ratio which reflects an expected average pace of economic growth in the future;
- Gross profit would grow from 19% in 2010 to 26% in 2015, and EBITDA margin would increase from 3.2% in 2010 to 14% in 2015;
- Discount rate of 10% was applied in determining the discounted cash flows.

Based on these assumptions, the recoverable amount of the property, plant and equipment exceeds the carrying value of those assets.

The Company does not have fully depreciated assets which are still in use.

6. Intangible assets

As of 31 December intangible assets consisted of the following:

	Software
Cost	
As of 1 January 2009	**417**
Additions	3
As of 31 December 2009	**420**
Additions	2
As of 31 December 2010	**422**
Accumulated amortization	
As of 1 January 2009	**364**
Amortization expenses	39
Write-offs	**-**
As of 31 December 2009	**403**
Amortization expenses	16
As of 31 December 2010	**419**
Carrying amount	
As of 31 December 2009	**17**
As of 31 December 2010	**3**

The amortization expenses were included in selling and administrative expenses.

The Company does not have fully depreciated assets which are still in use.

7. Investment property

As of 31 December investment property consisted of the following:

	Buildings
Cost	
As of 1 January 2009	**921**
Transfer from property, plant and equipment	804
As of 31 December 2009	**1,725**
Transfer to property, plant and equipment	(1,630)
As of 31 December 2010	**95**
Accrued depreciation and impairment	
As of 1 January 2009	**178**
Transfer from property, plant and equipment	364
As of 31 December 2009	**542**
Transfer to property, plant and equipment	(489)
As of 31 December 2010	**53**
Carrying amount	
As of 31 December 2009	**1,183**
As of 31 December 2010	**42**

Revenue from lease during 2010 was LTL‘000 351, while revenue from lease of the Company‘s investment property was LTL‘000 30.

The fair value of investment property corresponds to carrying values.

As of 31 December 2010 the carrying amount of investment property pledged to Swedbank AB for the loan (note 14) consisted of the following:

	2010	2009
Buildings	**42**	**1,183**

8. Investments into associates

As of 31 December investments into associates consisted of the following:

	2010		2009	
	Carrying amount	Ownership %	Carrying amount	Ownership %
Baltijos keramika UAB	300	30.6	300	30.6
Total	**300**		**300**	

9. Inventories

As of 31 December inventories consisted of the following:

	2010	2009
Raw and auxiliary materials	2,207	2,635
Work in progress	-	301
Finished goods	6,619	6,474
Goods for resale	1,678	2,443
	10,504	**11,853**
Less: allowance to net realizable value	(455)	(595)
Total	**10,049**	**11,258**
Allowance to net realizable value as of 1 January	(595)	(326)
Increase (decrease) per year	140	(269)
Allowance to net realizable value as of 31 December	**(455)**	**(595)**

As of 31 December 2010 and 2009 inventories, including raw and auxiliary materials, work in progress, finished goods and goods for resale amounted to LTL‘000 10,000 were pledged for the loan from bank (note 14).

As of 31 December 2010 cost of inventories was reduced to net realizable value by LTL‘000 455 (as of 31 December 2009 – LTL‘000 595). The write-downs of inventories to net realizable value are recognized in administrative expenses.

10. Trade and other receivables

As of 31 December receivables consisted of the following:

	2010	2009
Trade receivables	4,563	5,455
Prepayments to suppliers	110	45
Prepaid expenses	40	76
Other amounts receivable	1	53
	4,714	**5,629**
Less: allowance for trade receivables	(260)	(433)
Total	**4,454**	**5,196**

For the year ended 31 December movement in the allowance for doubtful debts consisted of the following:

	2010	2009
Allowance of trade and other receivables as of 1 January	433	113
Increase in allowance for the period	12	397
Reversal of allowance for the period	(185)	(77)
Allowance for trade and other receivables as of 31 December	**260**	**433**

Increase in allowance for the period was LTL‘000 12 (2009 – LTL‘000 397), and it was recognized in administrative expenses. During 2010 the Company wrote off LTL‘000 184 of bad debts.

11. Cash and cash equivalents

As of 31 December cash and cash equivalents consisted of the following:

	2010	2009
Cash at bank	73	48
Cash on hand	2	3
Cash in transit	32	57
In total	**107**	**108**

Cash in Swedbank AB accounts and future cash inflows were pledged to secure the credit facilities. As of 31 December 2010 the cash balances of the Company in these accounts amounted to LTL'000 1 (note 14).

12. Share capital and legal reserve

As of 31 December 2010 the Company's share capital consisted of 9,905,460 ordinary shares, with the par value LTL 2 each. All shares were fully paid.

The holders of ordinary shares are entitled to one vote per share at shareholder's meeting and are entitled to receive dividends when they are published, as well as the recovery of the share capital in case of share capital's decrease. In 2010 the nominal value of shares has not changed.

On 23 June 2009 a Polish company Cersanit S.A. transferred its control of 92.25 percent of Dvarcioniu keramika AB ordinary registered shares to Nusinco Holdings Limited, registered in Cyprus, which on 29 June 2009 sold the share package to a company registered in British Virgin Islands Lorton Investment Ltd.

On 14 July 2009 a Lithuanian Company Misota UAB (controlled by Mr. Juozas Raiselis) bought 9,137,525 (92.25 percent) ordinary registered shares of Dvarcioniu keramika AB from Lorton Investment Ltd. During 2009 it has published a formal obligatory noncompetitive proposal and purchased additional 68,503 (0.69 percent) shares and from 26 November 2009 it owns 9,206,028 (92.93 percent) of ordinary registered shares.

The structure of shareholders is as follows:

	2010			2009		
Shareholders	**Number of shares**	**Nominal share value**	**%**	**Number of shares**	**Nominal share value**	**%**
Misota UAB	9,206,028	-	92.93	9,206,028	-	92.93
Others	699,432	-	7.07	699,432	-	7.07
Total	**9,905,460**	**19,811**	**100.00**	**9,905,460**	**19,811**	**100.00**

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net distributable profit are compulsory until the reserve reaches 10% of the authorized capital. This reserve cannot be used to cover accumulated losses.

As of 31 December 2010 the Company's reserve was not fully formed. It consisted only 0.63% of share capital and was amounted to LTL'000 125.

13. Earnings per share

	2010	2009
Net losses for the year	(5,353)	(6,042)
Weighted average number of shares in issue (thousand)	9,905	9,905
Total	**(0.54)**	**(0.61)**

The Company has no issued potential shares or convertible bonds. The reduced profit (loss) per share is the same as the basic profit (loss) per share.

14. Borrowings

As of 31 December borrowings consisted of the following:

	2010	2009
Within one year	8,053	6,636
In the second year	6,141	12,282
In the second to fifth years inclusive	4,606	4,606
After five years	-	-
	18,800	**23,524**
Less: amount due for settlement within one year	(8,053)	(6,636)
Amounts due for settlement after one year	**10,747**	**16,888**

As of 31 December 2010 accrued expenses consisted of the following:

	2010 m.
Swedbank AB	30
J. Raiselis	65
	95

Terms and conditions of outstanding loans were as follows.

LTL (thousands)	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2010 Nominal value	31 December 2010 Carrying value	31 December 2009 Nominal value	31 December 2009 Carrying value
Loan 1	Swedbank AB	EUR	6 months LIBOR EUR +1%	2013	17,720	17,720	23,029	23,029
Loan 2	J. Raiselis	EUR	6 months EURIBOR +2,5%	2011	490	490	490	490
Loan 3	J. Raiselis	LTL	12 months VILIBOR + 4%	2011	495	495	-	-
					18,705	**18,705**	**23,519**	**23,519**

The loans are secured by property, plant and equipment (note 5), lease rights (note 16), inventories (note 9), cash and cash equivalents (note 11).

15. Finance lease liabilities

As of 31 December the minimum lease payments consisted of the following:

	Minimum lease payments		Present value of minimum lease payments	
	2010	**2009**	**2010**	**2009**
Within one year	113	130	109	125
In the second to fifth years inclusive	165	281	160	269
Total	**278**	**411**	**269**	**394**
Less: future finance charges	(9)	(17)	-	-
Present value of lease obligations	**269**	**394**	**269**	**394**

Terms and conditions of outstanding leases were as follows.

					31 December 2010		31 December 2009	
LTL (thousands)	**Lender**	**Currency**	**Nominal interest rate**	**Year of maturity**	**Nomi-nal value**	**Carrying value**	**Nomi-nal value**	**Carrying value**
Finance lease 1	UAB DnB Nord lizingas	EUR	6 months EURIBOR + 1,3%	2013	32	32	44	44
Finance lease 2	UAB DnB Nord lizingas	EUR	6 months EURIBOR + 1,5%	2013	133	133	187	187
Finance lease 3	UAB DnB Nord lizingas	EUR	6 months EURIBOR + 1,5%	2013	69	69	95	95
Finance lease 4	UAB DnB Nord lizingas	EUR	6 months EURIBOR + 1,35%	2013	20	20	27	27
Finance lease 5	UAB Swedbank lizingas	EUR	5,57%	2011	5	5	13	13
Finance lease 6	UAB Swedbank lizingas	EUR	5,57%	2011	5	5	13	13
Finance lease 7	UAB Swedbank lizingas	EUR	5,57%	2011	5	5	15	15
					269	**269**	**394**	**394**

The Company's obligations under financial leases are secured by the leased assets.

16. Operating lease

The Company as lessee

The non-cancellable operating lease rentals of premises and vehicles are payable as follows:

	2010	2009
Within one year	24	260
Between one and five years	12	268
After five years	-	-
Total	**36**	**528**

The non-cancellable operating lease rentals consist of the rentals of vehicles. The Company does not have non-cancellable lease agreements for premises.

The Company leases a land of 10.7 ha situated in Keramiku str. 2, Vilnius. The land lease matures in 2097 without buy out possibilities. In addition, clay quarry is leased in Ukmerge and minor land plots in Kaunas, Klaipeda, Siauliai, Utena.

The land lease rights have been pledged to Swedbank AB for the financial facility granted (note 14).

The Company as lessor

The Company leases out its investment property held under operating leases (note 7). However, the Company does not have non-cancellable lease agreements. As of 31 December 2010 income from lease amounted to LTL'000 351 was recognized as other income in statement of comprehensive income.

17. Trade payables

As of 31 December trade payables consisted of the following:

	2010	2009
Amounts payables:		
Lithuanian suppliers	4,797	2,836
Foreign suppliers	2,577	2,204
	7,374	**5,040**
Less: amount due for settlement within one year	(7,374)	(5,040)
Amount due for settlement after one year	**-**	**-**

18. Other payables and accrued expenses

As of 31 December other payables and accrued expenses consisted of the following:

	2010	2009
Salaries payable	756	463
Taxes payable	475	947
Vacation reserve	409	382
Other amounts payable	93	132
Total	**1,733**	**1,924**

19. Revenue

For the years ended 31 December revenue consisted of the following:

	2010	2009
Revenue from produced goods	18,265	30,228
Revenue from goods for resale	6,805	13,918
Revenue from raw materials sold	48	23
Revenue from services	581	211
Total revenue	**25,699**	**44,380**

20. Operating segments

For management purposes, the Company segregates two operating segments. Information, as reviewed by the chief operating decision maker of the Company, regarding the results of each reportable segment that is used to measure the performance of the Company, is included below:

	Wholesale		Retail		Total	
	2010	2009	2010	2009	2010	2009
Revenue from produced goods	12,840	22,306	5,425	7,922	18,265	30,228
Revenue from goods for resale	3,846	8,981	2,959	4,937	6,805	13,918
Revenue from raw materials	48	23	-	-	48	23
Revenue from services	565	195	16	16	581	211
Total revenue	**17,299**	**31,505**	**8,400**	**12,875**	**25,699**	**44,380**
Cost of segment	(14,729)	(26,078)	(5,980)	(8,344)	(20,709)	(34,422)
Result of segment	**2,570**	**5,427**	**2,420**	**4,531**	**4,990**	**9,958**
Unallocated expenses	-	-	-	-	(10,199)	(18,686)
Unallocated other activity income, net	-	-	-	-	360	3,248
Result from operating activities	**-**	**-**	**-**	**-**	**(4,849)**	**(5,480)**
Interest expenses	-	-	-	-	(466)	(985)
Other financial expenses, net	-	-	-	-	(119)	(183)
Income tax	-	-	-	-	81	606
Loss for the period	**-**	**-**	**-**	**-**	**(5,353)**	**(6,042)**
Segment assets	19,515	7,930	5,922	2,363	25,437	10,293
Unallocated assets	-	-	-	-	26,429	37,763
Total assets	**-**	**-**	**-**	**-**	**51,866**	**48,056**
Segment liabilities	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	30,811	31,319
Total liabilities	**-**	**-**	**-**	**-**	**30,811**	**31,319**

21. Cost of sales

For the years ended 31 December cost of sales consisted of the following:

	2010	2009
Cost of sales of produced goods	15,717	24,124
Cost of sales of goods for resale	4,988	10,284
Cost of sales of raw materials	4	14
Total	**20,709**	**34,422**

22. Other income

For the years ended 31 December other income consisted of the following:

	2010	2009
Rent and other income	359	565
Net results on disposals and write-offs of non-current assets	1	2 683
Total	**360**	**3 248**

23. Selling expenses

For the years ended 31 December selling expenses consisted of the following:

	2010	2009
Personnel expenses	1,923	2,799
Transportation expenses	1,375	1,345
Rent	589	472
Depreciation and amortization	435	575
Marketing expenses	236	264
Communication expenses	159	55
Advertisement and exhibition expenses	120	558
Business trip expenses	118	165
Banking services	39	79
Own transportation expenses	29	51
Security expenses	27	54
Representation expenses	15	10
Insurance expenses	2	14
Tax expenses	-	68
Training expenses	-	2
Other	490	784
Total	**5,557**	**7,295**

24. Administrative expenses

For the years ended 31 December administrative expenses consisted of the following:

	2010	2009
Personnel expenses	1,350	2,457
Impairment of non-current assets	1,622	-
Depreciation of non used Nasseti production line	281	2,701
Depreciation and amortization	263	283
Taxes	200	250
Security expenses	150	206
Transportation expenses	102	102
Insurance expenses	94	74
Consultations	82	141
Audit expenses	34	42
Repairs and maintenance	33	402
Banking services	27	26
Communication expenses	26	33
Business trip expenses	10	22
Representation expenses	8	19
Postal service, subscription	3	21
Training expenses	2	4
Impairment of Nasseti production line	-	2,015
Depreciation of machinery and equipment during downtime	-	1,565
Allowance for accounts receivable	12	397
Inventory write down (reversal) to net realizable value	(140)	269
Others	483	362
Total	**4,642**	**11,391**

25. Remuneration expenses

	2010	2009
Salaries	4,135	6,854
Compulsory social security contributions	1,279	1,783
Increase (decrease) in vacation reserve	27	(416)
Total remuneration expenses	**5,441**	**8,221**

26. Finance activity income and expenses, net

	2010	2009
Interest income	-	3
Gain on currency exchange	25	-
Fines and penalties received	14	-
Finance activity income	**39**	**3**
Interest expenses	466	985
Fines and penalties paid	117	171
Loss on currency exchange	41	15
Finance activity expenses	**624**	**1,171**
Net finance activity expenses, net	**(585)**	**(1,168)**

27. Interest expenses

For the year ended 31 December interest expenses consisted of the following:

	2010	2009
Interest on loans	456	883
Interest on finance lease	10	102
Total	**466**	**985**

28. Income tax benefit

Reconciliation of effective tax rate:

	2009	%	2009	%
Loss before taxes	(5,434)		(6,648)	
Income tax at statutory tax rate	(815)	15.0	(1,330)	20.0
Non deductable expenses(tax exempt income)	646	(12.0)	721	(10.8)
Current year losses for which no deferred tax asset was recognized	88	(1.6)	81	(1.2)
Effect of tax rate change	-	-	(68)	1.0
Under (over) provided in previous years	-	-	(10)	0.1
Income tax expense (income)	**(81)**	**(1.4)**	**(606)**	**(9.1)**
The components of income tax expense are as follows:				
Current income tax expenses	-		-	
Adjustment of income tax	-		(10)	
Net decrease in deferred tax liability	(81)		(596)	
Income tax (income)	**(81)**		**(606)**	

In accordance with IAS 12, the Company recognizes a deferred tax liability or asset for temporary differences where amounts of income taxes are probable for payment or recovery in future periods. At each statement of financial position date the Company re-assesses all unrecognized deferred tax assets and recognizes the previously unrecognized portion to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

As of 31 December deferred tax consisted of the following:

	2010		2009	
	Temporary differences	**Deferred tax (15%)**	**Temporary differences**	**Deferred tax (15%)**
Deferred tax asset				
Impairment of receivables	260	39	433	65
Write- down of inventories to NRV	455	68	595	89
Vacation reserve	409	61	382	57
Tax losses carried forward	1,124	169	537	81
Deferred tax asset		**337**		**293**
Unrecognized deferred tax asset		(169)		(81)
Recognized deferred tax asset		**168**		**212**
Deferred tax liability				
Non-current tangible assets	14,308	(2,146)	3,487	(523)
Deferred tax liability		**(2,146)**		**(523)**
Deferred tax liability, net		**(1,978)**		**(311)**

Deferred tax asset change per year was recognized in:

	2010	2009
Income tax benefit in statement of comprehensive income	(81)	(596)
Equity, revaluation reserve	1,748	-
Net change per year	**(1,667)**	**(596)**

In 2010 deferred tax asset has not been recognized in respect of tax losses carried forward because it is uncertain that sufficient taxable profit will be available in the future which will let to utilize this asset.

Under current legislation Company‘s tax losses can be carried forward indefinitely, if economic activity from which losses originated is continued.

29. Related party transactions

The transactions with related parties were as follows:

- Baltijos keramika UAB, Lithuania (associate);
- Ultimate shareholder Juozas Raiselis;
- Dvarcioniu keramika SIA;
- Dvarcia UAB
- Raico Group UAB
- Misota UAB
- Car care UAB

a) transactions with related parties

	Baltijos keramika UAB		Juozas Raiselis		Dvarcioniu keramika SIA		Dvarcia UAB	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue:								
Sale of goods	-	17	-	-	-	-	53	116
Other	-	10	-	-	-	-	10	13
Total	**-**	**27**	**-**	**-**	**-**	**-**	**63**	**129**
Purchases:								
Goods	-	146	-	-	-	-	-	54
Materials	-	-	-	-	-	-	-	-
Non-current assets	-	-	-	-	-	-	-	-
Total	**-**	**146**	**-**	**-**	**-**	**-**	**-**	**54**
Operating expenses	-	-	-	-	-	-	63	-
Loans received	-	-	495	490	-	-	-	-
Financial expenses (interest)	-	-	60	5	-	-	-	-
Total	**-**	**-**	**555**	**495**	**-**	**-**	**63**	**-**

	Raico group UAB		Misota UAB		Car care UAB	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Revenue:						
Sales of goods	-	-	-	-	-	-
Other	-	-	500	-	-	-
Total	**-**	**-**	**500**	**-**	**-**	**-**
Purchases:						
Goods	-	-	-	-	-	-
Materials	-	-	-	-	-	-
Non-current assets	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Operating expenses	247	4	-	-	34	-
Received services	-	-	-	-	-	-
Financial expenses (interest)	-	-	-	-	-	-
Total	**247**	**4**	**-**	**-**	**34**	**-**

b) balances between related parties

	Baltijos keramika UAB		Juozas Raiselis		Dvarcioniu keramika SIA		Dvarcia UAB		Car care UAB	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Trade and other receivables	-	-	-	-	-	-	-	-	13	-
Inventories	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**
Accrued interest	-	-	65	5	-	-	-	-	-	-
Loans received	-	-	985	490	-	-	-	-	-	-
Trade payables	107	182	-	-	-	-	-	101	-	-
Total	**107**	**182**	**1,050**	**495**	**-**	**-**	**-**	**101**	**-**	**-**

	Misota UAB		Raico Group UAB	
	2010	**2009**	**2010**	**2009**
Trade and other receivables	-	-	-	-
Inventories	-	-	-	-
Total	**-**	**-**	**-**	**-**
Accrued interest	-	-	-	-
Loans received	-	-	-	-
Prepayments	500	500	32	-
Total	**500**	**500**	**32**	**-**

30. Claims and litigations

As of 31 December 2010 and 2009 the Company was not involved in any legal proceedings, which in management's opinion would have a material impact on the financial statements.

31. Subsequent events

There were no subsequent events which could have a material impact to the financial statements for the period ended as of 31 December 2010.

32. Commitments and off balance sheet items

As of 31 December commitments consisted of the following:

	2010	2009
Asset insurance payments till 31 November 2013 (compulsory according the Loan contract)	75	1,146
Finance lease interest till full repayment of lease	9	12
Loan interest till maturity (30 September 2013)	649	1,080
Total	**733**	**2,238**

Emission rights movement:

	2010	2009
Balance as of 1 January, units	36,451	41,082
Allocated for the Company for the year, units	-	-
Consumed by the Company during the year, units	(5,440)	(4,631)
Balance as of 31 December, units	**31,011**	**36,451**

The emission rights allocated to the Company for the period from 2008 to 2012 amounted to 56,127.

33. Going concern

The Company's financial statements for the year ended 31 December 2010 were prepared assuming that the Company will continue as a going concern.

During 2010 the Company incurred LTL'000 5,353 of net losses (net losses in 2009 were LTL'000 6,042) and the Company's current ratio (current assets in total/current liabilities in total) was 0.82 as of 31 December 2010 (1.20 – as of 31 December 2009).

The Company's management prepared the 2011 forecast; based on it the forecasted 2011 cash flows are sufficient to assure the repayment of short term and long term liabilities. Management also plans to refinance current loans and postpone the payment of loans for a longer period.

After evaluating the circumstances noted above, the Company's management believes that the Company will continue its activity in 2011 and beyond.

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