SNAIGĖ

Snaige AB

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we Gediminas Čeika, Managing Director of Snaige, AB and Neringa Menčiūnienė, Finance Director of Snaigė, AB hereby confirm that, to the best of our knowledge, the not audited interim Consolidated Snaigė, AB Financial Statements for the period of 2013 year prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, correctly reflects the reality and fairly shows issuer's assets, liabilities, financial position, profit or loss and cash flows of Snaige, AB.

Gediminas Čeika
Managing Director

Neringa Menčiūnienė
Finance Director

February 28, 2014

AB SNAIGĖ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2013 (UNAUDITED)

CONTENTS

I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the twelve months of 2013.

2. The basic data about the issuer

The name of the company – *SNAIGĖ* PLC (hereinafter referred to as the Company)

Authorised capital – LTL 39,622,395

Address - Pramonės str. 6, LT-62175 Alytus

Phone - (+370-315) 56 206

Fax - (+370-315) 56 207

E-mail – snaige@snaige.lt

Internet address - http://www.snaige.lt

Legal organisation status – legal entity, public limited company

Registered as an enterprise on December 1, 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Statute of AB “Snaige” was registered on May 24, 2012 in Legal Entities of the Republic of Lithuania.

3. Information with regard to the location and time provided for introduction of the report and the accompanying documents; name of the mass media

The report is available in the Budget and Accounting Department of AB “Snaige” at Pramonės str. 6, Alytus on the days of I-IV from 7.30 to 16.30, and V from 7.30 to 14.00.

The mass media – daily paper „Kauno diena”.

Statement of comprehensive income

Ref. No.	ITEMS	31 12 2013	01 10 2013 31 12 2013	31 12 2012	01 10 2012 31 12 2012
I.	**SALES AND SERVICES**	**173,949,467**	**33,819,136**	**146,548,376**	**37,926,409**
I.1	Income of goods and other products sold	33,676,312	5,418,227	20,347,369	4,840,120
I.2	Income of refrigerators sold	140,273,155	28,400,909	126,201,007	33,086,289
II.	**COST OF GOODS SOLD AND SERVICES RENDERED**	**145,105,269**	**31,828,421**	**121,952,253**	**31,276,915**
II.1	Net cost of goods and other products sold	14,688,157	4,999,499	2,329,689	334,520
II.2	Net cost of refrigerators sold	130,417,112	26,828,922	119,622,564	30,942,395
III.	**GROSS PROFIT**	**28,844,198**	**1,990,715**	**24,596,123**	**6,649,494**
IV.	**OPERATING EXPENSES**	**24,147,788**	**3,456,303**	**22,629,045**	**6,437,560**
IV.1	Sales expenses	12,417,746	1,963,944	9,736,054	1,781,986
IV.2	General and administrative expenses	11,730,042	1,492,359	12,892,991	4,655,574
V.	**PROFIT (LOSS) FROM OPERATIONS**	**4,696,410**	**(1,465,588)**	**1,967,078**	**211,934**
VI.	**OTHER ACTIVITY**	**(11,740,786)**	**(12,109,209)**	**926,184**	**11,728**
VI.1.	Income	2,269,234	1,693,948	2,335,229	159,308
VI.2.	Expenses	14,010,020	13,803,157	1,409,045	147,580
VII.	**FINANCIAL AND INVESTING ACTIVITIES**	**(1,590,655)**	**(396,904)**	**(1,870,174)**	**(571,887)**
VII.1.	Income	811,811	267,985	172,742	91,500
VII.2.	Expenses	2,402,466	664,889	2,042,916	663,387
VIII.	**PROFIT (LOSS) FROM ORDINARY ACTIVITIES**	**(8,635,031)**	**(13,971,701)**	**1,023,088**	**(348,225)**
IX.	EXTRAORDINARY GAIN				
X.	EXTRAORDINARY LOSS				
XI.	**CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES**	**(8,635,031)**	**(13,971,701)**	**1,023,088**	**(348,225)**
XII.	**TAXES**	**175,616**	**174,944**	**4,255**	**1,508**
XII.1	PROFIT TAX	49,029	48,357	4,255	1,508
XII.2	Adjustment of deferred profit tax	126,587	126,587		
XIII.	MINORITY INTEREST	159	159	95	(37)
XIV.	**NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS)**	**(8,810,488)**	**(14,146,486)**	**1,018,928**	**(346,754)**

Managing Director Gediminas Čeika

Financial Director Neringa Menčiūnienė

Statement of financial position

Ref. No.	ASSETS	Notes	31 12 2013	31 12 2012
A.	**Non-current assets**		**56,014,391**	**53,901,900**
I.	**INTANGIBLE ASSETS**	10	**5,356,729**	**5,135,335**
II	**TANGIBLE ASSETS**	11	**25,480,756**	**27,326,449**
II.1.	Land			
II.2.	Buildings		8,821,107	9,132,976
II.3.	Other non-current tangible assets		14,737,068	18,073,385
II.4.	Construction in progress and advance payments		1,922,581	120,088
III.	INVESTMENT PROPERTY	**11**		**19,284,051**
IV.	NON-CURRENT FINANCIAL ASSETS			
IV.1	Deferred taxes assets		873,177	1,156,065
IV.2	Other non-current assets		24,303,729	1,000,000
V.	Amounts receivable after one year			
VI.	**Assets classified as held for sale**			
B.	**Current assets**		**47,096,807**	**51,505,849**
I.	INVENTORY AND CONTRACTS IN PROGRESS		17,227,486	15,482,684
I.1.	Inventory	12	17,227,486	15,482,684
I.2.	Advance payments			
I.3.	Contracts in progress			
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR		25,838,627	25,103,689
III.	INVESTMENTS AND TERM DEPOSITS			
IV.	CASH AT BANK AND ON HAND	15	2,388,185	1,615,835
V.	Other current assets		1,642,509	9,303,641
	Planned to sell non-current assets			
C.	**Accrued income and prepaid expenses**			
	TOTAL ASSETS		**103,111,198**	**105,407,749**

(continued on the next page)

Ref. No.	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 12 2013	31 12 2012
A.	**Capital and reserves**		**32,852,519**	**37,939,562**
I.	SHARE CAPITAL		**45,321,051**	**45,321,051**
I.1.	Authorized (subscribed) share capital		39,622,395	39,622,395
I.2.	Uncalled share capital (-)			
I.3.	Share premium (surplus of nominal value)		5,698,656	5,698,656
	Own shares (-)			
III.	REVALUATION RESERVE		(50,281)	(3,773,726)
IV.	RESERVES	17	8,082,210	5,125,835
V.	PROFIT (LOSS) BROUGHT FORWARD		(20,500,461)	(8,733,598)
	Current Profit (Loss)		(8,810,488)	1,018,928
	The previous year Profit (Loss)		(11,689,973)	(9,752,526)
B.	**Minority interest**		1,691	1,850
D.	**Provisions and deferred taxes**		**0**	**0**
I.	PROVISIONS FOR COVERING LIABILITIES AND DEMANDS			
II.	DEFERRED TAXES			
E.	**Accounts payable and liabilities**		**70,256,988**	**67,466,337**
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES		24,565,280	23,492,458
C	**Financing (grants and subsidies)**		643,509	734,822
I.1.	Financial debts	20	22,558,292	21,435,846
I.2.	Warranty provisions		924,922	783,700
I.3.	Deferred income tax liability			147,015
I.4.	Advances received on contracts in progress			
I.5.	Non-current employee benefits		438,557	354,801
I.6.	Non-current liabilities to suppliers			36,274
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES		45,691,708	43,973,879
II.1.	Current portion of non-current debts		20,601,708	13,096,699
II.2.	Financial debts			
II.3.	Trade creditors		19,266,960	21,158,920
II.4.	Advances received on contracts in progress		550,234	2,916,788
II.5.	Taxes, remuneration and social security payable	23	3,549,247	4,401,548
II.6.	Warranty provisions		1,586,677	1,523,305
II.7.	Other provisions			
II.8.	Other current liabilities		136,882	876,619
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**103,111,198**	**105,407,749**

Managing Director Gediminas Čeika

Financial Director Neringa Menčiūnienė

Statement of cash flow

Ref. No.		31 12 2013	31 12 2012
I.	**Cash flows from the key operations**		
I.1	Result after taxes	(8,810,488)	1,018,928
I.2	Depreciation and amortization expenses	6,915,431	8,744,830
I.3	Subsidies amortization	(91,313)	(199,311)
I.4	Result of sold non-current assets	13,752,603	(42,169)
I.5	Write-off of non-current assets	648,737	459,530
I.6	Write-off of inventories	316	208,047
I.7	Depreciation of receivables		378,619
I.8	Other provisions	366,644	7,418
I.9	Change in provision for guarantee repair	204,594	249,393
I.10	Recovery of devaluation of trade receivables (correction)	158,237	
I.11	Influence of foreign currency exchange rate change	106,702	
I.12	Financial income (interest income)	(804,100)	(172,742)
I.13	Financial expenses (interest expenses)	2,288,053	1,940,487
	Cash flows from the key operations until decrease (increase) in working capital	**14,735,416**	**12,593,030**
II.1	Decrease (increase) in receivables and other liabilities	126,482	(11,477,744)
II.2	Decrease (increase) in inventories	(1,744,802)	(2,250,843)
II.3	Decrease (increase) in trade and other debts to suppliers	(6,033,841)	10,043,804
	Cash flows from the main activities	**7,083,255**	**8,908,247**
III.1	Other cash income		
III.2	Interest paid	(2,569,911)	(2,240,258)
III.3	Profit tax paid		(1,638)
	Net cash flows from the key operations	**4,513,344**	**6,666,351**

IV.	**Cash flows from the investing activities**		
IV.1	Acquisition of tangible non-current assets	(4,187,831)	(2,092,583)
IV.2	Capitalization of intangible non-current assets	(1,115,823)	(947,012)
IV.3	Sales of non-current assets	9,400,565	114,870
IV.4	Loans granted	(16,591,314)	(7,043,712)
IV.5	Loans regained		
IV.6	Interest received	3,451	172,742
	Net cash flows from the investing activities	**(12,490,952)**	**(9,795,695)**

(continued on the next page)

III.	**Cash flows from the financial activities**	**8 749 958**	**3 784 693**
III.1	Cash flows related to the shareholders of the company		
III.1.1	Issue of shares		
III.1.2	Shareholders' contributions for covering losses		
III.1.3	Sale of own shares		
III.1.4	Payment of dividends		
III.2	Cash flows arising from other financing sources		
III.2.1	Subsidies received		
III.2.1.1	Inflows from non-current loans	43,160,000	6,515,947
III.2.1.2	Loans repaid	(27,110,042)	(1,807,070)
III.2.2	Finance lease received		
III.2.2.1	Payments of leasing (finance lease) liabilities		(71,152)
III.3	Other decreases in the cash flows from financial activities		
III.4.	Redemption of issued securities	(7,300,000)	(853,032)
	Net cash flows from the financial activities	**8,749,958**	**3,784,693**

IV.	**Cash flows from extraordinary items**		
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
V.	**The influence of exchange rates adjustments on the balance of cash and cash equivalents**		
VI.	**Net increase (decrease) in cash flows**	**772,350**	**655,349**
VII.	**Cash and cash equivalents at the beginning of period**	**1,615,835**	**960,486**
VIII.	**Cash and cash equivalents at the end of period**	**2,388,185**	**1,615,835**

Managing Director Gediminas Čeika

Financial Director Neringa Menčiūnienė

Statement of changes in equity

	Paid up authorised capital	Share premium	Own shares (-)	Legal reserves		Other reserves			Retained earnings (losses)	TOTAL	Minority shareholders	TOTAL
				Compulsory	For acquiring own shares	For social needs	For investments	Currency exchange reserve				
Balance as of December 31, 2011	**39,622,395**	**5,698,656**	**0**	**2,828,472**		**30,000**	**1,158,483**	**(4,958,048)**	**(8,643,646)**	**35,736,312**	**1,945**	**35,738,257**
Total registered income and expenses as of 2012						0			1,018,928	**1,018,928**	**(95)**	**1,018,833**
Formed reserves				55,448		30,000	2,211,915		(2,297,363)	**0**	**0**	**0**
Transfers from reserves						(30,000)	(1,158,483)	0	1,188,483	**0**	**0**	**0**
Other changes								1,184,322		**1,184,322**		**1,184,322**
Balance as of December 31, 2012	**39,622,395**	**5,698,656**	**0**	**2,883,920**		**30,000**	**2,211,915**	**(3,773,726)**	**(8,733,598)**	**37,939,562**	**1,850**	**37,941,412**
Total registered income and expenses as of 2013									**(8,810,488)**	**(8,810,488)**	**(159)**	**(8,810,647)**
Formed reserves				189,290		30,000	4,979,000	0	(5,198,290)	**0**	**0**	**0**
Transfers from reserves						(30,000)	(2,211,915)	0	2,241,915	**0**	**0**	**0**
Other changes								3,723,445		**3,723,445**		**3,723,445**
										0		**0**
Balance as of December 31, 2013	**39,622,395**	**5,698,656**	**0**	**3,073,210**	**0**	**30,000**	**4,979,000**	**(50,281)**	**(20,500,461)**	**32,852,519**	**1,1691**	**32,854,210**

Managing Director Gediminas Čeika

Financial Director Neringa Menčiūnienė

III. EXPLANATORY NOTES

1 Basic information

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

Pramonės str. 6,
Alytus,
Lithuania.

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

Main shareholders of AB Snaigė as on September 30, 2013 and December 31, 2012 were:

	December 31, 2013		December 31, 2012	
	Number of shares owned	Share of total capital, %	Number of shares owned	Share of total capital, %
VAIDANA UAB	36,096,193*	91.10%	36,096,193*	91.10%
Other shareholders	3,526,202	8.90%	3,526,202	8.90%
Total	**39,622,395**	**100%**	**39,622,395**	**100%**

*Out of this amount 3,309,943 units shares UAB Vaidana mortgage to bank, under a pledge agreement, to ensure financial obligations.

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as of 31 December 2013 and 31 December 2012. The Company did not hold its own shares.

As at 31 December 2013 UAB Vaidana was owned by LLC FURUCHI ENTERPRISES LIMITED.

The Group consisted of AB Snaige and the followings subsidiaries as of 31 December 2013 (hereinafter – Group):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
TOB Snaige Ukraina	Ukraine	99%	(4,683)	57,429
UAB Almecha	Lithuania	100%	783,685	1,266,354

The board of the Company should consist of 6 representatives; however, as at 31 December 2013 the board only consisted of 5 representatives, 3 representatives from OAO Polair and 2 independent (as at 31 December 2012 the board only consisted of 5 representatives, 1 from UAB Vaidana and 4 from OAO Polair).

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

UAB Almecha (Alytus, Lithuania) was established on 9 November 2006. The main activities of the company are production of refrigerating components and equipment. The Company acquired 100% of the Company's shares.

After the company started to cooperate with the Russian group of companies POLAIR it has become inappropriate to have subsidiaries that are engaged in trading and marketing activities in Russia.

AB Snaige the Board's decision, 2013 June 17 AB Snaige sold subsidiary company OOO Liga Servis. OOO Liga Servis (Moscow, Russia) was established on 7 February 2006. The subsidiary provides sales and marketing services in the Russian market. The Company owns 100 % of the company's shares.

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

AB Snaige the Board's decision, 2013 November 20 AB Snaige sold subsidiary company OOO Techprominvest (Russia), wich activities were suspended in 2009. Subsidiary's sale was conducted in two phases:

- Sold OOO „Techprominvest“ fixed assets
- Sold company OOO „Techprominvest“

From this transaction, the Company incurred 26,560 thousand LTL loss.

As of 31 December 2013 the number of employees of the Group was 746 (as of 31 December 2012 – 766).

2 Accounting principles

The principal accounting policies adopted in preparing the Group's financial statements are follows:

2.1. Basis of preparation

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

These financial statements are prepared on the historical cost basis.

2.2. Going concern

The Group's current assets exceeded current liabilities by LTL 1,405 thousand of 31 December 2013 (whereas in the year 2012, December 31st LTL 7,532).

- liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 1.03 (1.17 in 31 December 2012),
- quick ratio ((total current assets – inventories) / total current liabilities) – 0.65 (in 31 December 2012 0.82),
- the Group earned LTL 8,635 thousand loss before tax (in 2012 incurred LTL 1,023 thousand profit before tax),
- commitment ratios: the ratio of debt/asset was 0.68 (whereas in the year 2012, December 31st 0.64).

Despite this, these financial statements for the twelve months of 2013 are prepared under the assumption that the Group will continue as a going concern at least 12 months from the balance sheet date. The going concern is based on the following assumptions:

- in 2014 the Group expects 14.8% increase in sales comparing to 2013;
- in order to finance the working capital the Group is planning to perform successful sales of finished goods and the continuation of cooperation only with trustful partners. Trade payables are planned to be decreased using free operational cash flows;
- at the date of release of these financial statements all convertible bonds redeemed.

2.3. Currency of financial statement

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

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

The functional currency of the foreign entities OOO Techprominvest and former subsidiaries OOO Moroz Trade and OOO Liga Servis is Russian rouble (RUB) and of TOB Snaige Ukraina - Ukrainian hryvnia (UAH). As of the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of AB Snaigė (LTL) at the rate of exchange on the balance sheet date and their statement of comprehensive incomes are translated at the average monthly exchange rates for the reporting period. The exchange differences arising on the translation are taken to other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognized in the shareholder/s equity caption relating to that particular foreign operation is transferred to the statement of comprehensive income.

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

The applicable exchange rates of the functional currencies as follows:

	31-12-2013	**31-12-2012**
RUB	0.076727	0.085879
UAH	0.30459	0.32292
USD	2.5098	2.6060

2.4. Principles of consolidation

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

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

From 1 January 2010 losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

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

2.5. Intangible assets, except for goodwill

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

<u>Research and development</u>

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

<u>Licenses</u>

Amounts paid for licenses are capitalized and amortized over their validity period

.

Software

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

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

2.6. Tangible non-current assets

Property, plant and equipment are assets that are controlled by the Group and the Company, which are expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably measured. Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of such assets when that cost is incurred if the asset recognition criteria are met. Replaced parts are written off.
The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the statement of comprehensive income, whenever estimated.

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

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

Buildings and structures (including investment property)	15 - 63 years
Machinery and equipment	5 - 15 years
Vehicles	4 - 6 years
Other property, plant and equipment	3 - 8 years

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

2.7. Non-current assets held for sale

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

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

2.8. Inventories

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

2.9. Receivables and loans granted

Receivables are initially recorded at the true value at the same moment as they were given. Later receivables and loans are accounted in justice to their depreciation.

2.10. Cash and cash equivalents

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

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

2.11. Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised as of 31 December 2013 and 31 December 2012.

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

Borrowings are classified as non-current if the completion of a refinancing agreement before the balance sheet date provides evidence that the substance of the liability at the balance sheet date was non-current.

2.12. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into. Subsequent to initial recognition and measurement, outstanding derivatives are carried in the statement of financial position at the fair value. Fair value is determined using the discounted cash flow method applying the effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. The Group had no derivative contracts outstanding as of 31 December 2013 and 31 December 2012.

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

2.13. Factoring

Factoring transaction is a funding transaction wherein the company transfers to factor claim rights for determined fee. The companies alienate rights to receivables due at a future date according to invoices.

2.14. Financial lease and operating lease

Finance lease – the Group as lessee

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

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

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

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

Operating lease – the Group as lesse

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

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

2.15. Grants and subsidies

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

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

2.16. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate.

2.17. Non-current employee benefits

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

2.18. Revenue recognition

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

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

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

In these consolidated financial statements intercompany sales are eliminated.

2.19. Impairment of assets

<u>Financial assets</u>

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

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

Other assets

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

2.20. Subsequent events

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

2.21. Offsetting and comparative figures

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

3 Segment information

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

Information for the reporting period 31 December 2013 and 31 December 2012 with respect to geographical location of the Group's sales and assets (in LTL thousand) is presented below:

Group	**Total segment sales revenue**		**Inter-segment sales**		**Sales revenue**		**Total assets by its location ***	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Russia	7,299	13,177	(669)	(3,092)	6,630	10,085	-	21,858
Ukraine	56,280	73,132	-	-	56,280	73,132	47	56
Western Europe	45,904	33,228	-	-	45,904	33,228	-	-
Eastern Europe	21,978	8,278	-	-	21,978	8,278	-	-
Lithuania	30,822	25,129	(16,514)	(18,263)	14,308	6,866	103,064	83,494
Other CIS countries	26,028	13,904	-	-	26,028	13,904	-	-
Other Baltic states	2,724	1,023	-	-	2,724	1,023	-	-
Other countries	97	32	-	-	97	32	-	-
Total	**191,132**	**167,903**	**(17,183)**	**(21,355)**	**173,949**	**146,548**	**103,111**	**105,408**

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

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

In 2013 the sales to the five largest buyers comprised 32.76% of total sales, including: Conforama 8.36 %, Amica Wronki 7.,5 %, SAV-DISTRIBUTION LLC 6.5 %, „Severin“ 5.62 %, OOO Favorit Comfort Trading (Uzbekistanas) 4.78%, (2012 – 29.94 %, including Peidž AP CP 7.21 %, „Severin“ 6.4 %, Versija 6.29 %, OOO SKS 5.52 % , Conforama 4.52%).

4 Cost of refrigerators and freezers sales

	2013	**2012**
Raw materials	111,732,696	89,064,590
Salaries and wages	11,070,062	10,571,107
Depreciation and amortisation	3,725,165	4,241,211
Other	18,577,346	18,075,345
Total:	**145,105,269**	**121,952,253**

5 Other income

	2013	**2012**
Income from transportation services	290,758	325,912
Income from rent of premises	1,867,724	1,830,706
Gain on disposal of property, plant and equipment	108	42,169
Income from rent of equipment	1,676	2,975
Other	108,968	133,466
	2,269,234	**2,335,228**

6 Operating expenses

	2013	**2012**
Selling expenses	12,417,746	9,736,054
General and administrative expenses	11,730,042	12,892,991
	24,147,788	**22,629,045**

7 Other operating expenses

	2013	**2012**
Transportation expenses	217,313	348,360
Expenses from rent of equipment	650	1,300
Gain on disposal of property, plant and equipment	13,752,711	-
Other	39,346	1,059,385
	14,010,020	**1,409,045**

8 Financial income

	2013	**2012**
Profit from currency exchange	7,616	-
Interest income and other	804,195	172,742
	811,811	**172,742**

9 Financial expenses

	2013	**2012**
Interest expenses	2,288,053	1,940,487
Foreign currency exchange loss, net	-	30,787
Realized loss on foreign currency derivatives	-	-
Losses on foreign exchange transactions	40,558	28,398
Other	73,855	43,244
	2,402,466	**2,042,916**

10 Non-current intangible assets

	Balance sheet value	
	31 12 2013	**31 12 2012**
Development costs	5,233,790	5,022,823
Software, license	72,463	54,687
Other intangible assets	50,476	57,825
Total:	**5,356,729**	**5,135,335**

Non-current intangible assets depreciation expenses are included under operating expenses in the profit (loss) account.
Over 2013, the Group has accumulated LTL 894 thousand (2012 - LTL 779 thousand) of non-current intangible assets depreciation.

Part of non-current intangible assets of the Group with the acquisition value of LTL 8,059 thousand as at 31 December 2013 was fully amortised (LTL 8,341 thousand as at 31 December 2012) but was still in use.

11 Non-current tangible assets

	Balance sheet value	
	31 12 2013	**31 12 2012**
Land and buildings	8,821,107	9,016,150
Machinery and equipment	12,318,999	15,948,062
Vehicles and other	2,418,069	2,242,149
Construction in progress and advance payments	1,922,581	120,088
Total:	**25,480,756**	**27,326,449**
Investment asset	-	19,284,051
Total:	**25,480,756**	**46,610,500**

The depreciation charge of the Group's property, plant and equipment and investment property on 31 December, 2013 amounts to LTL 6,021 thousand (LTL 7,966 thousand for 2012). The amount of LTL 5,026 thousand for 2013 (LTL 5,502 thousand for 2012) was included into production costs. The remaining amount of LTL 995 thousand including depreciation of investment property (LTL 2,464 thousand for 2012) was included into administration expenses in the Group's statement of comprehensive income.

At 31 December 2013 buildings and investment properties with land lease right of the Group with the net book value of LTL 7,975 thousand, including Company's buildings with the net book value of LTL 7,975 thousand (as of 31

December 2012 – LTL 7,110 thousand and machinery and equipment of the Group with the net book value of LTL 8,273 thousand including Company's LTL 8,273 thousand (as of 31 December 2012 – LTL 7,574 thousand) were pledged to banks as a collateral for the loans (Note 20).

In order to assure the proper fulfilment of Company's liabilities to suppliers according to legal proceedings, the rights to machinery and equipment with the net book value of LTL 394 thousand as of 31 December 2013 (as of 31 December 2012 – LTL 690 thousand) were limited by law.

Although a peace agreement has been signed, the limitation of the rights to machinery and equipment was not yet withdrawn as at the financial statements date.

12 Inventories

	31 12 2013	31 12 2012
Raw materials, spare parts and production in progress	11,615,581	11,803,045
Finished goods	5,583,014	3,838,504
Other	417,496	436,477
Total inventories, gross	17,616,091	16,078,026
Less: valuation allowance for finished goods	(388,605)	(13,179)
Less: valuation allowance for raw materials and production in progress	-	(582,163)
Total inventories, net	**17,227,486**	**15,482,684**

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

At 31 December 2013 the Grope and Company has no legal restrictions on inventories. After refinansation of loans was removed inventories pledge to banks in sum of LTL 10,500 thousand (at 31st of December 2012 pledged inventories for LTL 10,500 thousand).

13 Trade receivables

	31 12 2013	31 12 2012
Trade receivables	26,122,807	36,701,234
Less: valuation allowance for doubtful trade receivables	(284,180)	(11,597,545)
	25,838,627	**25,103,689**

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

As of 31 December 2013 trade receivables with the carrying value of LTL 284 thousand (as of 31 December 2012 – LTL 11,597 thousand) were impaired and fully provided for. Change in valuation allowance for doubtful trade receivables was included within administration expenses.

In Note 13 the Group's trade receivables amounting only LTL 11,041 thousand as of December 2013 (LTL 7,244 thousand as of 31 December 2012) were insured by credit insurance Atradius Sweden Kreditförsäkring Lithuanian branch.

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

	31 12 2013	31 12 2012
Balance at the beginning of the period	(11,597,545)	(13,115,429)
Charge for the year	(52,563)	(262,168)
Write-offs of trade receivables	11,359,205	1,996,497
Effect of the change in foreign currency exchange rate	6,723	(326,641)
Amounts paid	-	110,196
Balance in the end of the period	**(284,180)**	**(11,597,545)**

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

The ageing analysis of trade receivables as of 31 December 2013 and 31 December 2012 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2013	15,051,939	5,710,230	1,558,112	872,200	1,413,081	1,233,065	**25,838,627**
2012	19,754,042	3,509,623	656,817	538,748	524,120	120,339	**25,103,689**

As of 31 December 2013 the Group has signed factoring agreement with recourse, therefore no limitations on disposable assets been present.

14 Other current assets

	31 12 2013	31 12 2012
Prepayments and deferred expenses	439,177	803,502
VAT receivable	562,340	894,427
Compensations receivable from suppliers	1,297	3,328
Restricted cash	15,000	15,000
Granted loans	244,000	7,043,712
Other receivables	380,695	1,896,353
Less: valuation allowance for doubtful other receivables	-	(1,352,681)
	1,642,509	**9,303,641**

Change in valuation allowance for doubtful other receivables were included within administration expenses.

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

	31 12 2013	31 12 2012
Balance at the beginning of the period	(1,352,681)	(1,431,114)
Charge for the year	-	-
Effect of the change in foreign currency exchange rate	-	(40,087)
Amounts paid	-	-
Write off	1,352,681	118,520
Balance in the end of the period	**0**	**(1,352,681)**

15 Cash and cash equivalents

	31 12 2013	31 12 2012
Cash at bank	2,381,718	1,611,908
Cash on hand	6,467	3,927
	2,388,185	**1,615,835**

In 2013 December 31 the Group and the Company has pledged bank accounts up to 200 thousand EUR to ensure compliance with obligations (issued bank guarantee) (at 31st of December 2012 pledged foreign currency and litas accounts up to LTL 15,085 thousand) (note 20).

16 Share capital

According to the Law on Companies of the Republic of Lithuania the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As on the 31th of December, 2013 the Company was in compliance with this requirement.

17 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2013 legal reserve was not fully formed yet.

As of 31 December 2013 the legal reserve amounted to LTL 3,073 thousand.

Non-restricted reserves

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

On 30 April 2013 the general shareholders' meeting approved the Company's non-restricted reserves:

LTL 4,979 thousand for investments and LTL 30 thousand for social needs.

Foreign currency translation reserve

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

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

18 Subsidies

Subsidies on 1 January 2011	10,703,880
Increase during period	-
Subsidies on 31 December 2011	10,703,880
Increase during period	-
Subsidies on 31 December 2012	10,703,880
Increase during period	-
Subsidies on 31 December 2013	10,703,880
Accumulated amortization on 1 January 2011	9,421,447
Amortization during period	348,300
Accumulated amortization on 31 December 2011	9,769,747
Amortization during period	199,311
Accumulated amortization on 31 December 2012	9,969,058
Amortization during period	91,313
Accumulated amortization on 31 December 2013	10,060,371
Net residual value 31 December 2013	**643,509**
Net residual value 31 December 2012	**734,822**

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

19 Provisions for guarantee related liabilities

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

Changes over the reporting period were:

	31 12 2013	**31 12 2012**
1 January,	2,307,005	2,057,612
Changes over reporting period (Note 6)	1,594,963	1,627,335
Used	(1,390,369)	(1,377,942)
Foreign currency exchange effect	-	-
	2,511,599	**2,307,005**

Warranty provisions are accounted for:	**31 12 2013**
- non- current	924,922
- current	1,586,677
	31 12 2012
- non- current	783,700
- current	1,523,305

20 Borrowings

	31 12 2013	**31 12 2012**
Non-current borrowings		
Non-current borrowings with fixed interest rate	-	9,666,674
Non-current borrowings with variable interest rate	22,558,292	11,769,172
Ordinary bonds	-	-
Interest on bonds	-	-
	22,558,292	21,435,846
Current borrowings		
Convertible bonds	-	-
Ordinary bonds	-	7,300,000
Current borrowings with fixed interest rate	-	1,298,970
Current borrowings with variable interest rate	20,601,708	4,497,729
	20,601,708	13,096,699
Total	**43,160,000**	**34,532,545**

In 2013 the Company redeemed all of 2011 June 18 and 2 of May issued convertible bonds (30, 000 and 43, 000 units), with a nominal value of LTL 100, the annual yield of 9%.

Borrowings with variable interest rate bear 6-month EURILIBOR + 4.25 to 5 % and for factoring 1-month EURILIBOR + 1.75%, as of 31 December 2013 (6-month VILIBOR + 3.5 to 4.5%, but not less than 7% annual interest rate as at 31 December 2012).

As of 31 December 2013 the Group's buildings with the carrying amount of LTL 7,975 thousand, including Company's buildings, with the carrying amount LTL 7,975 thousand (as of 31 December 2012 – LTL 7,110 thousand), the Group's machinery and equipment with the net book value of LTL 8,273 thousand, including Company's machinery and equipment with the net book value of LTL 8,273 thousand (as of 31 December 2012 – LTL 7,574 thousand and 7,328 thousand) have been pledged to a bank for the loans. Company earnings up to 200 thousand euros pledged to bank for issued bank guarantee.

Borrowings in national and foreign currencies:

	31 12 2013	**31 12 2012**
Borrowings denominated in:		
EUR	43,160,000	3,797,395
USD	-	-
LTL	-	30,612,647
RUB		-
	43,160,000	**34,532,545**

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

	Fixed interest rate	**Variable interest rate**
2014	-	20,601,708
2015 - 2016	-	22,558,292
	-	**43,160,000**

21 Financial leasing

The Group has not financial lease payables on 31 December, 2013.

22 Operating lease

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

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

23 Other current liabilities

	31 12 2013	**31 12 2012**
Accrued interest on convertible bonds	-	282,033
Salaries and related taxes	1,814,285	2,447,762
Vacation reserve	1,734,963	1,874,842
Other accrued interest	59,667	134,492
Other taxes payable	112,385	259,633
Other payables and accrued expenses	(35,171)	279,405
	3,686,129	**5,278,167**

Terms and conditions of other payables:

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

24 Basic and diluted earnings (loss) per share

	31 12 2013	**31 12 2012**
Shares issued 1 January	39,622,395	39,622,395
Weighted average number of shares	-	-
Net result for the year, attributable to the parent company	(8,810,488)	1,018,928
Basic (loss) per share, in LTL	**(0,22)**	**0,03**

25 Risk and capital management

Credit risk

The maximum exposures of the credit as of 31 December 2013 and as of 31 December 2012 comprise the carrying values of receivables.

Concentration of trading counterparties of the Group is average. As of 31 December 2013 amounts receivable from the main 10 customers of the Group accounted for approximately 52.28 % (47.68 % as of 31 December 2012) of the total Group's trade receivables.

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

At 2013 31st of December the Group's trade receivables, after elimination of reserves, was LTL 25,839 thousand , LTL 11,041 thousand was insured by credit insurance in "Atradius Sweden Kreditförsäkring" Lithuania Branch (at 2012 31st of December trade receivables was LTL 25,104 thousand insured LTL 7,244 thousand.

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

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

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

The Group's management believes that its maximum exposure is equal to the trade receivables netted with allowance losses recognized as at the balance sheet date.

Interest rate risk

The Group's borrowings is with variable rates, related EURIBOR. As of 31 December 2013 and 2012 the Group did not use any financial instruments to manage interest rate risk.

Liquidity risk

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

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

The Group seeks to maintain sufficient financing to meet the financial liabilities on time. Group's management reached an agreement with bank (Unicredit) due to refinancing of the loans and additional financing.

Foreign exchange risk

The Group significantly reduced income earned in USD.

Foreign exchange risk decreased because most of income is earned in Euros, Litas is pegged to euro at the rate of 3.4528 litas for 1 euro.

Capital management

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

The Group manages its capital structure and makes adjustments to it in the light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

A company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 December 2013 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Group.

26 Commitments and contingencies

The General Meeting of shareholders of Snaige AB was held on 30 April 2013. At the meeting following resolutions were made:

- Approved the Company's financial statements for the year 2012.
- Approved the distribution of profit (loss) (LTL 229 thousand – to reserves foreseen by law, LTL 30 thousand - for social and cultural needs and LTL 4,979 thousand – to reserve for investments).
- UAB KPMG Baltics for 2013 auditing purposes of annual financial statements.
- One member of the Board revoked and two elected to the seat on the board. Currently, the Board consists of six members.

At reporting date redeemed in 2011 disseminated bonds and their accumulated interest. Redemptions made netting method (AB Snaigė, UAB Vaidana ir OAO Polair), OAO POLAIR setting off a loan to the Company.

By the surety ship agreement No 2012-02-12 the Company guarantees proper fulfilment of UAB Vaidana financial obligations with all its present and future assets in favour of UAB Šiaulių Bankas in relation to received loan of LTL 4 million, the repayment term - April, 2014. By AB Snaigė board decision at May 2013 AB Snaige as guaranteed OAO Petrokommerc" Bank ensure fulfillment of OAO POLAIR obligations by OAO POLAIR bank credit agreement.

The company registered as a taxpayer in Moscow and opened a current account in UniCredit Bank Moscow.

From Unicredit bank received loan LTL 43,160 thousand used for refinancing previously obtained loans from AB Swedbankas and AB Šiaulių bankas and to replenish working capital within the group.

In 2013 February 18 with OAO POLAIR signed the loan agreement, under which the Company undertakes to increase the loan from EUR 2.1 million up to EUR 7 million.

For additional loan provides a fixed 6.5% annual interest rate and the final maturity date of 2017 1st of March.

27 Related party transactions

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

The related parties of the Group and the transactions with related parties during 2013 and 2012 were as follows:

UAB Vaidana (shareholder)
LLC FURUCHI ENTERPRISES LIMITED UAB Vaidana shareholder)
OAO Polair (related shareholders)
Polair Europe Limited (related shareholders)
Polair Europe S.R.L (related shareholders)

The Group has a policy to conduct related party transactions on commercial terms and conditions. Outstanding balances date and at the year-end are unsecured, interest-free, except the loan granted.

As of 31 December 2013 and 31 December 2012 the Group has not recorded any impairment of receivables from related parties.

Financial and investment activities with related parties:

	31 December 2013						**31 December 2012**		
	Loans received	**Repayment of loans**	**Interest revenue**	**Loans granted**	**Repayment of loans**	**Interest expenses**	**Loans received**	**Repayment of loans**	**Interest expenses**
UAB „Vaidana“ (bonds)	-	-	-	-		-	7,300,000	-	658,800
UAB „Vaidana“ (loan)	-	-	-	244,000		5,919	-	-	
OAO „Polair“	-	-	-	23,391,026	9,913,893	912,703	-	-	126,633
	-	**-**	**-**	**23,635,026**	**9,913,893**	**918,622**	**7,300,000**	**-**	**785,433**

31 12 2013	**Purchases**	**Sales**	**Receivables**	**Payables**
OAO „Polair“	1,656,365	962,708	-	-
Polair Europe S.R.L	15,585	-	-	-
Polair Europe Limited	267,686	-	-	-
	1,939,636	**962,708**	**-**	**-**

31 12 2012	**Purchases**	**Sales**	**Receivables**	**Payables**
OAO „Polair“	514,011	4,525,577	504,740	3,909
Polair Europe S R L	329,695	-	-	15,585
Polair Europe Limited	25,505	-	-	25,505
KJK Capital OY	91,512	-	-	91,512
Amber Trusst Management S.A	31,553	-	-	25,505
	992,276	**4,525,577**	**504,740**	**162,016**

The Company‘s transactions carried out with subsidiaries:

	Purchases		**Sales**	
	31 12 2013	**31 12 2012**	**31 12 2013**	**31 12 2012**
OOO Techprominvest	795,744	663,601	-	-
TOB Snaigė Ukraina	100,130	113,048	-	-
UAB Almecha	8,932,344	10,519,343	7,762,184	7,883,652
OOO Liga-Servis	308,097	372,500	-	-
	10,136,315	**11,668,492**	**7,762,184**	**7,883,652**

The Company has a policy to conduct transactions with subsidiaries on contractual terms. The Company‘s transactions with subsidiaries represents acquisitions and sales of raw materials and finished goods and acquisitions of marketing services, as well as acquisitions of property, plant and equipment. Outstanding balances at the year-end are unsecured, receivables, except for loans granted, are interest-free and settlement occurs at bank accounts. There were no pledged significant amounts of assets to ensure the repayment of receivables from related parties.

The carrying amount of loans and receivables from subsidiaries on 31 December 2013 and 31 December 2012:

	2013	2012
Non-current receivables		
Trade receivables from OOO Techprominvest	-	457,159
Total non-current receivables	**-**	**457,159**
Current receivables		
Trade receivables from OOO Techprominvest	-	**-**
Trade receivables from UAB Almecha	1,212,188	1,484,593
Total current receivables	**1,212,188**	**1,484,593**

The analysis of receivables from subsidiaries and granted loans during the period on 31 December 2013 and 2012:

	Receivables from subsidiaries and granted loans neither past due nor impaired	Receivables from subsidiaries and granted loans past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2013	1,211,112	1,076	-	-	-	-	**1,212,188**
2012	1,863,966	4,163	-	24,280	-	49,343	**1,941,752**

Payables to subsidiaries as of 31 December 2013 and 2012 (included under the trade payables caption in the Company's statement of financial position):

	2013	2012
OOO Techprominvest	-	13,030
TOB Snaige Ukraina	16,573	16,573
OOO Liga-Servis	-	172,690
UAB Almecha	656,107	710,211
Total	**672,680**	**912,504**

The Company signed agreement with SEB bank regarding issuing 200 thousand EUR bank guarantee for subsidiary company UAB Almecha which is valid until 2014 April 30.

Remuneration of the management and other payments

Remuneration of the Company's and subsidiaries' management amounted to LTL 2,027 thousand and LTL 371 thousand, respectively, in 2013 (1,496 thousand and LTL 455 thousand in 2012, respectively). The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

28 Subsequent events

In 2014 January 27 was repeated extraordinary general meeting of shareholders at which decided - after credit from UniCredit Bank grant for 5 years 12 million EUR loan for shareholder UAB Vaidana and setting interest rate 1 month EURIBOR +5.25% margin.

.