

AB SNAIGĖ

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE
YEAR ENDED

31 DECEMBER 2013

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders of AB Snaigė

Report on the Parent Company's and Consolidated Financial Statements

We have audited the accompanying separate financial statements of AB Snaigė ("the Company"), which comprise the separate statement of financial position as at 31 December 2013, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6–58. We have also audited the accompanying consolidated financial statements of AB Snaigė and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6–58.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements (hereinafter "the 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 these 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 these financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's and Group's preparation and fair presentation of these 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 Company's and Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Company's and Group's management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

- i.* As disclosed in Note 29, as at 31 December 2013 the Group and the Company had trade receivables from Ukrainian customers amounting to 9,130 thousand Litas, from which approximately 3,500 thousand Litas are overdue and without significant repayments as at the date of our audit report. In our opinion, continuation of unstable business environment in Ukraine could negatively affect the customers' possibilities to cover their debts. The management of the Group expects to recover the amounts outstanding as at 31 December 2013 and therefore the calculations of the recoverable amount of the overdue trade receivables amounting to approximately 3,500 thousand Litas have not been prepared. We had no practical possibilities to determine the amount of adjustments to the trade receivables, result for the year and equity due to recognition of possible impairment loss.
- ii.* As disclosed in Note 25, the Group and the Company did not comply with certain covenants specified in the loan agreements; therefore, the bank has a contractual right to require loan repayment before the set maturities or to terminate the loan agreements. In 2014 the Group and the Company received a bank confirmation claiming that the bank will not require early loan repayment and accounted for payable loans based on the repayment schedules set out in the loan agreements without regard to the requirements of IFRS 1 to classify loans as current in case of the breach of covenants specified in the loan agreements. In our opinion, the Group's and the Company's non-current liabilities to banks amounting to 22,558 thousand Litas as at 31 December 2013 should be classified as current. If the mentioned part of the payable loans were classified as current liabilities, non-current financial liabilities as at 31 December 2013 would decrease by 22,558 thousand Litas, and current financial liabilities would increase by 22,558 thousand Litas.
- iii.* As disclosed in Note 3, in November 2013 the Group sold the investment property owned by the subsidiary OOO Techprominvest with the carrying amount of 18,990 thousand Litas at the moment of sale, and incurred a loss of 13,753 thousand Litas from the sale of this investment property. In the same month, the Group disposed the net assets of the subsidiary and accounted for profit of 2,409 thousand Litas in the consolidated financial statements. As disclosed in Note 11, the Company sold the shares of the subsidiary OOO Techprominvest and incurred losses of 26,863 thousand Litas presented in the separate financial statements. The Group's consolidated and the Company's separate financial statements for the year ended 31 December 2012 were audited by another auditor; as no impairment valuation was performed for the carrying amount of investments in the separate financial statements and for the carrying amount of investment property and property, plant and equipment in the consolidated financial statements, the auditor expressed a qualified opinion in the auditor's report on those financial statements on 25 April 2013. Since opening balances as at 31 December 2012 enter into determination of the unconsolidated and consolidated financial performance for the year ended 31 December 2013, we were unable to determine whether adjustments might have been necessary in respect of the net result for the year ended 31 December 2013 and the net result for the previous years due to not performed impairment valuations as at 31 December 2012 for investments in subsidiary in the separate financial statements and for investment property and property, plant and equipment in the consolidated financial statements.

Qualified Opinion

In our opinion, except for the possible effect of the matters referred to in the Basis for Qualified Opinion paragraphs i) and iii), and the effect of the matter referred to in paragraph ii), the separate financial statements give a true and fair view of the unconsolidated financial position of AB Snaigė as at 31 December 2013, and of its unconsolidated financial performance and unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In our opinion, except for the possible effect of the matters referred to in the Basis for Qualified Opinion paragraphs i) and iii), and the effect of the matter referred to in paragraph ii), the consolidated financial statements give a true and fair view of the consolidated financial position of AB Snaigė and its subsidiaries as at 31 December 2013, and of the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to the fact that, considering the effect of the matter referred to in paragraph ii) of the Basis for Qualified Opinion, the Group's current liabilities would amount to 68,250 thousand Litas, and the Company's – to 68,116 thousand Litas. As explained in Note 25, the Company had insufficient information to assess the EBITDA to financial liabilities ratio calculated on the basis of the consolidated results of Polair group as at 31 December 2013; therefore, as at the date of this report, the compliance with the loan covenant was not assessed by the Group and the Company and was not confirmed with the bank. The Group and the Company are in negotiations with the bank on new loan repayment schedule and on setting the new financial covenants; however, as at the date of this report, the agreement has not been reached yet. These circumstances indicate significant uncertainty regarding the Group's and the Company's ability to fulfil their commitments to creditors within the contractual terms. The Group's and the Company's ability to meet their obligations in 2014 largely depends on reaching agreements with the bank.

Other Matter

The Group's and the Company's financial statements for the year ended 31 December 2012 were audited by another auditor. As no calculations of the recoverable amount of the investments in the subsidiary OOO Techprominvest with the carrying amount of 36,355 thousand Litas were performed and no impairment valuations for the investment property with the carrying amount of 19,284 thousand Litas and for property, plant and equipment with the carrying amount of 4,089 thousand Litas, owned by the subsidiary OOO Techprominvest, were made, the auditor expressed a qualified opinion in the auditor's report on those financial statements on 25 April 2013.



Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated annual report of AB Snaigė for the year ended 31 December 2013, set out on pages 59–114 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements of AB Snaigė for the year ended 31 December 2013.

On behalf of KPMG Baltics, UAB



Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
16 April 2014

Group's and Company's statement of comprehensive income

	Notes	Group		Company	
		2013	2012 restated	2013	2012
Continuing operations					
Sales	4	172,651	141,759	167,114	150,142
Cost of sales	5	(144,168)	(117,729)	(140,901)	(127,004)
Gross profit		28,483	24,030	26,213	23,138
Selling and distribution expenses	6	(12,212)	(9,089)	(11,881)	(9,403)
General and administrative expenses	7	(9,872)	(8,217)	(8,820)	(7,521)
Other income	8	405	204	743	1,051
Other expenses	9	(254)	(418)	(440)	(839)
Operating profit		6,550	6,510	5,815	6,426
Finance income	10	811	162	2,037	1,265
Finance costs	11	(2,311)	(1,993)	(30,405)	(3,089)
Profit (loss) before income tax		5,050	4,679	(22,553)	4,602
Income tax	12	(314)	(4)	(319)	(17)
Net profit (loss) from continuing operations		4,736	4,675	(22,872)	4,585
Discontinued operations					
Loss from discontinued operations, net of tax	3	(13,547)	(3,656)	-	-
Net profit (loss)		(8,811)	1,019	(22,872)	4,585
Other comprehensive income					
Items that will never be reclassified to profit or loss		-	-	-	-
Items that are or may be reclassified to profit or loss		3,724	1,184	-	-
Exchange differences on translation of foreign operations		3,724	1,184	-	-
Total comprehensive income, net of tax		(5,087)	2,203	(22,872)	4,585

(continued on the next page)

The notes on pages 14–58 are an integral part of these financial statements.

Group's and Company's statement of comprehensive income (continued)

Notes	Group		Company	
	2013	2012 restated	2013	2012
Net profit (loss) attributable to:				
The shareholders of the Company	(8,811)	1,019		
Non-controlling interest	-	-		
	(8,811)	1,019		
Total comprehensive income, net of tax, attributable to:				
The shareholders of the Company	(5,087)	2,203		
Non-controlling interest	-	-		
	(5,087)	2,203		
Profit (loss) per share				
Basic and diluted profit (loss) per share	28	0.22	0.03	(0.58)
Basic and diluted profit (loss) from continuing operations	28	0.12	0.12	(0.58)
Basic and diluted loss from discontinued operations	28	(0.34)	(0.09)	-

The notes on pages 14–58 are an integral part of these financial statements.

General Director	Gediminas Čelka	16 April 2014
Financial Director	Neringa Menčiūniene	16 April 2014

Group's and Company's statement of financial position

	Notes	Group		Company	
		As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
ASSETS					
Non-current assets					
Intangible assets	13	5,357	5,135	5,345	5,119
Property, plant and equipment	14	25,481	27,327	23,718	24,785
Investment property	14	-	19,284	-	-
Investments into subsidiaries	1	-	-	1,465	37,822
Deferred income tax asset	12	873	1,156	819	1,138
Non-current borrowings to related companies	15	24,304	-	24,304	-
Non-current trade receivables	17	-	-	-	458
Other non-current assets	18	-	1,000	-	1,000
Total non-current assets		56,015	53,902	55,651	70,322
Current assets					
Inventories	16	17,227	15,483	16,673	12,268
Trade receivables	17	25,839	25,104	26,535	24,870
Current borrowings to related companies		244	7,044	244	7,044
Other current assets	18	1,399	2,259	1,387	1,777
Cash and cash equivalents	19	2,388	1,616	1,444	696
Total current assets		47,097	51,506	46,283	46,655
Total assets		103,112	105,408	101,934	116,977

(continued on the next page)

The notes on pages 14–58 are an integral part of these financial statements.

Group's and Company's statement of financial position (cont'd)

	Notes	Group		Company	
		As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
EQUITY AND LIABILITIES					
Equity					
Share capital	1, 19	39,622	39,622	39,622	39,622
Share premium		5,699	5,699	5,699	5,699
Legal reserve	21	3,073	2,884	3,057	2,828
Other reserves	21	5,009	2,242	5,009	2,051
Foreign currency translation reserve	21	(50)	(3,774)	-	-
Retained earnings (loss)		(20,501)	(8,734)	(21,474)	4,585
Equity attributable to equity holders of the Company		32,852	37,939	31,913	54,785
Non-controlling interest		2	2	-	-
Total equity		32,854	37,941	31,913	54,785
Liabilities					
Non-current liabilities					
Subsidies	22	644	735	644	735
Warranty provision	23	925	783	822	783
Deferred income tax liability	12	-	147	-	-
Non-current borrowings	25	22,558	21,436	22,558	21,436
Non-current employee benefits	24	439	355	439	355
Non-current trade payables		-	36	-	32
Total non-current liabilities		24,566	23,492	24,463	23,341
Current liabilities					
Current borrowings, current portion of non-current borrowings	25	20,602	13,097	20,602	12,898
Trade payables		19,267	21,159	19,776	19,603
Prepayments received		550	2,917	481	454
Warranty provision	23	1,587	1,523	1,379	1,518
Other current liabilities	27	3,686	5,279	3,320	4,378
Total current liabilities		45,692	43,975	45,558	38,851
Total equity and liabilities		103,112	105,408	101,934	116,977

The notes on pages 14–58 are an integral part of these financial statements.

General Director	Gediminas Čeika		16 April 2014
Financial Director	Neringa Menčiūnienė		16 April 2014

Group's statement of changes in equity

Notes	Attributable to equity holders of the Company						Total	Non- control- ling interest	Total equity
	Share capital	Share premium	Legal reserve	Other reserves	Foreign currency translation reserve	Retained earnings (loss)			
Balance as at 1 January 2012	39,622	5,699	2,828	1,189	(4,958)	(8,644)	35,736	2	35,738
Net profit for the year	-	-	-	-	-	1,019	1,019	-	1,019
Other comprehensive income	-	-	-	-	1,184	-	1,184	-	1,184
Total comprehensive income	-	-	-	-	1,184	1,019	2,203	-	2,203
Transfer from reserves	21	-	56	1,053	-	(1,109)	-	-	-
Balance as at 31 December 2012	39,622	5,699	2,884	2,242	(3,774)	(8,734)	37,939	2	37,941
Net (loss) for the year	-	-	-	-	-	(8,811)	(8,811)	-	(8,811)
Other comprehensive income	-	-	-	-	3,724	-	3,724	-	3,724
Total comprehensive income	-	-	-	-	3,724	(8,811)	(5,087)	-	(5,087)
Transfer to reserves	21	-	189	2,767	-	(2,956)	-	-	-
Balance as at 31 December 2013	39,622	5,699	3,073	5,009	(50)	(20,501)	32,852	2	32,854

The notes on pages 14–58 are an integral part of these financial statements

General Director	Gediminas Čeika	16 April 2014
Financial Director	Neringa Menčiūnienė	16 April 2014

Company's statement of changes in equity

Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total equity
Balance as at 1 January 2012	39,622	5,699	2,783	1,188	908	50,200
Net profit for the year	-	-	-	-	4,585	4,585
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	4,585	4,585
Transfer from reserves	21	-	45	863	(908)	-
Balance as at 31 December 2012	39,622	5,699	2,828	2,051	4,585	54,785
Net loss for the year	-	-	-	-	(22,872)	(22,872)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(22,872)	(22,872)
Transfer to reserves	21	-	229	2,958	(3,187)	-
Balance as at 31 December 2013	39,622	5,699	3,057	5,009	(21,474)	31,913

The notes on pages 14–58 are an integral part of these financial statements.

General Director	Gediminas Čeika	16 April 2014
Financial Director	Neringa Menčiūnienė	16 April 2014

Group's and Company's statement of cash flows

Notes	Group		Company	
	2013	2012	2013	2012
Cash flows from (to) operating activities				
Net result for the year	(8,811)	1,019	(22,872)	4,585
Adjustments for non-cash items:				
Depreciation and amortisation	13, 14	6,915	8,745	5,786
(Amortisation) of subsidies	22	(91)	(199)	(199)
Result from disposal of non-current assets	3, 11	13,753	(42)	26,863
Result from disposal of investments				
Write-off of non-current assets		649	460	-
Write-down of inventories		-	208	-
Change in impairment allowance for trade receivables, inventories and deferred income tax		571	378	403
Change in provisions	23	266	257	(101)
Interest (income)	10	(804)	(173)	(769)
Interest expenses	11	2,288	1,940	2,278
		14,736	12,593	11,497
		12,998		
Changes in working capital:				
(Increase) decrease in inventories		(1,745)	(2,251)	(4,405)
(Increase) decrease in trade and other receivables		1,927	(11,478)	420
Increase (decrease) in trade and other payables		(6,034)	10,043	(889)
Advance income tax returned (paid)		-	(2)	-
Net cash flows from operating activities		8,884	8,905	6,623
				8,052
Cash flows from (to) investing activities				
(Acquisition) of property, plant and equipment	14	(4,188)	(2,093)	(3,832)
(Acquisition) of intangible assets	13	(1,116)	(947)	(1,114)
Proceeds from disposal of non-current assets	3	7,624	115	9,400
Interest received		4	173	4
Loans granted		(16,591)	(7,044)	(16,591)
Net cash flows from investing activities		(14,267)	(9,796)	(12,133)
				(9,735)

(cont'd on the next page)

The notes on pages 14–58 are an integral part of these financial statements.

Group's and Company's statement of cash flows (cont'd)

	Group		Company	
	2013	2012	2013	2012
Cash flows from (to) financing activities				
Proceeds from non-current borrowings	43,160	6,516	43,160	6,394
Interest (paid)	(2,570)	(2,240)	(2,568)	(2,233)
(Repayment) of non-current borrowings	(27,110)	(1,807)	(27,034)	(1,751)
Finance lease (payments)	-	(71)	-	(71)
(Redemption) of bonds	(7,300)	(853)	(7,300)	(853)
Net cash flows from (to) financing activities	6,180	1,545	6,258	1,486
Net increase (decrease) in cash and cash equivalents	747	654	748	(197)
Effect of currency exchange rate on the balance of cash	(25)	2	-	-
Cash and cash equivalents at the beginning of the year	1,616	960	696	893
Cash and cash equivalents at the end of the year	2,388	1,616	1,444	696

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The notes on pages 14–58 are an integral part of these financial statements.

General Director	Gediminas Čeika	16 April 2014
Financial Director	Neringa Menčiūnienė	16 April 2014

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

Notes to the financial statements**1 General information**

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

Pramonės Str. 6,
Alytus,
Lithuania.

The Company is engaged in production of refrigerators and refrigerating equipment. The Company was registered on 1 April 1963. The Company's shares are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius stock exchange. As at 31 December 2013 and 2012 the shareholders of the Company were:

	2013		2012	
	Number of shares held (in thousand units)	Ownership share	Number of shares held (in thousand units)	Ownership share
UAB Vaidana	36,096*	91.10%	36,096*	91.10%
Swedbank AS (Estonia) clients	138	0.35%	107	0.27%
Skandinaviska Enskilda Banken AB clients	4	0.01%	4	0.01%
Other shareholders	3,384	8.54%	3,415	8.62%
Total	39,622	100%	39,622	100%

*Out of this amount 12,975 thousand units of AB Snaigė shares were collateralized to AB Šiaulių Bankas in accordance with a financial warranty agreement as at 31 December 2013 and 2012 (Note 31).

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

The Board of the Company must consist of 6 members; however, only 5 members represented the Board as at 31 December 2013, including 2 representatives of OAO Polair and 3 independent representatives (in 2012, the Board consisted of 5 members, including 1 representative of UAB Vaidana and 4 of OAO Polair).

As at 31 December 2013 UAB Vaidana was ultimately owned by Tetra Global Ltd. (intermediate shareholders are Furuchi Enterprises Ltd and Hymana Holdings Ltd.).

The Group consists of AB Snaigė and the following subsidiaries as at 31 December 2013 (hereinafter "the Group"):

Company	Country	Cost of investment	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
TOB Snaige Ukraina	Ukraine	89	99%	(5)	57
UAB Almecha	Lithuania	1,376	100%	784	1,266
Total		1,465			

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 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 to the Parent Company.

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

The Group consisted of AB Snaigė and the following subsidiaries as at 31 December 2012 (hereinafter "the Group"):

Company	Country	Cost of investment	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
	Russia				
OOO Techprominvest	(Kaliningrad)	106,355	100%	(18,952)	20,362
OOO Moroz Trade	Russia	1	100%	-	(14,121)
OOO Liga Servis	Russia	1	100%	-	(1,409)
TOB Snaige Ukraina	Ukraine	89	99%	(5)	57
UAB Almecha	Lithuania	1,376	100%	784	1,266
Total		107,822			
Impairment of investments (OOO Techprominvest)		(70,000)			
Investments in subsidiaries, net		37,822			

In 2013, the Group sold subsidiaries OOO Liga Servis and OOO Techprominvest and liquidated the subsidiary OOO Moroz Trade. The results of discontinued operations are presented in Note 3.

As at 31 December 2013 the number of employees of the Group was 746 and the number of employees at the Company was 666 (as at 31 December 2012 – 766 and 633 respectively).

The Group's and the Company's management authorised these financial statements on 16 April 2014. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for 2013 are as follows:

2.1. Basis of preparation

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

These are separate Company's and consolidated AB Snaigė Group financial statements. These financial statements are prepared on the historical cost basis.

Changes in accounting policies

Except for the changes below, the Group and the Company have consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated and separate financial statements.

The Group and the Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group and the Company have included additional disclosures in this regard (see Note 29 (Financial instruments)).

2 Accounting principles (cont'd)**2.1. Basis of preparation (cont'd)**

In accordance with the transitional provisions of IFRS 13, the Group and the Company have applied the new fair value measurement guidance prospectively and have not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's and the Company's assets and liabilities.

Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group and the Company have modified the presentation of items in the statement of other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

Other amendments to standards

The following amendments to standards with effective date of 1 January 2013 did not have any significant impact on these consolidated and separated financial statements:

Amendment to IFRS 7 – Offsetting of Financial Assets and Liabilities;

Amendment to IAS 19 (2011) – Employee Benefits;

Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated and separate financial statements. Those which may be relevant to the Group and the Company as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Group and the Company do not plan to adopt these amendments, standards and interpretations early.

- i. *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)*

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities. The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted. The Group does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group does not expect the new Standard will have a material impact on the financial statements.

These standards are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

2 Accounting principles (cont'd)**2.1. Basis of preparation (cont'd)**

- ii. *IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)*

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the presentation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements. The Company does not expect IAS 27 (2011) to have a material impact on the financial statements, since it does not result in a change in the Company's accounting policy.

- iii. *IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)*

There are limited amendments to IAS 28 (2008) which are related to associates and joint ventures held for sale and changes in interest held in associates and joint ventures. The Group and the Company do not expect the amendments to Standard to have material impact on the financial statements since they do not have any significant investments in associates or joint ventures that will be impacted by the amendments.

- iv. *Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)*

Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Group and the Company do not expect the Amendments to have any impact on the financial statements since the Group and the Company do not apply offsetting to any of their financial assets and financial liabilities and have not entered into master netting arrangements.

- v. *Amendments to IFRS 10, IFRS 12 and IAS 27 on Investment Entities (effective for annual periods beginning on or after 1 January 2014)*

The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities, as well as investments in associates and joint ventures at fair value through profit or loss, rather than consolidating them. The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated. An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. The Group and the Company do not expect the new standard to have any impact on the financial statements, since the Group and the Company do not qualify as investment entities.

- vi. *Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)*

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period. The Amendments also require additional disclosures related to fair value hierarchy when an impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs of disposal. The Group and the Company do not expect the new Standard will have a material impact on the financial statements.

AB SNAIGĖ

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in LTL thousand unless otherwise stated)

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

- vii. *Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)*

The Amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when certain criteria are met. The Group and the Company do not expect the new standard to have any impact on the financial statements, since the Group and the Company do not apply hedge accounting.

2.2. Going concern

These financial statements for the year 2013 have been prepared based on the assumption that the Group and the Company will be able to continue as a going concern for a period of not less than 1 year.

2.3. Presentation currency

The Group's financial statements are presented in local currency of the Republic of Lithuania, litas (LTL), which is the Company's functional and the Group's and the 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 included in 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 rate of exchange ruling at the statement of financial position date.

The functional currency of the foreign entities OOO Techprominvest, OOO Moroz Trade and OOO Liga Servis is Russian rouble (RUB) and of TOB Snaige Ukraina – Ukrainian hryvnia (UAH). As at the reporting date, the assets and liabilities of these subsidiaries are / were translated into the presentation currency of AB Snaigė (LTL) at the rate of exchange at the statement of financial position date and their items of the statement of comprehensive income are translated at the average monthly exchange rates for the reporting period. The exchange differences arising on the translation are stated in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in the shareholders' equity caption relating to that particular foreign operation is transferred to profit or loss. The performance results of the subsidiaries the control of which is lost are presented in the consolidated financial statements only for the period when control belonged to the Group.

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 at the 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
RUB	0.0767	0.0859
UAH	0.3046	0.3229
USD	2.5098	2.6060

All amounts in these financial statements are in LTL thousand unless otherwise stated.

2 Accounting principles (cont'd)**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 result attributable to non-controlling interest are shown separately in the statement of financial position and profit or loss. 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.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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

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

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2 Accounting principles (cont'd)

2.5. Investments in subsidiaries

Investments in subsidiaries in the Company's statement of financial position are accounted at cost less impairment.

Investment cost is equal to the fair value of the consideration given. The carrying value of the investment is tested for impairment when events or changes in circumstances indicate that the carrying value may exceed the recoverable amount of the investment. If such indications exist, the Company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its estimated recoverable amount, the investment is written down to its recoverable amount (higher of the two: fair value less costs to sell and value in use). Impairment loss is recognised in profit or loss as finance costs for the period.

Profit (loss) from disposal of investments is accounted for in profit or loss under financing activities.

2.6. 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 Group and the Company and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives (1–8 years).

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

Research and development

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

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

Licenses

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

Software

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

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

The Company and the Group have no intangible assets with indefinite useful lifetime.

2 Accounting principles (cont'd)**2.7. Property, plant and equipment and investment property**

Property, plant and equipment, including investment property, 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) cost could be reliably measured. Property, plant and equipment and investment property 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.

An item of property, plant and equipment and investment property 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 profit or loss in the year the asset is derecognised.

The carrying amounts of property, plant and equipment and investment property are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss, whenever estimated. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

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.

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

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

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

2.8. 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 and the Company have classified an asset as held for sale, but the above mentioned criteria are no longer met, the Group and the Company cease 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 is recorded in profit or loss in the period in which the criteria are no longer met.

2 Accounting principles (cont'd)**2.9. Inventories**

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

2.10. Cash and cash equivalents

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

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

2.11. Financial assets

According to IAS 39 "*Financial Instruments: Recognition and Measurement*" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. Financial assets are initially recognised at acquisition cost which is equal to the fair value of the consideration paid, including (except for financial assets at fair value through profit or loss) any transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition and, where allowed and appropriate, re-evaluate this designation at each financial year end.

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

The Group and the Company did not have financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets as at 31 December 2013 and 2012.

Loans and receivables

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

Allowance for receivables and loans is evaluated when the indications that receivables will not be recovered exist and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts and receivables are derecognised (written-off) when they are assessed as uncollectible.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2 Accounting principles (cont'd)

2.12. Financial liabilities

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

The Group has no financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including loans) are carried at amortised cost using the effective interest method in subsequent periods.

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

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

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

2.13. Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

2 Accounting principles (cont'd)**2.14. Finance lease and operating lease**Finance lease – the Group and the Company as lessee

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases.

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

The depreciation is accounted for finance lease assets and it also gives rise to financial costs 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 and the Company according to the lease contract get 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 and the Company as lessee

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

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

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

2.15. 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 profit or loss, a relevant expense account is reduced by the amount of grant amortisation.

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

2 Accounting principles (cont'd)**2.16. Provisions**

Provisions are recognised when the Group and the Company have 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 date of the statement of financial positions and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expenses.

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. Employee 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 employee 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 employee benefits. Actuarial gains and losses are recognised in other comprehensive income.

The past service costs are recognised as an expense on a straight-line basis in profit or loss immediately after the assessment of such liability. Any gains or losses appearing as a result of curtailment and/or settlement are recognised as incurred.

2.18. Income tax

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

In Lithuania in 2013 and 2012 income tax rate is 15%.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. From 2014 tax losses carried forward shall not exceed 70 percent of the taxable profit of a taxable period according to Lithuanian laws.

The standard income tax rate in the Russian Federation in 2013 and 2012 is 20%.

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

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

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

2 Accounting principles (cont'd)

2.19. Revenue recognition

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

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

Revenue from services is recognized on accrual basis when services are rendered and are stated in profit or loss.

In Group's consolidated financial statements intercompany sales are eliminated.

2.20. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each reporting date.

For financial assets carried at amortised cost, whenever it is probable that the Group and the Company will not collect all amounts due according to the contractual terms of loans or receivables, impairment or losses of bad debts are recognised in profit or loss. 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 profit or loss. 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, except for goodwill, deferred tax and inventories, 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 profit or loss. 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 in profit or loss as the impairment loss.

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

2.21. Use of estimates in the preparation of financial statements

The preparation of financial statements requires the Group's and the Company's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to the going concern assumptions, depreciation (Notes 2.7. and 14), amortisation (Notes 2.6. and 13), provisions, non-current employee benefits, evaluation of impairment for accounts receivable, inventories and property, plant and equipment (Notes 2.16, 2.17, 2.20, 14, 16, 17, 23 and 24), evaluation of deferred income tax asset recognition and valuation allowance (Note 12). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2 Accounting principles (cont'd)**2.22. Contingencies**

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

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

2.23. Subsequent events

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

2.24. Offsetting and comparative figures

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

2.25. Segments

An operating segment is a component of the Group and the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by management of the Group and the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.26. Earnings per share

The Group and the Company present basic and diluted 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 Group and the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, such as convertible notes and share options granted to employees.

The Group and the Company have no dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share.

2.27. Fair value measurement

A number of the Group's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Company have access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group and the Company use market observable data as far as possible. Fair values are categorised within different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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(all amounts are in LTL thousand unless otherwise stated)

2 Accounting principles (cont'd)

2.27. Fair value measurement (cont'd)

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability (Note 29 – Financial instruments).

3 Discontinued operations

The Company started cooperation with the Russian company group Polair; as a result, there is no need to have subsidiaries engaged in trade and marketing activities in Russia.

The accounting of discontinued operations was performed in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*.

Based on the decision of the Company's Board, the subsidiary OOO Liga Servis was sold on 17 June 2013 (OOO Liga Servis was established on 7 February 2006 in Moscow. The company was engaged in sales and marketing services in Russia. The Company had 100% of the shares of this company).

The carrying amount of the net assets of OOO Liga Servis on 17 June 2013 related to discontinued operations was negative and amounted to LTL -176 thousand; the consideration received for the shares of the subsidiary amounted to LTL 0 thousand.

The results of discontinued operations of OOO Liga Servis are presented in the table below:

	2013	2012
Sales	1,102	4,663
Cost of sales	(937)	(4,168)
Gross profit	165	495
Selling and distribution expenses	(206)	(630)
General and administrative expenses	(111)	(277)
Other income	0	0
Other expenses	0	0
Operating profit	(152)	(412)
Finance income	0	0
Finance costs	0	0
Profit (loss) before income tax	(152)	(412)
Income tax	(1)	0
Profit (loss) from discontinued operations	(153)	(412)

The subsidiary OOO Moroz Trade was deregistered from the Register of Legal Entities of Russia (OOO Moroz Trade was established on 13 May 2004 in Moscow. In October 2004 the Company acquired 100% of OOO Moroz Trade shares. The company was engaged in sales and marketing services in Russia). As of 2009, OOO Moroz Trade carried out no activities; therefore, its performance results for 2013 and 2012 are not presented.

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(all amounts are in LTL thousand unless otherwise stated)

3 Discontinued operations (cont'd)

The carrying amount of the net assets of OOO Moroz Trade on 30 June 2013 related to discontinued operations was LTL 507 thousand; the consideration received for the shares of the subsidiary amounted to LTL 0 thousand. The difference of LTL 507 thousand between the consideration received for the shares and net assets was accounted for as loss from discontinued operations.

Based on the decision of the Company's Board, the real estate of the subsidiary OOO Techprominvest in Russia was sold on 15 November 2013. Based on the decision of the Company's Board, the subsidiary OOO Techprominvest in Russia was sold on 20 November 2013; its operations had been discontinued as from 2009. OOO Techprominvest was engaged in the management and rent of investment property.

The results of discontinued operations of OOO Techprominvest are presented in the table below:

	2013	2012
Sales	196	126
Cost of sales	0	(55)
Gross profit	196	71
Selling and distribution expenses	0	(17)
General and administrative expenses	(3,262)	(4,399)
Other income	1,861	2,131
Other expenses	(14,391)	(991)
Operating profit	(15,596)	(3,205)
Finance income	3	11
Finance costs	(18)	(50)
Profit (loss) before income tax	(15,611)	(3,244)
Income tax	139	0
Profit (loss) from discontinued operations	(15,472)	(3,244)

Other expenses in 2013 comprised loss from disposal of investment property of LTL 13,753 thousand and depreciation of investment property of LTL 638 thousand.

On 13 November 2013 the Group sold its investment property in Kaliningrad, which had belonged to the subsidiary OOO Techprominvest. In order to make the investment property more appealing to customers, before the transaction, the building repair works were performed and the surroundings cleaned. The repair and cleaning costs were included under cost of sales of the investment property. Also, an agent was hired for the purposes of customer search; the costs of the agent were also included into cost of sales.

Sales and cost of sales of the investment property are disclosed in the table below:

Group	2013
Sales	18,990
Cost of investment property	(18,646)
Repair expenses	(11,197)
Commissions and other expenses	(2,900)
Cost of sales	(32,743)
Loss from sale of investment property	(13,753)

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3 Discontinued operations (cont'd)

Net assets of OOO Techprominvest at the moment of the disposal of shares are disclosed in the table below:

	Carrying amount
Property, plant and equipment	12
Loans granted	20,737
Trade and other receivables	143
Cash	1,871
Total assets	22,763
Trade payables	20,762
Other liabilities	34
Total liabilities	20,796
Total net assets	1,967
Accumulated foreign currency translation reserve	5,119
Total cost of sales of investment	7,086
Consideration received in cash for OOO Techprominvest shares	9,495
Result of sale of investments	2,409

The difference between the consideration received for the shares and net assets was accounted for in the Group's profit from discontinued operations. The payment for shares was made in cash.

Net assets of OOO Techprominvest at the moment of disposal of shares is disclosed in the table below:

	Carrying amount
Consideration received for OOO Techprominvest shares	9,495
Cash transferred	(1,871)
Net increase in cash	7,624

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3. Discontinued operations (cont'd)

Total results of discontinued operations are presented in the table below:

	2013	2012
Sales	1,298	4,789
Cost of sales	(937)	(4,223)
Gross profit	361	566
Selling and distribution expenses	(206)	(647)
General and administrative expenses	(3,373)	(4,676)
Other income	1,861	2,131
Other expenses	(14,391)	(991)
Operating profit	(15,748)	(3,617)
Finance income	3	11
Finance costs	(18)	(50)
Profit (loss) before income tax	(15,763)	(3,656)
Income tax	138	0
Profit (loss) from discontinued operations	(15,625)	(3,656)
Profit from discontinued operations of OOO Liga Servis, net of income tax	176	
Loss from discontinued operations of OOO Moroz Trade, net of income tax	(507)	
Profit from discontinued operations of OOO Techprominvest, net of income tax	2,409	
	(13,547)	(3,656)

Net cash flows from discontinued operations:

	2013	2012
Operating activities	2,299	157
Investing activities	(596)	-
Financing activities	-	-
Net increase (decrease) in cash flows	1,703	157

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4 Segment information**The Group**

The Group's sole business segment identified for the management purposes is the production of refrigerators and specialised equipment. The Group's and the Company's management analyses the information of geographical segments; therefore, this note includes disclosures on operating segments based on country.

Information with respect to the Group's sales and receivables from customers is presented below:

	Total segment sales revenue		Inter-segment sales		Sales revenue	
	2013	2012 restated	2013	2012 restated	2013	2012 restated
Russia	6,001	8,389	(669)	(3,092)	5,332	5,297
Ukraine	56,280	72,614	-	-	56,280	72,614
Western Europe	45,904	33,228	-	-	45,904	33,228
Eastern Europe	21,978	8,278	-	-	21,978	8,278
Lithuania	30,747	24,814	(16,439)	(17,948)	14,308	6,866
Other CIS countries	26,028	14,422	-	-	26,028	14,422
Other Baltic states	2,724	1,024	-	-	2,724	1,024
Other countries	97	30	-	-	97	30
Total	189,759	162,799	(17,108)	(21,040)	172,651	141,759

Group	Segment assets		Segment liabilities		Depreciation of property, plant and equipment and intangible assets		Acquisition of property, plant and equipment and intangible assets	
	2013	2012	2013	2012	2013	2012	2013	2012
Russia	1,946	24,255	43,685	6,837	198	1,024	-	483
Ukraine	9,177	10,526	389	374	12	13	-	-
Western Europe	7,049	7,462	2,377	6,695	-	-	-	-
Eastern Europe	3,158	1,220	4,440	4,060	-	-	-	-
Lithuania	79,008	60,859	17,045	48,923	6,066	6,718	5,304	2,557
Other CIS countries	2,559	1,061	1,002	122	-	-	-	-
Other Baltic states	215	25	37	20	-	-	-	-
Other countries	-	-	1,283	436	-	-	-	-
Total	103,112	105,408	70,258	67,467	6,276	7,755	5,304	3,040

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

Company

Information with respect to geographical location of the Company's sales is presented below:

	Sales	
	2013	2012
Western Europe	38,997	33,195
Ukraine	56,280	73,132
Lithuania	15,203	12,219
Eastern Europe	21,979	8,278
Other CIS countries	26,028	13,904
Other Baltic states	2,661	1,001
Russia	5,869	8,389
Other countries	97	24
	167,114	150,142

All assets of the Company as at 31 December 2013 and 2012 are located in Lithuania and all acquisitions and depreciation of non-current assets in 2013 and 2012 are connected with it.

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5 Cost of sales

	Group		Company	
	2013	2012 restated	2013	2012
Raw materials	110,992	85,869	105,768	95,606
Salaries and wages	10,997	10,192	13,351	11,041
Depreciation and amortisation	3,686	4,095	3,576	4,137
Other indirect costs	18,493	17,573	18,206	16,220
	<u>144,168</u>	<u>117,729</u>	<u>140,901</u>	<u>127,004</u>

6 Selling and distribution expenses

	Group		Company	
	2013	2012 restated	2013	2012
Transportation	6,099	3,838	6,099	3,838
Salaries and social security	1,568	1,195	1,451	1,114
Advertising	1,355	1,604	1,349	1,599
Warranty service expenses	1,300	1,051	936	1,051
Market research, sales promotion and commissions to third parties	813	497	969	901
Certification expenses	402	393	402	393
Insurance	177	141	177	141
Business trips	126	142	126	142
Rent of warehouses and storage expenses	84	73	84	73
Production dispatch expenses	-	95	-	-
Other	288	60	288	151
	<u>12,212</u>	<u>9,089</u>	<u>11,881</u>	<u>9,403</u>

7 Administrative expenses

	Group		Company	
	2013	2012 restated	2013	2012
Salaries and social security	4,450	4,554	3,998	3,950
Depreciation and amortisation	1,225	1,288	1,026	935
Advisory	517	531	517	530
Bank services	436	259	431	254
Insurance	336	283	332	279
Rent of premises	313	449	277	421
Taxes, other than income tax	273	244	268	238
Business trips	148	146	137	139
Security	119	134	118	132
Non-current employee benefits (Note 24)	84	8	84	8
Change in impairment allowance for receivables (Note 17)	45	114	5	114
Other	1,926	207	1,627	521
	<u>9,872</u>	<u>8,217</u>	<u>8,820</u>	<u>7,521</u>

Change of impairment allowance for receivables in 2013 and 2012 is mainly related to overdue receivables from clients in Russia and Ukraine (Note 17).

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8 Other income

	Group		Company	
	2013	2012 restated	2013	2012
Income from rent of premises	11	8	108	147
Income from transportation services	291	326	291	326
Income from sale of other services	88	-	328	517
Income from rent of equipment	2	3	3	7
Gain on disposal of property, plant and equipment	-	(264)	-	39
Other	13	131	13	15
	405	204	743	1,051

9 Other expenses

	Group		Company	
	2013	2012 restated	2013	2012
Transportation expenses	218	348	217	348
Expenses from rent of equipment	1	1	19	142
Cost of sold raw and other materials	-	-	189	335
Other	35	69	15	14
	254	418	440	839

10 Finance income

	Group		Company	
	2013	2012 restated	2013	2012
Interest income from loans	792	127	792	127
Foreign currency exchange gain	15	-	1,219	1,081
Gain of foreign currency translation transactions	-	-	18	13
Other income	4	35	8	44
	811	162	2,037	1,265

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11 Finance costs

	Group		Company	
	2013	2012 restated	2013	2012
Interest expenses	2,280	1,934	2,278	1,926
Loss of foreign currency translation transactions	31	28	56	28
Foreign currency exchange loss	-	28	1,208	1,093
Loss from sale of shares of subsidiaries	-	-	26,863	-
Other	-	3	-	42
	<u>2,311</u>	<u>1,993</u>	<u>30,405</u>	<u>3,089</u>

12 Income tax

Income tax expenses, income, asset and liabilities components consisted of the following:

	Group		Company	
	2013	2012 restated	2013	2012
Components of the income tax (expense) income				
Current income tax for the reporting year	(40)	-	-	-
Deferred income tax income (expenses)	(274)	(4)	(319)	(17)
Income tax income (expenses) recorded in profit or loss from continuing operations	<u>(314)</u>	<u>(4)</u>	<u>(319)</u>	<u>(17)</u>
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
Deferred income tax asset				
Tax loss carried forward	1,204	23,464	1,204	1,368
Impairment allowance for receivables and inventories	27	59	20	59
Warranty provisions	377	345	330	345
Accrued liabilities	57	196	86	196
Other	31	71	2	53
Deferred income tax asset before valuation allowance	<u>1,696</u>	<u>24,135</u>	<u>1,642</u>	<u>2,021</u>
Less: valuation allowance	-	(22,206)	-	(110)
Deferred income tax asset, net	<u>1,696</u>	<u>1,929</u>	<u>1,642</u>	<u>1,911</u>
Deferred income tax liability				
Capitalised development and repair costs	(823)	(920)	(823)	(773)
Deferred income tax liability	<u>(823)</u>	<u>(920)</u>	<u>(823)</u>	<u>(773)</u>
Deferred income tax, net	<u>873</u>	<u>1,009</u>	<u>819</u>	<u>1,138</u>
Presented in the statement of financial position:				
Deferred income tax asset	873	1,156	819	1,138
Deferred income tax liability	(-)	(147)	-	-

Deferred income tax asset is recognised in the amount, which is expected to be realized in the foreseeable future. As at 31 December 2013 and 2012 the management of the Company and the Group doubted whether the entire deferred income tax related to the tax loss carry forward and impairment allowance for receivables will be realized in the foreseeable future; therefore, only a more certain part was recognized.

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12 Income tax (cont'd)

The reported amount of income tax attributable to the theoretical amount that would arise from applying income tax rate of the Company and the Group is as follows:

Group	2013		2012 restated	
Profit (loss) before tax from continuing operations		5,050		4,679
Income tax income (expenses) computed using the effective tax rate	15%	(758)	15%	702
Non-deductible expenses	2.2%	109	5.3%	247
Non-taxable income	(1.9%)	(97)	(0.3%)	(14)
Change of temporary differences	2.7%	136	9.2%	429
Effect of not recognised tax losses	(24.2%)	(1,220)	(29.2%)	(1,368)
Income tax income (expenses) recorded in profit or loss	(6.2%)	(314)	(0.1%)	(4)
Company	2013		2012 restated	
Profit (loss) before tax from continuing operations		(22,553)		4,602
Income tax income (expenses) computed using the effective tax rate	15%	(3,383)	15%	690
Non-deductible expenses	(64.6%)	14,575	5.3%	246
Non-taxable income	46.6%	(10,506)	(0.3%)	(14)
Change of temporary differences	(1.0%)	215	9.3%	429
Effect of not recognised tax losses	5.4%	(1,220)	(29.7%)	(1,368)
Income tax income (expenses) recorded in profit or loss	1.4%	(319)	0.4%	(17)

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13 Intangible assets**Group**

	Development cost	Software, licenses	Total
Cost:			
Balance as at 31 December 2012	15,304	2,088	17,392
Additions	1,019	97	1,116
Disposals and write-offs	(64)	(247)	(311)
Balance as at 31 December 2013	16,259	1,938	18,197
Amortisation:			
Balance as at 31 December 2012	10,223	2,034	12,257
Charge for the year	866	28	894
Disposals and write-offs	(64)	(247)	(311)
Balance as at 31 December 2013	11,025	1,815	12,840
Carrying amount as at 31 December 2013	5,234	123	5,357
Carrying amount as at 31 December 2012	5,081	54	5,135

	Development cost	Software, licenses	Total
Cost:			
Balance as at 1 January 2012	14,382	2,066	16,448
Additions	922	25	947
Disposals and write-offs	-	(3)	(3)
Balance as at 31 December 2012	15,304	2,088	17,392
Amortisation:			
Balance as at 1 January 2012	9,472	2,009	11,481
Charge for the year	751	28	779
Disposals and write-offs	-	(3)	(3)
Balance as at 31 December 2012	10,223	2,034	12,257
Carrying amount as at 31 December 2012	5,081	54	5,135
Carrying amount as at 1 January 2012	4,910	57	4,967

Total amount of amortisation expenses is included into administrative expenses in profit or loss.

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 8,514 thousand as at 31 December 2012) but was still in use.

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13 Intangible assets (cont'd)**Company**

	Development cost	Software, licenses	Total
Cost:			
Balance as at 31 December 2012	15,163	1,661	16,824
Additions	1,019	95	1,114
Disposals, write-offs and transfers	(64)	(190)	(254)
Balance as at 31 December 2013	<u>16,118</u>	<u>1,566</u>	<u>17,684</u>
Amortisation:			
Balance as at 31 December 2012	10,086	1,619	11,705
Charge for the year	866	22	888
Disposals and write-offs	(64)	(190)	(254)
Balance as at 31 December 2013	<u>10,888</u>	<u>1,451</u>	<u>12,339</u>
Carrying amount as at 31 December 2013	<u>5,230</u>	<u>115</u>	<u>5,345</u>
Carrying amount as at 31 December 2012	<u>5,077</u>	<u>42</u>	<u>5,119</u>

	Development cost	Software, licenses	Total
Cost:			
Balance as at 1 January 2012	14,246	1,652	15,898
Additions	917	12	929
Disposals and write-offs	-	(3)	(3)
Balance as at 31 December 2012	<u>15,163</u>	<u>1,661</u>	<u>16,824</u>
Amortisation:			
Balance as at 1 January 2012	9,335	1,597	10,932
Charge for the year	751	25	776
Disposals and write-offs	-	(3)	(3)
Balance as at 31 December 2012	<u>10,086</u>	<u>1,619</u>	<u>11,705</u>
Carrying amount as at 31 December 2012	<u>5,077</u>	<u>42</u>	<u>5,119</u>
Carrying amount as at 1 January 2012	<u>4,911</u>	<u>55</u>	<u>4,966</u>

Total amount of amortisation expenses is included into administrative expenses in profit or loss. Part of non-current intangible assets of the Company with the acquisition value of LTL 8,028 thousand as at 31 December 2013 was fully amortised (LTL 8,255 thousand as at 31 December 2012) but was still in use.

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14 Property, plant and equipment and investment property**Group**

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total	Investment property
Cost:						
Balance as at 31 December 2012	14,028	121,022	16,944	121	152,115	26,895
Additions	180	3,024	981	3	4,188	-
Disposals and write-offs	-	(9,952)	(606)	-	(10,558)	(26,895)
Reclassifications	117	(1,815)	(101)	1,799	-	-
Effect of change in foreign currency exchange rate	-	(2)	(6)	-	(8)	-
Balance as at 31 December 2013	14,325	112,277	17,212	1,923	145,737	-
Accumulated depreciation:						
Balance as at 31 December 2012	5,012	105,074	14,702	-	124,788	7,611
Charge for the year	492	4,221	669	-	5,382	638
Disposals and write-offs	-	(9,335)	(573)	-	(9,908)	(8,249)
Reclassifications	-	-	-	-	-	-
Effect of change in foreign currency exchange rate	-	(2)	(4)	-	(6)	-
Balance as at 31 December 2013	5,504	99,958	14,794	-	120,256	-
Carrying amount as at 31 December 2013	8,821	12,319	2,418	1,923	25,481	-
Carrying amount as at 31 December 2012	9,016	15,948	2,242	121	27,327	19,284

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14 Property, plant and equipment and investment property (cont'd)

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total	Investment property
Cost:						
Balance as at 1 January 2012	14,028	116,747	16,043	493	147,311	25,695
Additions	-	183	1,221	274	1,678	415
Disposals and write-offs	-	(2,230)	(395)	(18)	(2,643)	-
Reclassifications	-	568	57	(628)	(3)	3
Reclassification to investment property	-	-	-	-	-	-
Reclassification to held for sale assets	-	5,351	-	-	5,351	-
Effect of change in foreign currency exchange rate	-	403	18	-	421	782
Balance as at 31 December 2012	14,028	121,022	16,944	121	152,115	26,895
Accumulated depreciation:						
Balance as at 1 January 2012	4,520	97,713	14,376	-	116,609	6,432
Charge for the year	492	5,818	666	-	6,976	990
Disposals and write-offs	-	(1,906)	(364)	-	(2,270)	-
Reclassifications	-	(7)	7	-	-	-
Reclassification to investment property	-	-	-	-	-	-
Reclassification to held for sale assets	-	3,207	-	-	3,207	-
Effect of change in foreign currency exchange rate	-	249	17	-	266	189
Balance as at 31 December 2012	5,012	105,074	14,702	-	124,788	7,611
Carrying amount as at 31 December 2012	9,016	15,948	2,242	121	27,327	19,284
Carrying amount as at 1 January 2012	9,508	19,034	1,667	493	30,702	19,263

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CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in LTL thousand unless otherwise stated)

14 Property, plant and equipment and investment property (cont'd)
Company

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total
Cost:					
Balance as at 31 December 2012	14,467	102,296	14,800	1,920	133,483
Additions	180	2,700	949	3	3,832
Disposals and write-offs	-	(115)	(37)	-	(152)
Reclassifications	-	(541)	541	-	-
Balance as at 31 December 2013	14,647	104,340	16,253	1,923	137,163
Accumulated depreciation:					
Balance as at 31 December 2012	5,334	90,422	12,942	-	108,698
Charge for the year	492	3,783	624	-	4,899
Disposals and write-offs	-	(115)	(37)	-	(152)
Reclassifications	-	(389)	389	-	-
Balance as at 31 December 2013	5,826	93,701	13,918	-	113,445
Carrying amount as at 31 December 2013	8,821	10,639	2,335	1,923	23,718
Carrying amount as at 31 December 2012	9,133	11,874	1,858	1,920	24,785
	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total
Cost:					
Balance as at 1 January 2012	14,467	102,404	13,799	2,056	132,726
Additions	-	241	1,171	492	1,904
Disposals and write-offs	-	(917)	(230)	-	(1,147)
Reclassifications	-	568	60	(628)	-
Balance as at 31 December 2012	14,467	102,296	14,800	1,920	133,483
Accumulated depreciation:					
Balance as at 1 January 2012	4,842	86,843	12,611	-	104,296
Charge for the year	492	4,495	561	-	5,548
Disposals and write-offs	-	(916)	(230)	-	(1,146)
Reclassifications	-	-	-	-	-
Balance as at 31 December 2012	5,334	90,422	12,942	-	108,698
Carrying amount as at 31 December 2012	9,133	11,874	1,858	1,920	24,785
Carrying amount as at 1 January 2012	9,625	15,561	1,188	2,056	28,430

The depreciation charge of the Group's property, plant and equipment for 2013 amounts to LTL 5,382 thousand (LTL 6,976 thousand for 2012). The amount of LTL 4,853 thousand for 2013 (LTL 5,357 thousand for 2012) was included into production costs and the amount of LTL 529 thousand (LTL 1,619 thousand for 2012) was included into administrative expenses in the Group's profit or loss.

Depreciation of the Group's investment property was included into other expenses from discontinued operations (Note 3).

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(all amounts are in LTL thousand unless otherwise stated)

14 Property, plant and equipment and investment property (cont'd)

The depreciation charge of the Company's property, plant and equipment for 2013 amounts to LTL 4,889 thousand (LTL 5,548 thousand for 2012). The amount of LTL 138 thousand for 2013 (LTL 159 thousand for 2012) was included into administrative expenses in the Company's profit or loss. The remaining amount of depreciation was included in the production cost.

As at 31 December 2013 buildings of the Group and the Company with the carrying amount of LTL 7,975 thousand (as at 31 December 2012 – LTL 7,110 thousand respectively), the Group's and the Company's and machinery and equipment with the carrying amount of LTL 8,273 (as at 31 December 2012 – LTL 7,574 and 7,328 thousand respectively) were pledged to banks as a collateral for the loans (Note 25).

In order to assure the proper fulfilment of the Company's liabilities to suppliers according to legal proceedings, the rights to machinery and equipment with the carrying amount of LTL 394 thousand as at 31 December 2013 (LTL 690 thousand as at 31 December 2012) were limited by law. Although a peace agreement has been signed in 2012, the limitation of the rights to machinery and equipment was not yet withdrawn as at the financial statements date.

15 Loans granted

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Loan to OOO Polair	24,304	7,044	24,304	7,044
Loan to UAB Vaidana	244	-	244	-
Loans receivable	25,548	7,044	24,548	7,044
Including:				
Non-current borrowings	24,304	-	24,304	-
Current borrowings	244	7,044	244	7,044
Total	25,548	7,044	24,548	7,044

As at 31 December 2013 the Company and the Group have a loan of LTL 23,391 thousand issued to the related company OAO Polair and calculated interest of LTL 913 thousand with maturity in 2017. The loan is subject to 6.5% annual interest (in 2012, the Company and the Group issued a loan of LTL 7,044 thousand with 6% fixed interest and maturity in 2013).

As at 31 December 2013, the Company has a loan granted to its shareholder UAB Vaidana of LTL 244 thousand with maturity on 1 April 2014. The loan maturity was extended until 1 April 2015. The loan is subject to fixed 6.5% annual interest.

As disclosed in Note 32, on 27 January 2014 the shareholders decided that AB Snaigé would grant a new loan of EUR 12 million to the shareholder UAB Vaidana for a period of 5 years after the bank credit has been received.

AB SNAIGÉ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

16 Inventories

	Group		Company	
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
Raw materials and spare parts and production in progress	11,616	11,803	11,094	8,513
Finished goods	5,583	3,839	5,551	3,615
Goods for resale	417	413	417	413
Other	-	23	-	-
Total inventories, gross	17,616	16,078	17,062	12,541
Less: write-down to net realisable value of finished goods	-	(13)	-	(13)
Less: write-down to net realisable value of slow moving and obsolete inventories	(389)	(582)	(389)	(260)
Total inventories, net	17,227	15,483	16,673	12,268

Raw materials and spare parts consist of compressors, components, plastics, wires, metals and other materials used in the production. The Group's and the Company's cost of inventories accounted for at net realisable value amounted to LTL 389 thousand and LTL 389 thousand as at 31 December 2013 (LTL 582 thousand and LTL 260 thousand as at 31 December 2012 respectively).

Write-down to net realisable value was included in other administrative expenses in profit or loss.

As at 31 December 2013 the Group and the Company have no legal restrictions on inventories as after the loan refinancing the pledge of inventories for the amount of LTL 10,500 thousand was removed (as at 31 December 2012 the Group and the Company had pledged inventories with the value of not less than LTL 10,500 thousand).

17 Trade receivables

	Group		Company	
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
Receivables from not related customers	26,123	36,702	25,448	23,506
Receivables from related customers	-	-	1,212	1,942
Gross receivables	26,123	36,702	25,660	25,448
Less: impairment allowance for doubtful receivables	(284)	(11,598)	(125)	(120)
Net receivables	25,839	25,104	26,535	25,328
Including:				
Non-current receivables	-	-	-	458
Current receivables	25,839	25,104	26,535	24,870
Total	25,839	25,104	26,535	25,328

Impairment allowance for doubtful receivables is recognised due to receivables from not related customers.

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

As at 31 December 2013 100% impairment was accounted for trade receivables of the Group and the Company in gross values of LTL 284 thousand and LTL 125 thousand respectively (as at 31 December 2012 – LTL 11,598 thousand and LTL 120 thousand respectively). Change in impairment allowance for receivables was accounted for within administrative expenses.

AB SNAIGÉ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

17 Trade receivables (cont'd)

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

	Group		Company	
	2013	2012	2013	2012
Balance at the beginning of the period	(11,598)	(13,115)	(120)	(1,966)
Charge for the year	(53)	(262)	(5)	(120)
Write-offs of trade receivables	11,359	1,996	-	1,960
Effect of the change in foreign currency exchange rate	8	(327)	-	6
Amounts paid	-	110	-	-
Balance at the end of the period	(284)	(11,598)	(125)	(120)

The receivables are written-off when it becomes obvious that they will not be recovered. The change in the Group's provision in 2013 was stated under administrative expenses of continuing operations; the change in provision in 2012 was stated in the following way: LTL 114 thousand under administrative expenses and LTL 382 thousand – under administrative expenses of discontinued operations. The Company's change in provisions in 2013 and 2012 was stated under administrative expenses of continuing operations.

18 Other current assets

	Group		Company	
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
VAT receivable	563	894	562	871
Prepayments and deferred expenses	819	804	807	866
Deposit	-	1,000	-	1,000
Restricted cash	15	15	15	15
Compensations receivable from suppliers	1	3	-	-
Other receivables	1	1,896	3	25
Less: impairment allowance for doubtful other receivables	-	(1,353)	-	-
	1,399	3,259	1,387	2,777
Including:				
Non-current receivables	-	1,000	-	1,000
Current receivables	1,399	2,259	1,387	1,777
Total	1,399	3,259	1,387	2,777

Change in impairment allowance for doubtful other receivables was included within administrative expenses.

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

	2013	2012
Balance at the beginning of the period	(1,353)	(1,431)
Charge for the year	-	-
Write-off of other receivables	1,353	-
Effect of the change in foreign currency exchange rate	-	(40)
Amounts paid	-	118
Balance at the end of the period	-	(1,353)

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013***(all amounts are in LTL thousand unless otherwise stated)***19 Cash and cash equivalents**

	Group		Company	
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
Cash at bank	2,382	1,612	1,439	695
Cash on hand	6	4	5	1
	<u>2,388</u>	<u>1,616</u>	<u>1,444</u>	<u>696</u>

As at 31 December 2013 the accounts of the Group and the Company up to LTL 691 thousand (up to LTL 15,085 thousand in 2012) are pledged to the bank for the bank guarantee (Note 25).

20 Share capital and share premium

As at 31 December 2013 and 2012 the share capital comprised 39,622 ordinary registered shares. The share capital was divided into 39,622 thousand ordinary registered shares with the par value of LTL 1 each.

All shares of the Company are fully paid. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital as at 31 December 2013 and 2012.

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 at 31 December 2013 and 2012 the Company was in compliance with this requirement.

21 ReservesLegal reserve

The Company's legal reserve is compulsory under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. The Group's legal reserve is formed from the legal reserve of the Company and of the subsidiary in Ukraine.

As at 31 December 2013 and 31 December 2012 legal reserve of the Group and the Company was not fully formed yet.

Other 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 that consisted of the following as at 31 December 2013:

Group's: LTL 4,979 thousand for investments and LTL 30 thousand for social needs, and the Company's – LTL 4,979 thousand and LTL 30 thousand respectively (as at 31 December 2012: Group's LTL 2,212 thousand and LTL 30 thousand; Company's: LTL 2,021 thousand and LTL 30 thousand, respectively).

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 translation reserve is transferred to retained result in the same period when the gain or loss on disposal is recognised.

AB SNAIGĒ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

22 Subsidies**Group and Company**

Balance as at 31 December 2010	10,704
Received during the period	-
Balance as at 31 December 2011	<u>10,704</u>
Received during the period	-
Balance as at 31 December 2012	<u>10,704</u>
Received during the period	-
Balance as at 31 December 2013	<u>10,704</u>
Accumulated amortisation as at 31 December 2011	9,770
Amortisation during the period	199
Accumulated amortisation as at 31 December 2012	<u>9,969</u>
Amortisation during the period	91
Accumulated amortisation as at 31 December 2013	<u>10,060</u>
Carrying amount as at 31 December 2013	<u>644</u>
Carrying amount as at 31 December 2012	<u>735</u>

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.

23 Warranty provision

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

Changes in warranty provisions were as follows:

	Group		Company	
	2013	2012	2013	2012
As at 1 January	2,306	2,058	2,301	2,055
Additions during the year	1,598	1,627	1,231	1,622
Utilised	(1,392)	(1,379)	(1,331)	(1,376)
Foreign currency exchange effect	-	-	-	-
As at 31 December	<u>2,512</u>	<u>2,306</u>	<u>2,201</u>	<u>2,301</u>
Including:				
Non-current	925	783	822	783
Current	<u>1,587</u>	<u>1,523</u>	<u>1,379</u>	<u>1,518</u>
Total	<u>2,512</u>	<u>2,306</u>	<u>2,201</u>	<u>2,301</u>

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

24 Non-current employee benefits

As at 31 December 2013 the expenses of the one-time payments for leaving employees at a retirement age amounted to LTL 13 thousand (LTL 57 thousand as at 31 December 2012). This amount is recorded in administrative expenses caption in the Group's and the Company's profit or loss and non-current employee benefit caption in the statement of financial position.

	<u>Group</u>	<u>Company</u>
31 December 2011	347	347
Used in 2012	(57)	(57)
Accumulated in 2012	65	65
31 December 2012	355	355
Used in 2013	(13)	(13)
Accumulated in 2013	97	97
31 December 2013	439	439

Actuarial gains and losses in 2013 and 2012 were insignificant; therefore, they were not separated and presented in other comprehensive income.

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

	<u>As at 31 December 2013</u>	<u>As at 31 December 2012</u>
Discount rate	4.45%	4.45%
Rate of employee turnover	16.69%	16.37%
Annual salary increase	3%	3%

The Group and the Company have no plan asset designated for settlement with employee benefit obligations.

25 Borrowings

	<u>Group</u>		<u>Company</u>	
	<u>As at 31 December 2013</u>	<u>As at 31 December 2012</u>	<u>As at 31 December 2013</u>	<u>As at 31 December 2012</u>
Non-current borrowings				
Non-current borrowings with fixed interest rate	-	9,667	-	9,667
Non-current borrowings with variable interest rate	22,558	11,769	22,558	11,769
Convertible bonds*	-	-	-	-
	<u>22,558</u>	<u>21,436</u>	<u>22,558</u>	<u>21,436</u>
Current borrowings				
Current borrowings with fixed interest rate	-	1,299	-	1,176
Current borrowings with variable interest rate	20,602	4,498	20,602	4,422
Convertible bonds*	-	7,300	-	7,300
	<u>20,602</u>	<u>13,097</u>	<u>20,602</u>	<u>12,898</u>
	<u>43,160</u>	<u>34,533</u>	<u>43,160</u>	<u>34,334</u>

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

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(all amounts are in LTL thousand unless otherwise stated)

25 Borrowings (cont'd)

Borrowings with variable interest rate bear 6-month EURIBOR + from 4.25 to 5% annual interest rate as at 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 at 31 December 2013 the Group's and the Company's buildings with the carrying amount of LTL 7,975 thousand (LTL 7,110 thousand as at 31 December 2012), the Group's and the Company's machinery and equipment with the carrying amount of LTL 8,273 thousand (LTL 7,574 and 7,328 thousand respectively as at 31 December 2012) were pledged to the banks for the loans and guarantee provided. As at 31 December 2013, after the refinancing of loans, the pledge of inventories for the loans granted was cancelled (as at 31 December 2012, the Group and the Company had pledged inventories for not less than LTL 10,500 thousand).

Also, as at 31 December 2013, the Group's and the Company's bank accounts up to LTL 691 thousand (2012: up to LTL 15,085 thousand) were pledged to the bank for the guarantee provided.

Based on the terms of the loan agreements, the Company has to comply with certain financial and non-financial covenants, such as: EBITDA to financial liabilities ratio, calculated on the basis of the consolidated results of Polair group, written permission from the Bank to perform purchase or disposal transactions when the assets acquired or disposed exceed 25% of all the Company's assets. The Company did not comply with the EBITDA to financial liabilities ratio calculated on the basis of the consolidated results of Polair group as at 31 December 2012. Also, the Company had not agreed in writing on the sale of assets which exceeded 25% of all the Company's assets. On 4 April 2014 the Company received a bank confirmation claiming that the bank had taken the decision not to impose any early repayment terms on the Company and not to require early loan repayment due to non-compliance with these covenants.

As at the date of these financial statements, the consolidated financial statements of Polair group for the year 2013 had not been prepared; therefore, the Company was not able to assess whether it complied with EBITDA to financial liabilities ratio based on the consolidated data as at 31 December 2013. Currently, the Company is in negotiation with the Bank on the new loan repayment schedule, on setting new financial covenants and on taking the additional loan.

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

	Group		Company	
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
Borrowings denominated in:				
EUR	43,160	3,797	43,160	3,797
LTL	-	30,613	-	30,537
RUB	-	123	-	-
	43,160	34,533	43,160	34,334

Repayment schedule for borrowings:

	Group		Company	
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2014	-	20,602	-	20,602
2015–2017	-	22,558	-	22,558
After 2018	-	-	-	-
	-	43,160	-	43,160

26 Operating lease

The Group and the Company have concluded several contracts of operating lease of land and premises. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2013 the lease expenses of the Group and the Company amounted to LTL 352 thousand and LTL 300 thousand respectively (in 2012 LTL 381 thousand and LTL 307 thousand respectively).

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26 Operating lease (cont'd)

Planned operating lease expenses of the Group and the Company in 2014 will be LTL 300 thousand.

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

Future lease payments of the Group and the Company according to the signed lease agreements are not defined as agreements might be cancelled upon the prior notice of 1 month.

The Company has concluded a heating power purchase agreement; based on the agreement, the Company is obliged, for the 10-year period, to purchase 6,000 Kwh of heating power each year. If the Company fails to purchase the agreed quantity of power or in case of agreement termination, the fine from LTL 2,000 thousand in the first year of the agreement to LTL 200 thousand in the tenth year of the agreement shall be imposed.

27 Other current liabilities

	Group		Company	
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
Salaries and related taxes	1,814	2,448	1,635	2,133
Vacation reserve	1,735	1,875	1,601	1,592
Other taxes payable	112	260	64	53
Accrued interest on convertible bonds (Note 25)	-	282	-	282
Other payables and accrued expenses	25	414	20	318
	<u>3,686</u>	<u>5,279</u>	<u>3,320</u>	<u>4,378</u>

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.

28 Basic and diluted profit (loss) per share

Calculation of basic and diluted earnings per share is presented below:

	Group		Company	
	2013	2012	2013	2012
Weighted average number of ordinary shares	39,622	39,622	39,622	39,622
Net profit (loss) for the year, attributable to the shareholders of Company	(8,811)	1,019	(22,872)	4,585
Basic profit (loss) per share, in LTL	<u>(0.22)</u>	<u>0.03</u>	<u>(0.58)</u>	<u>0.11</u>
Continuing operations				
Weighted average number of ordinary shares	39,622	39,622	39,622	39,622
Net profit for the year from continuing operations, attributable to the shareholders of Company	4,736	4,675	(22,872)	4,585
Basic profit (loss) per share, in LTL	<u>0.12</u>	<u>0.12</u>	<u>(0.58)</u>	<u>0.11</u>
Discontinued operations				
Weighted average number of ordinary shares	39,622	39,622	-	-
Net loss for the year from discontinued operations, attributable to the shareholders of Company	(13,547)	(3,656)	-	-
Basic profit (loss) per share, in LTL	<u>(0.34)</u>	<u>(0.09)</u>	-	-

AB SNAIGÉ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

29 Financial instrumentsOverview

The Group and the Company have exposure to the following risks: credit risk, liquidity risk and market risk. This note presents information about the Group's and the Company's exposure to each of these 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.

The Board has overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework. The Group's and Company's risk management policies are established to identify and analyze the risks faced by the Group and 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 Group's and the Company's activities. The Group and the Company aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

As at 31 December 2013 and 2012, the maximum exposure to credit risk is represented by the carrying amount of each financial asset, consequently, the Group's and the Company's management considers that its maximum exposure is reflected by the amount of loans receivable from related parties, trade and other receivables, net of impairment allowance and cash and cash equivalents recognised at the date of the statement of financial position. Credit risk or risk that a counterparty will not fulfil its obligations, is controlled by credit terms and monitoring procedures, using services of external credit insurance and debt recovery agencies.

As at 31 December, the credit risk was related to:

	Group		Company	
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
Loans receivable from related parties	24,548	7,044	24,548	7,044
Trade and other receivables	25,839	25,104	26,535	25,328
Cash and cash equivalents	2,388	1,616	1,444	696
	52,775	33,764	52,527	33,068

As at 31 December 2013 and 2012 the main part of the loans granted consists of the loan granted to related company OOO Polair. This company is the largest and a well known producer and seller of refrigerating equipment in Russia; its non-settlement risk is low.

The concentration of the Group's and the Company's trade partners is not large. The largest credit risk related to trade receivables according to clients as at the reporting date:

	Group				Company			
	2013	%	2012	%	2013	%	2012	%
Client 1	3,707	14	2,215	6	3,707	14	2,215	9
Client 2	2,120	8	-	-	2,120	8	-	-
Client 3	2,019	8	-	-	2,019	8	-	-
Client 4	1,783	7	-	-	1,783	7	-	-
Client 5	1,773	7	1,765	5	1,773	6	1,765	7
Client 6	-	-	1,159	3	-	-	1,159	4
Client 7	1,575	6	2,565	7	1,575	6	2,565	10
Other clients	13,146	50	28,998	79	13,683	51	17,744	70
Impairment	(284)		(11,598)		(125)		(120)	
Total	25,839	100	25,104	100	26,535	100	25,328	100

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

29 Financial instruments (cont'd)

Trade receivables according to geographic regions:

	Group		Company	
	2013	2012	2013	2012
Western Europe	7,049	7,462	7,049	7,462
Ukraine	9,130	10,470	9,130	10,470
Lithuania	1,782	1,114	2,478	2,235
Eastern Europe	3,158	1,220	3,158	1,220
Other CIS countries	2,559	1,061	2,559	1,061
Other Baltic states	215	25	215	25
Russia	1,946	3,752	1,946	2,855
	25,839	25,104	26,535	25,328

In 2013, 33% and 34% the Group's and the Company's sales were to Ukraine (in 2012, 51% and 49% sales respectively). The Group's and the Company's receivables from goods sold in Ukraine as at 31 December 2013 amounted to LTL 9,130 thousand.

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's and the Company's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's and the Company's results and financial position in a manner not currently determinable. These consolidated and the Company's financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group and the Company. As at 31 December 2013, no impairment allowance for receivables from goods sold in Ukraine was stated in the Group's and the Company's financial statements.

The Group's and the Company's management believes that the maximum risk equals to trade receivables, less recognised impairment losses at the reporting date. The Group and the Company do not provide guarantees for obligations of other parties, except for those disclosed in Note 30.

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

Trade receivables from the Group in the amount of LTL 11,041 thousand as at 31 December 2013 (LTL 7,244 thousand as at 31 December 2012) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch. Trade receivables from Ukraine, Moldova, Russia and other CIS countries were not insured.

AB SNAIGÉ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

29 Financial instruments (cont'd)

Analysis of the periods of trade receivables, less impairment losses, as at 31 December 2013 and 2012 is as follows:

Group

	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	15,052	5,710	1,558	873	1,413	1,233	25,839
2012	19,754	3,510	657	539	524	120	25,104

Company

	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	15,927	5,625	1,518	828	1,413	1,224	26,535
2012	20,384	3,403	636	313	521	71	25,328

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents by using cash flows statements with liquidity forecasting for future periods. The statement comprises predictable cash flows of monetary operations and effective planning of cash investment if it is necessary. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets - inventory) / total current liabilities) ratios as at 31 December 2013 were 1.03 and 0.65 respectively (1.17 and 0.82 as at 31 December 2012 respectively). The Company's liquidity and quick ratios as at 31 December 2013 were 1.02 and 0.65 respectively (1.2 and 0.89 as at 31 December 2012, respectively).

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

AB SNAIGÉ
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in LTL thousand unless otherwise stated)

29 Financial instruments (cont'd)

The table below summarises the maturity profile of the financial liabilities as at 31 December 2013 and 2012 based on contractual undiscounted payments.

Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing loans and borrowings	-	2,896	19,442	23,238	-	45,576	43,160
Trade and other payables	7,259	11,916	92	-	-	19,267	19,267
Guarantees and suretyship issued	-	-	32,234	41,073	-	73,307	-
Balance as at 31 December 2013	7,259	14,812	51,768	64,311	-	138,150	62,429
Interest bearing loans and borrowings	122	4,971	9,952	25,541	-	40,586	34,533
Trade and other payables	7,070	14,020	37	32	-	21,159	21,159
Balance as at 31 December 2012	7,192	18,991	9,989	25,573	-	61,745	55,692

Company

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing loans and borrowings	-	2,896	19,442	23,238	-	45,576	43,160
Trade and other payables	7,259	12,425	92	-	-	19,776	19,776
Guarantees issued	-	-	4,690	-	-	4,690	-
Balance as at 31 December 2013	7,259	15,321	24,224	23,238	-	70,042	62,936
Interest bearing loans and borrowings	122	4,971	9,753	25,541	-	40,387	34,334
Trade and other payables	6,180	13,354	37	32	-	19,603	19,603
Guarantees issued	-	1,400	-	-	-	1,400	-
Balance as at 31 December 2012	6,302	19,725	9,790	25,573	-	61,390	53,937

The interest payments on variable interest rate loans in the table above reflect average market interest rates at the period end, and these amounts may change as market interest rates change.

As disclosed in Note 25, as at 31 December 2013 the Group and the Company did not comply with certain covenants specified in the loan agreements with the bank; in 2014 the Group and the Company received a bank confirmation claiming that the bank had taken the decision not to impose any early repayment terms on the Company and not to require early loan repayment. Also, the Company was not able to assess certain financial ratio as at the date of these financial statements; therefore it was not confirmed with the bank. The Company's management expects to reach the agreement with the bank and does not expect that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. Guarantees and suretyship issued are disclosed in Note 31.

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

29 Financial instruments (cont'd)Interest rate risk

The Group's and the Company's borrowings are subject to variable interest rates related to EURIBOR (VILIBOR as at 31 December 2012).

As at 31 December 2013 and 2012 the Group and the Company did not use any financial instruments to hedge against interest rate risk.

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

	Increase/decrease in basis points	Group Effect on the profit before income tax	Company Effect on the profit before income tax
2013			
EUR	+ 100	(432)	(432)
EUR	- 200	863	863
2012			
LTL	+ 100	(162)	(162)
LTL	- 200	324	324

Foreign exchange risk

Foreign exchange risk decreased because most of income is earned in euro by the Group and the Company, litas is pegged to euro at the rate of 3.4528 litas for 1 euro. There were no derivative foreign currency transactions made in 2013 and 2012.

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2013 and 2012 were as follows:

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
EUR	48,604	51,720	30,899	12,475
LTL	3,395	9,409	1,214	40,826
USD	765	1,284	2	54
RUB	-	-	1,643	2,292
Other	11	16	6	45
Total	52,775	62,429	33,764	55,692

Monetary assets and liabilities of the Company denominated in various currencies as at 31 December 2013 and 2012 were as follows:

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
EUR	48,493	51,736	30,789	12,444
LTL	3,269	9,905	2,277	41,229
USD	765	1,284	2	54
RUB	-	-	-	172
Other	-	11	-	38
Total	52,527	62,936	33,068	53,937

AB SNAIGĖ

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in LTL thousand unless otherwise stated)

29 Financial instruments (cont'd)

Capital management

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

The Group and the Company manage their capital structure and make adjustments to it in the light of changes in the economic conditions. To maintain or adjust the capital structure, the Group and the Company 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 the Republic of Lithuania. As at 31 December 2013 and 2012 the Group and the Company complied with this requirement. As at 31 December 2013 and 2012 there are no material incompliance cases in the Group and the Company.

Fair value of financial instruments

The carrying amounts of the main Group's and the Company's financial assets and liabilities not stated at fair value, i.e. non-current and current receivable loans, trade and other receivables, trade and other payables, non-current and current borrowings, approximate their fair values.

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

- The carrying amount of current borrowings, trade and other receivables, current borrowings and current trade payables approximates their fair value;
- The fair value of non-current receivables and non-current payables is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

30 Commitments and contingencies

On 13 June 2012 the Company signed a peace agreement with the seller Comfit Glass, according to which the seller cancelled interest (LTL 385 thousand), legal interest and legal fees and reduced the total claim amount to LTL 1,806 thousand. In accordance with this agreement, the seller undertook to sell and the Company undertook to buy products with a 50% discount for LTL 150 thousand and to present non-delivered products. A schedule for the delivery of the products and settlement was signed. As at the date of the approval of the financial statements all products were received.

UAB Vaidana and AB Šiaulių Bankas have signed a financial guarantee agreement, in accordance to which UAB Vaidana collateralized 12,975 thousand held shares of AB Snaigė thus transferring the non-pecuniary right of the shareholders retaining the right to dividends.

By the suretyship 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 with repayment term in April 2014. The terms of the loan agreement with the bank and of the Company's suretyship were extended until 27 March 2015. The fair value of the suretyship as at 31 December 2013 and 2012 was immaterial.

The tax authorities may at any time perform investigation of the Company's accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties. Management of the Company is not aware of any circumstances which would cause calculation of additional significant tax liabilities.

Currently, the Company is in negotiation with the bank on the new loan repayment schedule, on setting new financial ratios and on taking the additional loan (Notes 25 and 32).

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

31 Related party transactions

According to IAS 24 *Related Party Disclosures*, the parties are considered related when one party can unilaterally or jointly control other party or have significant influence over the other party in making financial or operating decisions or operation matters, or when parties are jointly controlled and if the members of management, their relatives or close persons who can unilaterally or jointly control the Company or 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 during 2013 and 2012 were as follows:

UAB Vaidana (shareholder);
 Furuchi Enterprises Ltd. (intermediary company between the shareholder and the ultimate shareholder);
 Hymana Holdings Ltd. (intermediary company between the shareholder and the ultimate shareholder);
 Tetal Global Ltd. (ultimate shareholder);
 OAO Polair (company controlled by ultimate shareholders);
 ZAO Polair Nedvižimost (company controlled by ultimate shareholders);
 Area Polair (company controlled by ultimate shareholders);
 Polair Europe S.R.L (company controlled by ultimate shareholders);
 Polair Europe Limited (company controlled by ultimate shareholders);
 ZAO Rada (company controlled by ultimate shareholders);
 ZAO Zavod Sovitalprodmaš (company controlled by ultimate shareholders).

The Group has a policy to conduct related party transactions on commercial terms and conditions. Outstanding balances at the year-end are unsecured, interest-free, except the loan granted. As at 31 December 2013 and 2012 the Group has not formed any impairment allowances for doubtful debts, related to receivables from related parties. Doubtful receivables are tested each year by inspecting the financial position of the related party and assessing the market in which the related party operates.

Financial and investment transactions with the related parties:

	2013				2012			
	Loans received	Interest expenses	Loans granted	Interest income	Loans received	Interest expenses	Loans granted	Interest income
OAO Polair	-	-	16,347	786	-	-	7,044	127
UAB Vaidana	-	183	244	6	7,300	659	-	-
	-	183	16,591	792	7,300	659	7,044	127

2013

	Purchases	Sales	Receivables	Payables
OAO Polair (refrigerators)	1,656	963	-	-
Polair Europe Limited	268	-	-	-
Polair Europe S.R.L	16	-	-	-
	1,940	963	-	-

2012

	Purchases	Sales	Receivables	Payables
OAO Polair (refrigerators)	514	4,526	505	4
Polair Europe S.R.L	330	-	-	16
Polair Europe Limited	25	-	-	25
	869	4,526	505	45

The Company has entered into a suretyship agreement with OAO Petrokomerc Bank; based on the agreement, the Company assumes joint and several liability for the loans of OAO Polair amounting to LTL 69,307 thousand as at 31 December 2013. The suretyship matures: LTL 15,345 thousand on 21 October 2014, LTL 21,738 thousand on 21 October 2016 and LTL 32,224 thousand on 17 May 2018.

AB SNAIGÉ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

31 Related party transactions (cont'd)

The Company's transactions carried out with subsidiaries:

	Purchases		Sales	
	2013	2012	2013	2012
UAB Almecha	8,932	10,519	7,762	7,884
TOB Snaige Ukraina	100	113	-	-
OOO Techprominvest	-	664	-	-
OOO Liga-Servis	-	373	-	-
	<u>9,032</u>	<u>11,669</u>	<u>7,762</u>	<u>7,884</u>

The Company has a policy to conduct transactions with subsidiaries on contractual terms. The Company's transactions with subsidiaries represent 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 are interest-free and settlement occurs at bank accounts. There were no pledged significant amounts of assets to ensure the repayment of receivables from subsidiaries.

The carrying amount of loans and receivables from subsidiaries as at 31 December in the statement of financial position:

	2013	2012
Non-current receivables		
Trade receivables from OOO Techprominvest	-	458
Total non-current receivables	-	458
Current receivables		
Trade receivables from UAB Almecha	1,212	1,484
Total current receivables	1,212	1,484

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

	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	1	-	-	-	-	1,212
2012	1,865	4	-	24	-	49	1,942

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

	2013	2012
UAB Almecha	656	710
TOB Snaige Ukraina	17	17
OOO Liga-Servis	-	173
OOO Techprominvest	-	13
	<u>673</u>	<u>913</u>

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

31 Related party transactions (cont'd)

As at 31 December 2013 the Company had entered into a suretyship agreement, according to which it guaranteed the fulfilment of contractual liabilities to supplier for the subsidiary UAB Almecha. The value of the suretyship agreement is LTL 690 thousand, end of validity – 30 April 2014 (as at 31 December 2012, the value of suretyship agreements was LTL 1.4 million).

As at 31 December 2013, the Company, by all its present and future assets, guarantees for UAB Vaidana and its proper fulfilment of obligations to AB Šiaulių Bankas with regard to the loan of LTL 4 million granted to UAB Vaidana; the loan matures in April 2014. The terms of the loan agreement with the bank and of the Company's suretyship were extended until 27 March 2015.

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 (LTL 1,496 thousand and LTL 455 thousand respectively in 2012). The management of the Company and subsidiaries did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

32 Subsequent events

The Extraordinary General Meeting of Shareholders adopted a decision on 27 January 2014 that, after receiving a loan from ZAO UniCredit Bank the Company would provide a loan of up to EUR 12 million to the shareholder UAB Vaidana. The loan term is 5 years, interest – 1-month EURIBOR + 5.25% annual interest.

SNAIGĒ

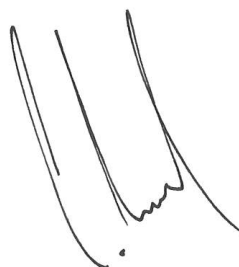


Consolidated annual report **2013**

Confirmation of Responsible persons

The members of the management bodies, employees, head of administration together with the Company's consultants who are responsible for the preparation of 2013 consolidated annual report and consolidated and the Company's financial statements confirm that, according to their knowledge, annual consolidated and the Company's financial statements prepared according to International Financial Reporting Standards, as adopted by the European Union, accurately represent the reality and correctly show the Company's and total consolidated group's assets, liabilities, financial position, profit or loss, and that business development and activities' overview, the Company's and consolidated groups' situation, together with the description of main risks and uncertainties faced are accurately presented in the consolidated annual report.

AB "Snaigė" Managing Director



Gediminas Čeika

AB "Snaigė" Finance Director



Neringa Menciuonienė

Report prepared: 16 April 2014

Place the report prepared: AB "Snaigė", Pramonės str.6, Alytus

Managing Director Review

Dear all,

According to audited consolidated data, AB "Snaigė" achieved a turnover of LTL 173million in 2013 from continuing operations (i.e. 22% more than over the same period of year 2012). Audited consolidated profit before tax from continuing operations of the Company in 2013 reached LTL 5 million. However, audited consolidated EBITDA from continuing core operations amounted to LTL 12.5 million. Net profit from continuing operations in 2013 amounted to LTL 4.7 million and to LTL 4.7 million in 2012. Net losses from discontinued operations in 2013 amounted to LTL 13.6 million and to LTL 3.7 million in 2012.

This negative net result was caused by losses related to sales of real estate belonging to the Company's subsidiary, "Techprominvest". These are losses unrelated to the core activities of the company. The Company's audited consolidated net profit from continuing operations was LTL 4.7million. We are satisfied that this loss was the last one associated with "Techprominvest". Having not operated the plant for several years meant unnecessary expenses for its maintenance and a worse consolidated result; now the Company will use its resources in a more effective way.

A substantial 22% turnover growth was achieved due to the successful exports of AB "Snaigė" production. The most remarkable growth was achieved in Poland (+11 times), France (+104%), Baltic countries (+99%), Bulgaria (+29%), Central Asia (+87%) vs. the same period of year 2012. The main markets for the Company remained the same: Ukraine, Central Asia, France and Germany. These countries reflect the structure of the entire sales portfolio of AB "Snaigė", i.e., balancing between risky and profitable East, and less profitable but stable West. Such sales portfolio diversification allows the Company to compensate sales if some difficulties occur in certain markets.

In Lithuania this year was particularly good for the Company. Successful marketing and sales strategy improved the Company's turnover by 78%. Refrigerators produced by "Snaigė" are among the best selling refrigerators in the country.

One of the most important reasons for growth of sales is constant and diligent improvement of technologies and creation of new products. In 2013 AB "Snaigė" was recognized as the Innovative Enterprise of Lithuania and awarded the Prize for Innovation. This award is given to companies which have introduced new products, significantly improved the existing ones, or significantly improved their technological processes within the span of 3 years. AB "Snaigė" has met all of the criteria: in the last three years the Company created and brought to the market 8 completely new products and 14 modifications of existing products.

In 2013 alone the Company introduced consumers to a refrigerator and freezer combination with glass surface doors, RF34NF refrigerator with frost free cooling system, highly energy efficient refrigerator of the A+++ class as well as new 163 cm high freezer.

AB "Snaigė" faces a difficult year in 2014. Because of the events in Ukraine sales in this country, one of the most important markets for the Company, are expected to decline. We are not dramatizing the situation for now and hope to be able to balance our sales portfolio by increasing product sales in other countries.

Managing Director of AB "Snaigė",

Gediminas Čeika

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1 GENERAL INFORMATION ABOUT AB “SNAIGĖ”

1.1 Accounting period of the annual report-prospectus

The annual report-prospectus has been prepared for the year 2013.

1.2 The basic data about the Company

The name of the Company – AB “SNAIGĖ”(hereinafter referred to as the Company)

Authorised capital as of 31 December 2013– LTL 39,622,395

Address – Pramonės str. 6, LT-62175 Alytus

Phone – (315) 56 206

Fax – (315) 56 207; (315) 56 269

E-mail – snaige@snaige.lt

Internet web-page – <http://www.snaige.lt>

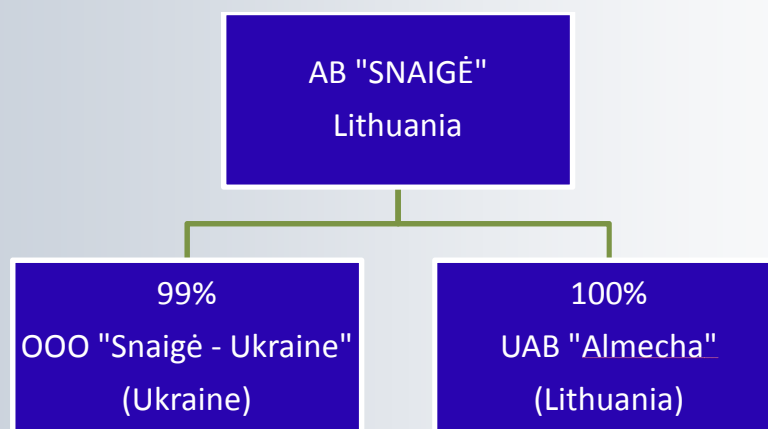
Legal organisation status – legal entity, public limited company

Registered as a Public Enterprise of the Republic of Lithuania on 1 December 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Articles of Association of AB “Snaigė” were registered on 24 May 2012 in Alytus Department of the Register of Legal Entities of the Republic of Lithuania.

1.3 The type of the Company’s main business activities

The main business activity of the Company is manufacture of refrigerators and freezers and other activities permitted by Lithuanian laws, as indicated in the Articles of Association.

1.4 The Company’s company group structure



1.4.1. The Company’s subsidiaries

The Company’s group consists of the refrigerator manufacturer “Snaigė” based in Alytus and the following subsidiaries:

- UAB “Almecha” activities: manufacturing of miscellaneous machinery and equipment. The enterprise was registered in November 2006. Address: Pramonės str.6 Alytus, Lithuania.
- OOO “Snaigė - Ukraine” activities: sales of refrigeration appliances, sales, consulting and services. The enterprise was registered in November 2002. Address: Grushevski str.28-2a/43 Kiev, Ukraine.
- OOO “Techprominvest” was sold on 20 November 2013 by the decision of AB “Snaigė” board. OOO “Techprominvest” activities were: consumer goods and consuming devices manufacturing and realization, machinery maintenance and repair, consulting services, transportation services and other. The plant in Kaliningrad was registered in November 2002. Address: Bolshaja Okruzhnaja str.1-a, Kaliningrad, Russia. Since March 2009, the Company has stopped the production in the plant, since August 2009, the Company’s Board decided to close the plant.
- The subsidiary OOO “Moroz Trade” was signed out from the register of legal entities of Russia. The main activities of OOO “Moroz Trade” were trade and marketing services. The enterprise was registered in May 2004. Address: Prospect Mira str. 52 Moscow, Russia. In 2010–2011 the subsidiary company did not carry out any activity.

- OOO “Liga-Servis” was sold on 17 June 2013 by the decision of AB “Snaigė” board. OOO “Liga-servis” main activities were: sales of refrigeration appliances, consulting services, transportation services and other. The enterprise was established in August 2005. Address: Prospect Mira str.52 Moscow, Russia.

1.5. Information about the Company’s offices and affiliates

The Company has no offices and affiliates.

1.6 Short history of the Company’s activities

- 1963 –The Company produced the first domestic refrigerators in Lithuania. During the first year the first 25 refrigerators were made;
- 1968 – New plant started its operations;
- 1975 – Over 1 million refrigerators manufactured by this year;
- 1983 – The Company started export to foreign countries;
- 1990 – The Company came under the control of the Republic of Lithuania;
- 1992 – The Company was privatised and registered as a public limited liability company;
- 1995 – The Company was retooled. Use of Freon in the manufacture of refrigerators is discontinued. All the Company's products are manufactured only from ecologically clean materials;
- 1997 – The Company achieved ISO 9001 certification for implementing international quality management standards;
- 2000 –The Company's quality management system was successfully re-certified for ISO 9001;
- 2001 – The Company achieved ISO 14001 certification for implementing an environmental management system;
- 2002 – The Company started to produce refrigerators with R600a environmentally friendly refrigerant. Started A + energy efficiency refrigerator production. “Snaigė” became EU project “Energy +” participant;
- 2003 – A + Grade energy efficiency fridge “Snaigė RF310 LCI” won the contest “Product of the Year” Gold Medal;
- 2004 – The Company opened its new plant in Kaliningrad;
- 2006 – The Company acquired 100% of the capital of the Russian wholesale and retail company “Liga-Servis”;
- “Snaigė” has made its 10 millionth refrigerator;
- The Company exported its products to more than 40 countries around the world;
- 2007 – AB “Snaigė” Alytus plant started serial production of new line models “Snaigė ICE LOGIC”;
- 2007 – Snaigė recognised as the most innovative Lithuanian Company;
- This new line won a national competition “Innovation Prize 2007” award. Refrigerators were assessed in "innovative product" category;
- The Company's environmental management system ISO 14001 successfully re-certificated;
- Refrigerator “Snaigė ICE LOGIC RF34SH” awarded “Product of the Year” gold medal;
- During the year AB “Snaigė” sold a record number – 653 thousand refrigerators;
- 2008 – “Snaigė ICE LOGIC RF31SM” was assessed as the "Product of the Year" and awarded a Gold medal;
- “Snaigė” was recognized as an innovative Lithuanian company and won an “Innovation Prize 2008” award;
- 2009 – The loss of production caused by devaluation of the ruble conditioned to close the Company's factory in Kaliningrad.
- 2010 – The Company started serial production of A ++ highest energy efficiency refrigerators.
- The Company and Kazakhstan national business corporation SPK “Saryarka” has established a joint venture “Snaigė-Saryarka”.
- “Snaigė ICE LOGIC RF34” A++ was assessed as the "Product of the Year 2010" and awarded a Gold medal;
- 2011 –“Snaigė ICE LOGIC Glassy RF34SM” was awarded with a Gold medal as “Lithuanian Product of the Year”.
- 2011 – Russian company “Polair”, indirectly acting through UAB “Vaidana” acquired 59.86% of all the shares of the Company.

- 2012 – In 2012 through the implementation period of the tender offer, UAB “Vaidana” bought-up 12,379,525 ordinary registered shares of AB “Snaigė” with the nominal value of LTL 1 each and on 1 June 2012 had 36,096,193 units (91.1%) of the Company’s shares.
- For export achievements, AB “Snaigė” received the Lithuanian Exporter of 2012 Award and got the prize of Association of Lithuanian Chambers of Commerce, Industry and Crafts.
- 2013 – “Snaigė” won within the category “The Innovative Company” and was awarded with the “Innovation Prize 2013”.
- 2013 – Snaigė ICE LOGIC Glassy “Side by side” refrigerator C 29SM – freezer F 22SM A++ is awarded by a gold medal in annual competition “Lithuanian product of the Year”.

1.7 Mission. Vision. Values.

Mission

Our Mission is to develop financially disciplined business that provides consumers with good value and quality products and our shareholders with top-tier returns on their investments.

Vision

To become the most reliable home appliances brand for consumers in Eastern Europe and the preferred choice for OEM supplier in Western Europe.

Values

Open minded Trustworthy Teamwork Flexibility

1.8 List of the most important events in 2013

A constructional platform of RF34NM “No Frost” refrigerators-freezers was prepared for further development of refrigeration appliances with frost free cooling system.

The first Lithuanian refrigerator RF34NM with “No Frost” cooling system was prepared and introduced to the market.

The manufacture of new 163 cm high freezer F27 was started; its large capacity of 248 litres was achieved without thickening of isolating layer and without widening the product, but by developing the efficient construction of cooling system instead.

The refrigerator RF34 of the highest A+++ energy efficiency class was prepared for production.

The system combining two products was developed and a new product – a refrigerator C29 and freezer F22 combination with glass surface doors – was introduced to the market.

The portfolio of commercial refrigerators was enhanced: vertical refrigerators-showcases CD350 and CD290 with an axial fan and plastic door frame were prepared and put in production.

AB “Snaigė” won in the category of “Innovative Company” and was awarded an “Innovation Prize 2013”.

The combination of “Snaigė” Glassy design line refrigerator C 29 – freezer F 22A++ was awarded by a gold medal in annual competition “Lithuanian product of the Year”.

AB “Snaigė” participated in the project organized by “Verslo žinios” for small and medium sized businesses “Gazelė 2013” and was recognized as one of the most successful and fastest growing Lithuanian companies.

The biofuel plant was launched; from now on, “Snaigė” factory buildings use biomass heating.

The Managing Director of AB “Snaigė” Gediminas Čeika took the third place in the competition of “Director of the Year” as organized by the “Veidas” magazine each year.

The Company started the production of refrigerators to the well known Polish producer of home appliances “Amica”.

2. AB “SNAIGĖ” GOVERNANCE AND MANAGEMENT

2.1 The Company’s Management bodies

2.1.1 Management bodies

Management bodies:

- General shareholders meeting;
- The management board is formed of six members and elected for the period of 4 years;
- Head of the Company – Managing Director.

The calling of general shareholder meeting, the competence of the meeting has no differences from the procedures and competences indicated in the Law on Companies of Republic of Lithuania.

The management board is elected and resigned by general shareholders meeting according to the procedures indicated by the Law on Companies. The management board has a right to take decision to issue bonds. The competence of the management board has no other differences from the competences indicated in the Law on Companies. The work procedures of the management board are set by the board’s work rules of procedure.

The competence of the head of the Company, his nomination and resignation procedures are not different from those indicated in the Law on Companies.

The Company has the audit committee which is the operating collegial administrative body and which was elected by shareholders in 2009. The audit committee is operating by audit committee’s labour regulation. On 14 December 2011 the Extraordinary General Meeting of Shareholders of the Company revoked the audit committee of the Company in corpora. The new audit committee was elected during the ordinary shareholders general meeting held on 30 April 2012.

2.1.2 Legal basis of the Company’s operations

AB “Snaigė” uses the Company’s articles of association, Law on Companies of the Republic of Lithuania, other legal acts issued by the Republic of Lithuania and European Union as legal guidelines for operations.

2.2 Corporate governance bodies

2.2.1 Information about the members of management bodies with regard to the share of the Company’s authorized capital

NAME	Position	Available number of shares, units	Share capital, per cent	Votes, per cent
BOARD				
Aleksey Kovalchuk	AB “Snaigė” chairman of the board	-	-	-
Andrei Dribny	AB “Snaigė” member of the board till 30/04/2013	-	-	-
Mikhail Stukalo	AB “Snaigė” member of the board	-	-	-
Robin Peter Walker	AB “Snaigė” member of the board	-	-	-
Svetlana Ardentova	AB “Snaigė” member of the board from 30/04/2013	-	-	-
Vladislav Sviblov	AB “Snaigė” member of the board from 30/04/2013	-	-	-
Dmitry Komissarchik	AB “Snaigė” member of the board till 02/10/2013	-	-	-
ADMINISTRATION (Managing Director and Chief Financial Officer)				
Gediminas Čeika	AB “Snaigė” managing director	-	-	-
Neringa Menčiūnienė	AB “Snaigė” finance director	-	-	-

On 30 April 2013 the Ordinary General Meeting of Shareholders revoked the member of the Board Andrey Dribny and elected Vladislav Sviblov and Svetlana Ardentova as members of the Board till the end of the term of office of the Board. Dmitry Komissarchik resigned from the position of the Board member as from 2 October 2013.

2.2.2 Information on the management bodies involvement in other companies, institutions and organizations

Participating in other companies activities and interests (31 December 2013):

Name	Name of organisation, position	Share of the capital and votes available in other companies, in percentage
Aleksey Kovalchuk	Does not participate in other Lithuanian companies activities and interests	-
Mikhail Stukalo	Does not participate in other Lithuanian companies activities and interests	-
Robin Peter Walker	Does not participate in other Lithuanian companies activities and interests	-
Svetlana Ardentova	Does not participate in other Lithuanian companies activities and interests	-
Vladislav Sviblov	Does not participate in other Lithuanian companies activities and interests	-
Gediminas Čeika	Does not participate in other Lithuanian companies activities and interests	-
Neringa Menčiūnienė	UAB “Almecha”, Chairman of the board	-

2.2.3 Chairman of the board, head of administration and chief financial officer

Name	Education, qualification	Workplaces and positions during the recent 10 years
Aleksey Kovalchuk	Finance Academy of the Government of the Russian Federation, Moscow	Federal Agency for Construction, Housing and Utilities. OAO “Polair”, General Director, since 2009.
Gediminas Čeika	Vilnius University, economy informatics and automated management systems, engineer-economist qualification	From January 2008 – AB “Snaigė” Managing Director. 2005 12 – 2008 01 – AB “Snaigė” Sales Director. 2001 05 – 2005 12 – “Kraft Foods Lietuva” VIP business clients relationships director for the Baltic states. 2000 11 – 2001 05 – Internship at “Kraft Foods” company in the Czech Republic. 1997 – 2000 11 – “Kraft Foods Lietuva” Sales Director for Latvia and Estonia. 1994 – 1997 – “Kraft Foods Lietuva” Sales Manager for Vilnius region.
Neringa Menčiūnienė	Vilnius University, analysis of economic activities and accounting, accountant-economist qualification	From 2008 06 02 AB “Snaigė” Finance Director. From 2008 05 till 2010 03 02– AB “Vilniaus Vingis” liquidator. 2006 05 – 2008 05 – AB “Vilniaus Vingis” Managing Director. 2005 08 – 2006 04 – airline AB “Lietuvos avialinijos” Finance and Purchase director. 2003 03 – 2005 08 – AB “Vilniaus Vingis” Chief Accountant. 2001 01 – 2003 03 – AB “Vilniaus Vingis” Chief Accountant Assistant.

2.2.4 Information about start date and end date of the office term of each member of the management body

NAME	Start date of the office term	End date of the office term
BOARD		
Aleksey Kovalchuk	14/12/2011	Till 2015 the General Meeting of Shareholders
Robin Peter Walker	14/12/2011	Till 2015 the General Meeting of Shareholders
Andrej Dribny	14/12/2011	Till 30/04/2013
Mikhail Stukalo	14/12/2011	Till 2015 the General Meeting of Shareholders
Svetlana Ardentova	30/04/2013	Till 2015 the General Meeting of Shareholders
Vladislav Sviblov	30/04/2013	Till 2015 the General Meeting of Shareholders
Dmitry Kommissarchik	16/08/2012	Till 02/10/2013
ADMINISTRATION (Managing Director and Chief Accountant)		
Gediminas Čeika	03/01/2008	Term less agreement
Neringa Menčiūnienė	02/06/2008	Term less agreement

On 30 April 2013 the Company informed the NASDAQ OMX Vilnius Stock Exchange information system that on 30 April 2013 during the Ordinary General Meeting of shareholders, the following decisions were taken:

1. To revoke Andrej Dribny from the Board member of the Company.
2. Elect Vladislavas Sviblov and Svetlana Ardentova as members of the Board for remaining term of this Board office.

Dmitry Kommissarchik resigned from the position of the Board member as from 2 October 2013.

2.2.5 Information regarding valid conviction of the members of the management bodies for the offences against property, farming procedure and finance

There is no such information.

2.2.6 Information about benefits and loans granted to governing bodies

No benefits and loans granted to governing bodies in 2013.

2.2.7 Information about the total amounts and average amounts of the salaries, tantiemes and other profit benefits paid by the Company during the reporting period per person

During 2013 no salaries were paid to the board members.

2.2.8 Information about the salaries, tantiemes and other profit benefits paid to the members of the Company's Supervisory Board and the Board sourced from the enterprises where the share of the authorized capital owned by the Company amounts to more than 20 percent

No such payments were made during the accounting period.

2.2.9 Information about loans, warranties and securities of the performance of liabilities granted to the members of the management bodies during the accounting period

No loans, guarantees or securities were issued for the members of managements bodies during the accounting period.

2.2.10 Important agreements, the party of which is the Company and which would take effect, change, or would stop being valid in case the control of the Company changes, also the effect of such agreements, except from the cases when the disclosure of such agreements would result in large damage to the Company

As far as it is known to the Company, there are no such agreements.

2.2.11 The Company's and its management bodies members or employees agreements, describing compensation in case the members or employees resign, or are fired without grounded reason, or if their employment ends because of change of control of the Company

As far as it is known to the Company, there are no such agreements.

2.3 The Company's group's management structure

- Gediminas Čeika** – managing director
Neringa Menčiūnienė – finance director
Rūta Petrauskaitė –marketing director
Kęstutis Urbonavičius –technical and production director
Rolandas Lukšta – sales director

2.4 Procedures of changing the Company's articles of association

The articles of association of the Company can be modified by the decision of general shareholders meeting, with the qualified majority of 2/3, except from the cases described in the Law on Companies.

After the general meeting of the shareholders takes a decision to modify the articles of association, the list of all the modified text in the articles is made and signed by the attorney of the general meeting.

Modified articles and documents confirming the decisions to modify the articles have to be submitted to the register of the enterprises during the period specified by the law.

In other cases, not described by the Company's articles of association the Company follows the Civil Code of the Republic of Lithuania, Law on Companies and other legal acts of the Republic of Lithuania.

3 AB "SNAIGĖ" AUTHORISED CAPITAL, SHAREHOLDERS, INFORMATION ABOUT SECURITIES

3.1 Issuer's authorized capital

3.1.1 The authorized capital registered in the enterprise register

Name of the securities	Amount of the securities	Nominal value, LTL	Total nominal value, LTL	Share of the authorized capital, in percentage
Ordinary registered shares, ISIN LT0000109274	39,622,395	1	39,622,395	100

3.1.2 Changes in authorized capital during the last 3 years

Registration of changed authorized capital	The size of the authorized capital before the change	Change	Reason for change	The size of the authorized capital after the change
12/05/2011	30,735,715	+8,886,680	Increase of authorized capital by converting shareholders' convertible bonds to 8,886,680 units ordinary registered shares.	39,622,395

3.1.3 Information with regard to prospective increase of the authorized capital by converting or trading the issued loans or secondary securities for the shares

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

3.2 Shareholders

3.2.1 Largest shareholders

95.34 per cent of the authorized capital of the Company is owned by the companies registered in Lithuania and individuals, 4.46 per cent non-residents. As of 31 December 2013, the number of the Company's shareholders comprised 939 (as of 31 December 2012 – 940). The major shareholder of the Company – UAB “Vaidana”, which controls 91.10 per cent of shares.

The major shareholders who own or control more than 5 percent of the issuer’s authorized capital are listed below:

Names (company names, addresses, enterprise register codes) of the shareholders	Amount of the ordinary registered shares available, in pcs.		Share of the authorized capital and votes available, in percentage				
	Total	incl. the ones owned by the shareholder	Total		incl. the ordinary registered shares owned by the shareholder		Total incl. the share of the entities group operating jointly, in percentage
			share of the votes	share of the capital	share of the appointed votes	share of the capital	
UAB “Vaidana” – Konstitucijos ave.7, Vilnius, Lithuania, code 302473720	36,096,193	36,096,193	91.10	91.10	91.10	91.10	-

3.2.2 Shareholders with special control rights

There are no shareholders with special control rights.

3.2.3 Restrictions of shareholders voting rights

All the shareholders have equal voting rights. The Company has no information about the restrictions on shareholders voting rights.

3.2.4 Shareholders agreements, about which the Issuer is informed and due to which the transfer of securities or voting rights can be restricted

The issuer has no information about any shareholder agreements of such type.

3.3 Information about trading of issuer’s securities in the regulated markets

3.3.1 Securities included in the trading lists of regulated markets

39,622,395 ordinary registered shares of AB “Snaigė” are included into the Secondary trading list of the NASDAQ OMX Vilnius Stock Exchange. The total nominal value of the shares is LTL 39,622,395. The VP CD (Securities Central Depository) number is 10927. The nominal value of a share was LTL 1 (one).

3.3.2 Trade of the issuer’s securities in stock exchanges and other organized markets

Trade of the Company’s ordinary registered shares in the securities stock exchange was started on 11 August 1995.

The ordinary registered shares of AB “Snaigė” have been listed in the Official trading list of NASDAQ OMX Vilnius Stock Exchange since 9 April 1998.

Since 8 May 2009 the Company on its own initiative requested NASDAQ OMX to switch its shares from NASDAQ OMX Vilnius Official listing and add them to the NASDAQ OMX Vilnius Secondary listing.

3.3.2.1 Trade on NASDAQ OMX Vilnius stock exchange

Trade in the Company's shares during 2009–2013

Year	Last session price, EUR	Price, max, EUR	Price, min, EUR	Shares, pcs.	Turnover, mln. EUR
2009	0.165	0.339	0.049	36,255,524	6.38
2010	0.268	0.324	0.156	38,297,848	9.48
2011	0.525	0.530	0.256	16,137,891	6.13
2012	0.497	0.600	0.401	4,717,209	2.48
2013	0.460	0.520	0.407	258,117	0.12

Below you can find the graphs of the Company's shares turnover and prices during last 5 years. The data from AB NASDAQ OMX Vilnius webpage:

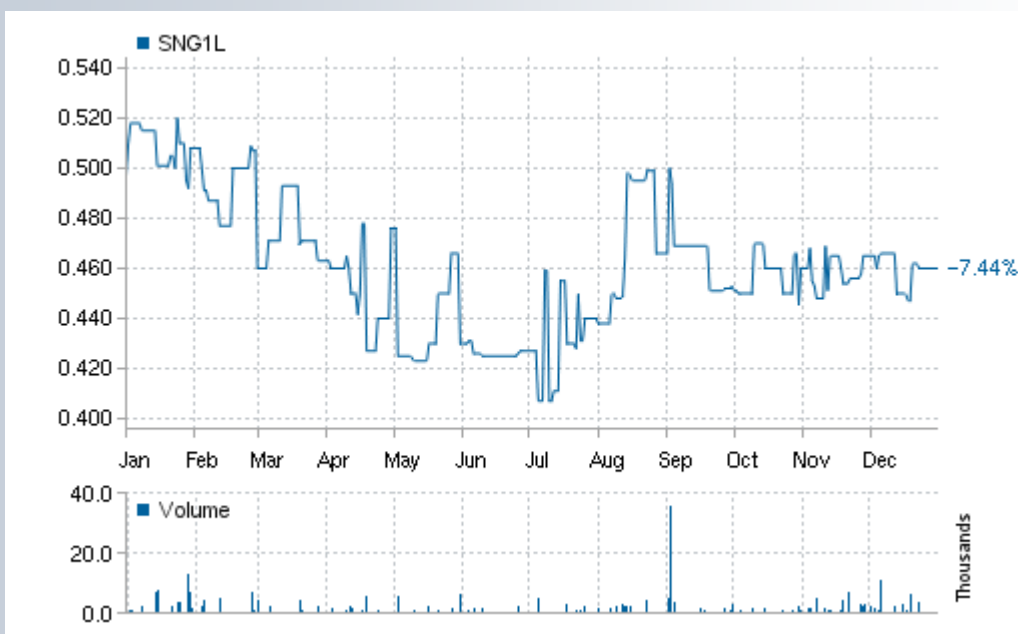
http://www.nasdaqomxbaltic.com/market/?instrument=LT0000109274&list=3&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2008&end_d=31&end_m=12&end_y=2013



The price of share is in EUR because the trade of shares is in EUR from 22 November 2010.

The price of share during the reporting year (information from AB NASDAQ OMX Vilnius webpage):

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000109274&list=3&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2013&end_d=31&end_m=12&end_y=2013



The share prices graphs of OMX Baltic Benchmark, OMX Vilnius indexes and AB “Snaigė” for the period from 31December 2012 till 31 December 2013 are presented below. The information is from AB NASDAQ OMX Vilnius webpage:

http://www.nasdaqomxbaltic.com/market/?pg=charts&idx_main%5B%5D=OMXBBGI&idx_main%5B%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000128266&idx_equity%5B%5D=LT0000109274&period=other&start_d=31&start_m=12&start_y=2012&end_d=31&end_m=12&end_y=2013&lang=en

Market indexes



The data of graph:

Index/Equity	31/12/2012	31/12/2013	+/-%
OMX Baltic Benchmark GI	546.98	613.50	+12.16
OMX Vilnius	355.08	421.60	+18.73
SNG1L	0.50 EUR	0.46 EUR	-7.44

3.3.2.2 Trade on other regulated markets

The securities are not traded on other regulated markets.

3.3.3 Capitalization of securities

The capitalization of AB "Snaigė" shares and shares listed in AB NASDAQ OMX Vilnius on the last trade dates during the period 2009–2013.

Equity list	30/12/2013	28/12/2012	30/12/2011	30/12/2010	30/12/2009
Capitalization, million	18.226 EUR	19.692 EUR	20.802 EUR	8.237 EUR	15.862 EUR

3.3.4 Trade of securities outside the stock exchange

Since the ordinary registered shares are included into the Secondary trading list of NASDAQ OMX Vilnius Stock Exchange, the purchase-sale transactions of the shares can be executed only in NASDAQ OMX Vilnius Securities Stock Exchange. The transactions performed outside the stock exchange comprise exchange, endowment, inheritance and settlement of debts and repurchase (repo) transactions.

The transactions with regard to the ordinary registered shares of AB "Snaigė" executed outside stock exchange:

Period	Price, max	Price, min	Monetary settlement, amount of shares (pcs.)	Amount of transactions	Non-monetary settlement, amount of shares (pcs.)	Amount of transactions
2013 I quarter	-	-	-	-	8,839,971	4
2013 II quarter	-	-	-	-	-	-
2013 III quarter	-	-	-	-	-	-
2013 IV quarter	-	-	-	-	-	-

In the system of the Central Securities Depository of Lithuania there is no information on the convertible bonds issued by the Company and traded outside stock exchange in 2013.

3.4 Information about the repurchase of own shares

During 2013 no repurchase of own shares was made. The Company had no own shares at the end of 2013.

3.5 Dividends

The Company does not have an established procedure for allocation of dividends. The General Shareholders' Meeting decides whether to pay dividends. The Company has not paid dividends in the last five years.

3.6 Contracts with public circulation of securities dealers

On 20 May 2013 AB "Snaigė" entered into a contract with UAB FMJ "Orion securities" (A. Tumėno str. 4, Vilnius) on the accounting of the financial instruments issued by the Company and management of private securities accounts.

3.7 Restrictions on transfer of securities

There are no restrictions on the transfer of securities issued.

4 AB “SNAIGÉ” OPERATING REVIEW

4.1 General rates, describing the Company's business performance, their behavior

In 2013 the Group sold its subsidiaries OOO Techprominvest, OOO Liga Servis and liquidated OOO Moroz Trade. The results of these companies were presented as discontinued operations in 2013. The consolidated data of 2012 was restated. The main operating indicators for the year 2013 and 2012 are presented considering the continuing operations (the results of discontinued operations are presented separately for comparison). Financial indicators for 2011–2009 are presented jointly.

(consolidated data):

	2013	2012 restated	2011	2010	2009
Turnover (continuing operations), LTL thousand	172,651	141,759	111,133	113,839	123,036
Gross profit (continuing operations), LTL thousand	28,483	24,030	16,397	17,427	12,622
Net profit from continuing operations, LTL thousand	4,736	4,675	-	-	-
Net (loss) from discontinued operations, LTL thousand	(13,547)	(3,656)	-	-	-
Net profit (loss), LTL thousand	(8,811)	1,019	(5,042)	(2,613)	(38,182)
Average share price, LTL thousand	1.627	1.817	1.288	0.86	0.61

Financial figures	2013	2012	2011	2010
Profit before tax indicator, % (current year profitability of continuing operations)	2.92%	3.30%	-5.46%	-2.70%
General mark-up (continuing operations), %	16.50%	16.95%	14.75%	15.31%
EBITDA mark-up (continuing operations), %	7.23%	10.05%	5.61%	8.06%
Solvency ratio, % (general short-term solvency)	103.07%	117.13%	81.91%	63.90%
Debt to assets ratio, % (general debt ratio)	68.14%	64.01%	59.99%	67.57%
Return on average shareholders' equity (continuing operations), %	14.42%	12.32%	-14.11%	-8.55%

Shares indicators	2013	2012	2011	2010
Net profit per share (continuing operations), LTL	0.12	0.12	-	-
Net loss per share (discontinued operations), LTL	-0.34	-0.09	-	-
Net profit per share (total), LTL	-0.22	0.03	-0.14	0.09
Average annual share market price, LTL	1.627	1.817	1.288	0.79
EBITDA per share (continuing operations), LTL	0.32	0.36	0.16	0.3
EBITDA multiplier (EBITDA per share / Average annual share market price)	0.19	0.20	0.12	0.38
Total dividends, LTL thousand	-	-	-	-
Dividends per share, LTL	-	-	-	-
Average net book share value (continuing operations), LTL	0.83	0.96	0.9	0.99

4.2 Production

4.2.1 The Company's product portfolio

The Company produces various models of high-quality household refrigerators and freezers. Also, the Company produces fridges for businesses, hotels and restaurants, spare parts for refrigerators, tools and equipment. The Company produces various high quality models of household refrigerators, refrigerator-showcases, wine refrigerators, freezers and their spare parts.

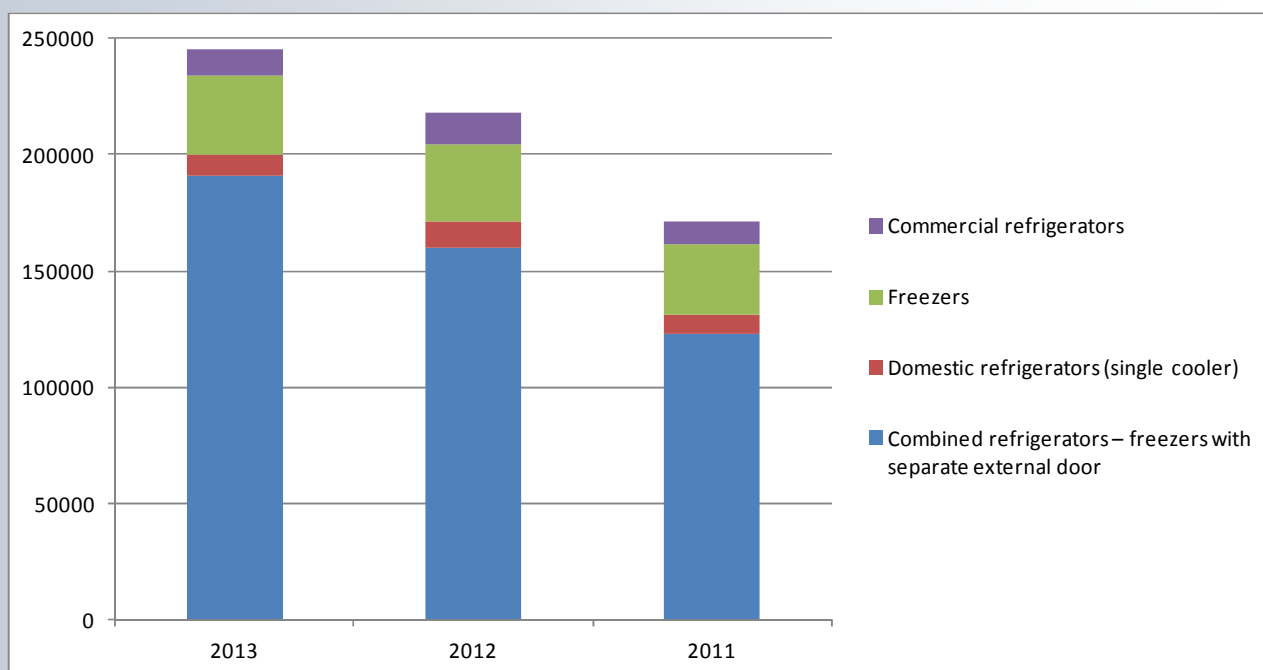
The Company's main products – refrigerators. They are classified into four main categories:

- Combined refrigerators with separate external doors;
- Single cooler refrigerators;
- Freezers;
- Commercial refrigerators.

In 2013, the Company mainly produced the combined refrigerators with separate external doors.

The consolidated sales figures for the last three years are as follows:

Type of activities	2013		2012		2011	
	units	perc.	units	perc.	units	perc.
Company's produced refrigerators sold, units	245,495	100	218,419	100	171,433	100
including:						
Combined refrigerators with separate external door	190,975	77.8	159,916	73.2	123,082	71.8
Domestic refrigerators (single cooler)	8,967	3.7	11,509	5.3	8,046	4.7
Freezers	33,983	13.8	32,879	15.1	30,322	17.7
Commercial refrigerators	11,570	4.7	14,115	6.5	9,983	5.8



4.2.2 Termination or reduction of production volume with the critical effect on the Company's performance during the recent 3 economical years

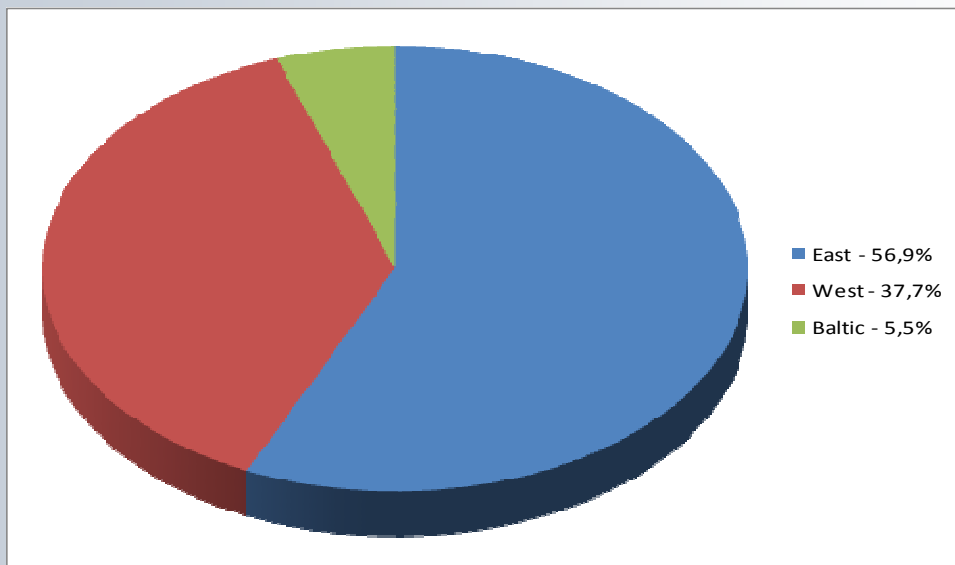
Kaliningrad factory stopped working on 02/03/2009.

4.3 Sales

The company divides its sales markets into the following main groups by importance of sales markets and geographic distribution: **Baltic market** (Lithuania, Latvia and Estonia), **Eastern market** (Russia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, other CIS countries), **Western market** (Germany, France, Belgium, the Netherlands, Poland, Portugal, Czech Republic, other countries of Western and Central Europe).

In 2013 AB "Snaigė" sold over 245.4 thousand refrigerators of its own production. Revenues from main production sales reached LTL 155 million, which is 10.0 per cent more as compared to the previous year sales. Sales on the Eastern market accounted for the majority of sales revenue (56.9 per cent). Lower figures (37.7 per cent) were on the Western market. Lowest sales revenue (5.5 per cent) was on the Baltic market. Exports accounted for 96.2 per cent of total product sales, i.e. LTL 149.1 million.

Company's sales in 2013 (according to sales revenue):

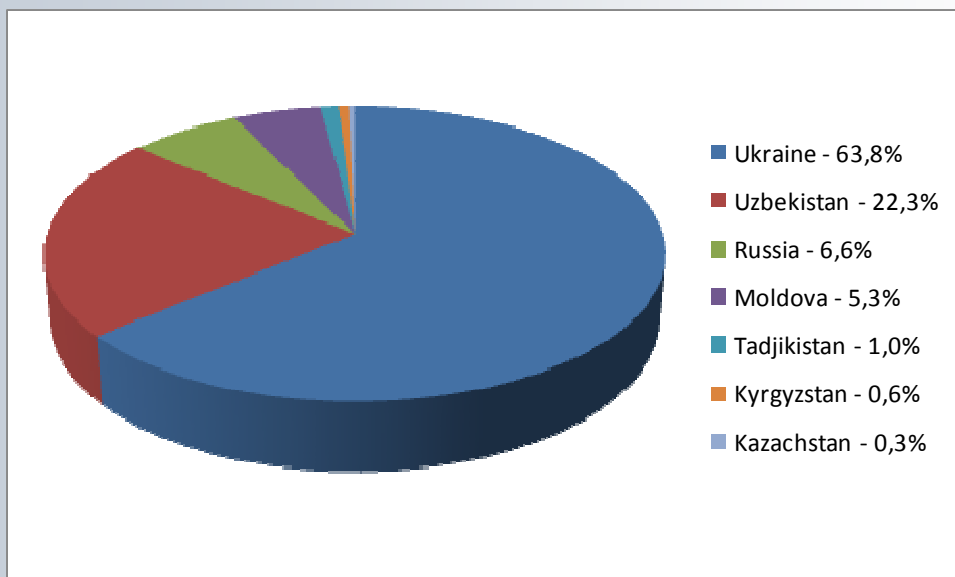


Eastern market

In 2013 the Company sold 139.9 thousand refrigerators on the Eastern market and earned LTL 88.2million in sales revenue, i.e. 8.3 per cent less as compared to 2012.

In 2013 AB“Snaigė” continued the development of trade connections with Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan. These are exotic and far away countries yet very profitable markets where refrigerators by “Snaigė” are particularly valued. In 2013 the Company sold 36 thousand refrigerators and earned LTL 21.4 million in revenue, 121 percent more than the last year.

Sales in the Eastern market in 2013 (according to sales revenue):



Western market

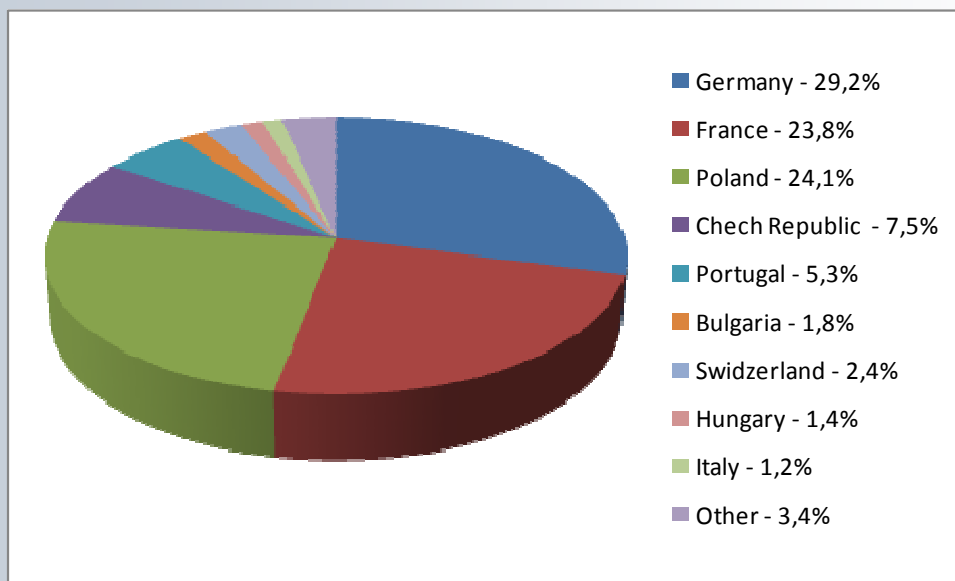
On the Western market AB “Snaigė” sales in 2013 were 92.9 thousand refrigerators and LTL 58.4million in revenue. This is 44.1 per cent rise in revenue as compared to the previous year. The majority of production was sold and revenue generated on the German market (26.3 thousand pcs; LTL 17.0million), French market (23.8 thousand pcs; LTL 13.9million), and Poland market (22.2 thousand pcs; LTL 14.0million).

In 2013, the market of household appliances showed significant signs of recovery.

During the year 2013 the Company started commercial relations and started to realize the Company's production for these clients: “Amica” (Poland), “Whiteaway” (Denmark).

The long term partners “Severin” (Germany), “Orima” (Portugal), “Conforama” (France) are continuing successful relations with AB “Snaigė”.

Sales in the Western market in 2013 (according to income):



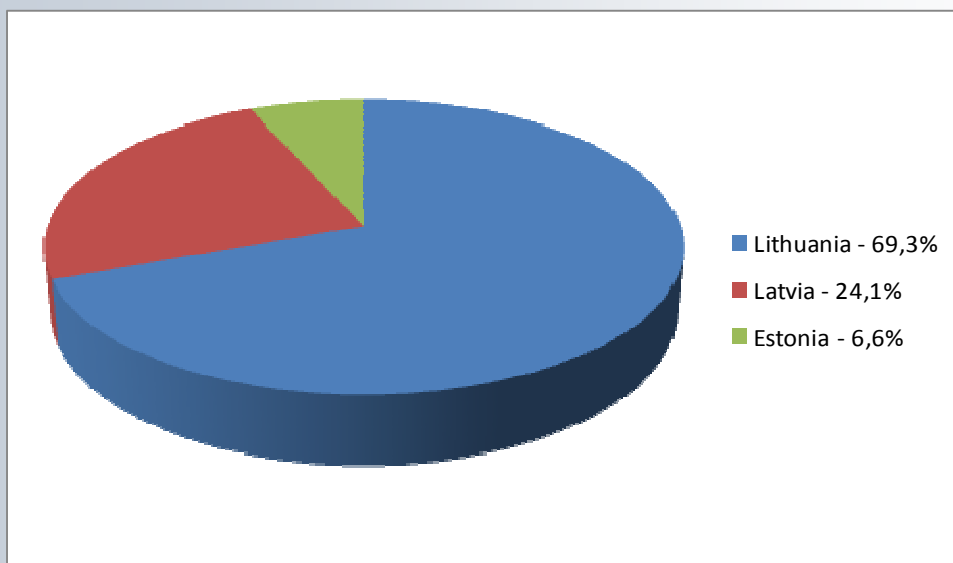
Baltic market

In 2013 AB “Snaigė” in the Baltic States market sold more than 12.6 thousand refrigerators and its income was LTL 8.5 million. At the same period in Lithuania AB “Snaigė” sold 8.5 thousand refrigerators and got more than LTL 5.8 million income. According to the analysis, AB “Snaigė” held about 12 percent of the domestic refrigerators’ market in Lithuania in 2013.

In the meantime in Latvia AB “Snaigė” sold about 3.3 thousand refrigerators and its income was close to LTL 2.1 million.

At the same period of time in Estonia AB “Snaigė” sold more than 0.8 thousand refrigerators and got more than LTL 0.56 million.

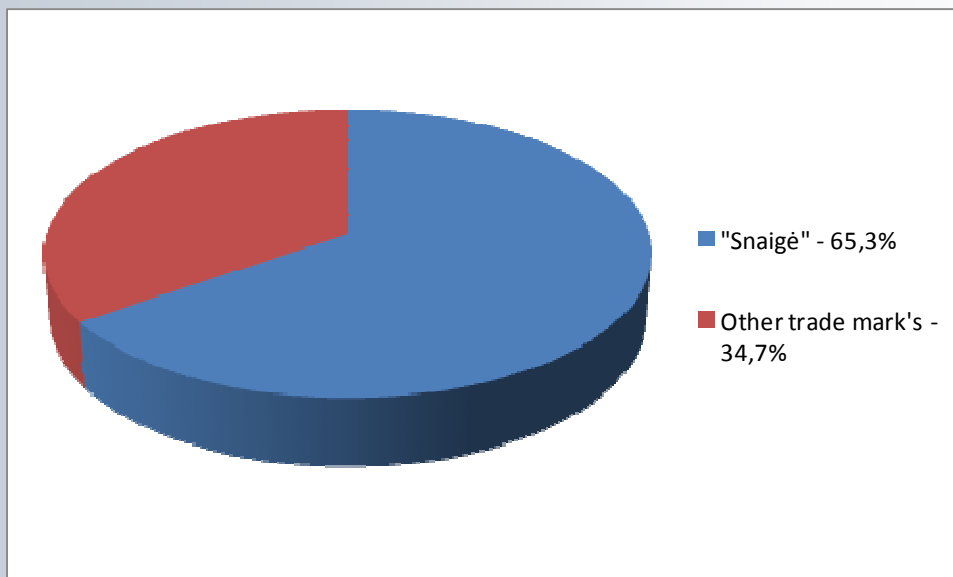
Sales in the Baltic market in 2013 (according to income):



“SNAIGÉ” brand portfolio

In 2013 the Company sold 65.3 percent of the products with its brand “SNAIGÉ”. Besides these, the Company produced refrigerators under other brands of trade partners and retail networks: “Far – CONFORAMA”, the largest domestic appliance retail network in France; “Amica”; “Bartscher”; “Bomman”; “Coldis”; “Continent”; “Cool”; “KBS”; “Orima”; “Raymond”.

The Company's brand portfolio in 2013 (according to income):



4.4 Supply

The materials and completing parts are supplied to the Company from more than 20 countries worldwide. European manufacturers and suppliers of materials constitute the major part of them. Procurement volumes from Asia (mainly from China) were constantly increasing.

The strategic suppliers are the following: “ACC Austria” Gmbh, “Huayi compressor” CO, “ACC Compressors” S.P. (compressors), “Donper group”, “Total Petrochemicals”, “Bayer International”, “Arcelor FCS Commerci”, “Sintur Spolka” z.o.o, “Marcegaglia Poland” Sp.z.o.o., “Lisiplast” UAB, “Hoda R.Gražio” II, “Profilita” UAB, “Telko group”.

The priorities set in the purchase strategy of the Company are high quality assurance and effective logistics, competition between suppliers and continuous search for alternative raw materials. Competition between the suppliers and search for alternative raw materials stimulate continuous improvement of the purchased product. The technical servicing teams of AB “Snaigé” suppliers closely cooperate with the technicians and engineers of the Company in search for common technical solutions increasing quality and decreasing costs of the products.

4.5 Employees and human resource policy

4.5.1 The Company's human resource policy

The Company's success depends not only on its size, image, strategy, but to a large extent on how it treats its employees. All the challenges and changes faced by the Company are related to the employees, so business effectiveness firstly depends on the ability to manage human resources.

The Company's human resource policy and management is comprised of: human resource planning, employees' staffing (recruiting, selection, admission, and retention), employees' development, evaluation, motivation, norms of actions, assurance of occupational safety and social conditions.

While facing changes and new challenges, it is most important for the Company to retain qualified, skilled, motivated personnel, able to implement set tasks and help the Company achieve its strategic goals, with as low costs as possible.

Strategic management of human resources. The aim of the personnel policy is to help the Company to adapt to new requirements of business environment and accomplish strategic goals while increasing administration effectiveness, connecting human resource practice with the Company's common business strategy, evaluating human resources.

Human resource planning. To ensure effective number of employment positions and structure planning, to ensure human resource demand planning, evaluation of planning quality.

Analysis of operations. In order to ensure more effective management of human resources it is necessary to evaluate new operation tasks, to spin off ineffective operations, doubling of functions, to regroup and reassign functions.

Development of the Company. Personnel development is a necessary condition for achieving the Company's strategic goals, as while learning personnel obtains qualification and skills. Changing challenges, environment where the tasks have to be completed, application of new technologies, difficult situation in the labour market indicate that it is necessary to invest into education of personnel, as it motivates, improves work quality, increases loyalty and ensures more effective adaptation to new challenges and conditions.

Evaluation of activities and career. Evaluation of personnel activities – inseparable part of career planning. Potential of a person and areas of improvement can be assessed only by an objective evaluation. The goal of activities evaluation – to align personnel activities with the Company's goals to a maximum extent. The process of activities management is the setting of clear and achievable goals, monitoring of the progress, coordination of employee's goals, correction of set goals, annual evaluation of personnel activities. While planning the career it is important that it is not only directed to the past i.e. results of person's work, but also to the future – his abilities, ability to change, implement more complex tasks – into his potential.

Personnel motivation. During the surveys the majority of employees indicate the insufficient remuneration as the most important factor hindering higher motivation. In current difficult conditions it is necessary to pay more attention to strengthening social motives: encourage personal goals, increase responsibility taken, increase association with a group or a team, form conditions to realize management, self expression skills.

4.5.2 The employees of the Company in 2011–2013 according to the personnel groups*:

Employees	2013			2012			2011		
	Amount	%	Average salary, LTL	Amount	%	Average salary, LTL	Amount	%	Average salary, LTL
managers	5	0.7	25,120	5	0.8	20,341	4	0.6	26,476
specialists	120	16.5	3,249	118	18.5	3,181	123	19.7	3,109
workers	601	82.8	1,761	514	80.7	1,659	498	79.7	1,494
In total:	726	100.0	2,149	637	100.0	2,082	625	100.0	1,966

4.5.3 The structure of the Company's employees according to education level

Education level of the employees	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
university education	109	15.0	101	15.9	103	16.5
professional high school education	448	61.7	389	61.1	377	60.3
secondary education	161	22.2	139	21.8	136	21.8
uncompleted secondary education	8	1.1	8	1.2	9	1.4
Total:	726	100	637	100	625	100

	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
managers	7	0.9	9	1.2	8	1.1
specialists	139	17.0	156	20.2	153	20.5
workers	668	82.1	606	78.6	584	78.4
Total:	814	100	771	100	745	100

*Average yearly data

4.6 Investment policy

4.6.1 Subsidiary companies' names, head office addresses, type of activities, the authorised capital, share of the authorized capital unpaid by the Company, net profit (loss), ratio of short-term liabilities and current assets, ratio of total liabilities and total assets

	SNAIGĖ – UKRAINE	ALMECHA
Registration date, head-office address	Registration date: November, 2002. Address: Gruševskio str. 28-2a/43, Kijev, Ukraine	Registration date: November, 2006. Address: Pramonės str. 6, Alytus, Lithuania
Type of activities	Sales and marketing services	Production of other equipment and machinery
Share of the authorized capital available to AB "Snaigė", %	99	100
Authorized capital (LTL)	50,605	1,375,785
Share of the authorized capital unpaid by the Company	Completely paid	Completely paid
2013 profit (loss) (LTL)	(4,683)	783,685

4.6.2 Major investment projects amounting to more than 10 percent of the issuer's authorized capital, which have been implemented during 2 recent financial (economical) years: types, volumes and financing sources of investments, and geographical allocation thereof

The total amount spent for implementation of investment programs in 2013 was LTL 4,949.53 thousand.

LTL 2,737.80 thousand was spent for development of new products and for their production preparation (purchase and mastering of new tools and equipment). The following new products were developed and launched within the year:

1. RF34 partial No Frost with "0" section and ventilator in refrigerator compartment;
2. Freezer F27SM (H=1630 mm), A+ and A++ energy efficiency classes;
3. Combined refrigerator F22SM+C29SM;
4. Refrigerators RF31 and RF34 of new design line, A+++ energy efficiency class.

In addition, the projects of "New horizontal handle", „Cost reduction means for refrigerators FR 240 and FR 275" were prepared and launched.

For development of technologies, mastering of especially important and effective new technological projects, improvement of work places and increasing of production capacities in LTL 2013 1,184.13 thousand was spent: a mobile cabin for quality control was bought and installed, a computerization of safety testing on conveyer no. 1 made, some other projects implemented.

LTL 237.33 thousand was invested into realization of the effective electricity and heat saving means: the reactive power compensation device was installed in substation KTP-6 and modern heat meters in K-1 room, and in central heating station: two flow computers and data transfer equipment.

LTL 615.95 thousand was invested into the technical support of production, replacement of worn out within the year production tools and instruments, and measuring instruments. These funds were used for production of new injection moulds and dies, purchase of pneumatic tools and instruments, various trolleys for transportation of production parts. For ensuring of allowable requirements for discharged effluents, the thermo reactor and system of mineralization were purchased and installed in the sewage system of the Company.

Logistics and service department used for improvement of its equipment LTL 7.8 thousand in 2013. LTL 166.52 thousand was used for upgrading of informational technologies and equipment – hardware and software. Each year the Company invests into development of technical progress and manufacture of new, ecological-friendly, cost-effective and modern products. The total amount spent for implementation of investment programs in 2012 was LTL 2,963.6 thousand.

The following new products were developed and launched within the year (new equipment acquired and put into operation):

1. Refrigerator RF36 with glass on door;
2. Refrigerator RF ND with ventilator;
3. Refrigerator RF ND with electronics and glass on door;
4. Refrigerator RF34/36 ND with "0" compartment;
5. Refrigerator CD480 with static condenser;
6. An internal design of existing refrigerator models was renewed (new colours of internal dishes and glossy profiles on shelves).

To achieve these objectives LTL 1,596.06 thousand of investments was used.

Within the framework of "Development of new products" program, and with the support of the European Union structural funds under the measure "Intelektas LT", a project "Strengthening of competitiveness of AB "Snaigė" by investing into development of new generation refrigerator series" has been carried out for almost two years. It was successfully completed in September 2012. In cooperation with scientists from the Faculty of Mechanical Engineering and Mechatronics of Kaunas Technology University, who provided the research service by making research on new cooling systems during the project, series of modern models of refrigerators have been created. These models will be gradually implemented into production over the coming three years.

The Company invested LTL 229.9 thousand in 2012 for mastering of especially important new technological projects, updating of existing technology processes and increasing of production capacities.

It also spent LTL 117.55 thousand of investments for realization of effective heat and power saving measures, absorptional and freonic air dryers were installed.

LTL 893.97thousand was invested into the technical support of production. These funds were used for implementation of necessary equipment, such as: voltage stabilizer, plastics scrap breaker, refrigerant charging board, new safety system, and for replacement of worn out production tools and instruments.

Logistics and Service Department used for improvement of its equipment LTL 57.39thousand in 2012. A new bar code reader was introduced and the program of warehouses modernization implemented.

In 2012 an upgrade of informational technologies and equipment in the Company was performed spending LTL 68.73 thousand.

4.7 Environment protection

4.7.1 Environmental policy

The Company's environmental vision is organic products, clean technology and clean environment.

The Company's products, production technology and services cannot do the illegal exposure of atmospheric air, water, employees, consumers and environment.

Environment must not be contaminated by waste products of production more than is inevitable and allowed.

The Company's management trying to implement a vision and having a clear understanding of environmental importance, assumes the following responsibilities:

- Meet the legal and other requirements set by the Company related to environmental aspects;
- Carry out pollution prevention, paying attention to control of usage of gas increasing the greenhouse effect, and thus contributing of global warming mitigation;
- Continually improve environmental performance;
- Increase our staff approach to environmental protection;
- Design products considering the following aspects: saving materials and resources, hazardous materials use, waste reduction, reuse and recycling, satisfying consumer needs.

4.7.2 Environmental report

AB "Snaigė" is one of the most advanced manufacturing companies of Lithuania in the field of environment protection. Our vision is organic products, clean technology and clean environment.

The activities of the Company are regulated by environment protection management system, which complies with international ISO 14001 standard requirements. The system is working since 2001.

In 2013 the Company's pollutant emission was in line with the permitted levels; therefore, it received no comments or claims from controlling institutions or business partners.

When developing a new product, the Company gives a priority for the manufacturing processes which save raw materials and resources, for safe transportation, waste elimination and quality of products. In manufacturing the Company tries to use materials which later can be recycled.

The Company complies with Directive 2009/125/EC of 21 October 2009 of the European Parliament and European Commission, which regulates design of the products.

"Snaigė" refrigerators are manufactured from ecological materials which do not contain any harmful elements. For example, every plastic part of a refrigerator is marked (according to ISO 1043:1:1997), so that it can be reused one more time, recycled according to Directive 2002/96/EC describing electrical and electronic equipment waste requirements.

When designing and producing “Snaigė” refrigerators, the Company uses various means to reduce the harmful effect on the environment:

- No materials are used causing greenhouse effect or deteriorating ozone;
- No materials are used which are harmful for human health;
- Analysis of materials usage is performed.

Products produced by AB “Snaigė” are in accordance with the requirements of EU Directives and regulations regarding banned harmful substances:

- RoHS2 EU Directive 2011/65/EC;
- REACH EU regulation 1907/2006/EC;
- PAH German regulation ZEK-01.4-08;
- contact with food :
 - EU regulation 1935/2004/EC (general),
 - EU regulation No.10/2011(for plastics).

AB “Snaigė” products comply with the above mentioned requirements and as evidence Test reports of the laboratory “DEKRA” (Germany) and Chemical Testing Division of National Public Health surveillance Laboratory (Lithuania) are issued.

When buying refrigerators, customers are provided with information related to environment protection. It is advised how to install, maintain a product so that it is used as long as possible and the impact on environment is diminished. In addition to that, it is indicated how to utilize the product after it is no longer usable.

The Company has old refrigerators utilization system. Starting with 2006 the Company started to utilize large electric household equipment – refrigerators and fridges – waste.

AB “Snaigė” fully complies with the requirements of Kyoto protocol on global warming and climate change. The Company saves electricity, water, heat: during the decade the usage of these energy sources decreased by three times.

4.8 Risk factors related to the business of the Issuer

Macroeconomic Risk. The economy of Lithuania has been constantly growing and the foreign trade continuous to be highly beneficial to that. As a result, private consumption is expected to continue to grow in 2014. According to market prognosis, external demand will be driven by recovering global economy; meanwhile domestic demand will grow as a result of decreasing uncertainties and thus increasing confidence, and growth of real disposable income. Upside risk is associated with global commodity prices: fluctuations are expected that would mostly affect the outside prices in Lithuania (food, fuel and administration prices). At present both Lithuanian and global markets feel the effects of the economic and consumption recuperation, which could affect the demand for the Company's products and the Company's business prospects.

Credit Market Risk. Currently there is more activity and better credit availability on both Lithuanian and global markets. Internal financial resources of the Company are limited, operations rely on external credit financing, too. In light of the global credit market recovery, it can be presumed that this recovery will have a positive impact on the Company's financial situation, the Company will have possibility to take short and long term credits for its operations.

The Company's Financial Accounting Accuracy Risk. On 16 April 2014 the Company's auditor expressed a qualified audit opinion on the Company's separate and consolidated financial statements.

International Trade Restrictions Risk. The Company exports a portion of its production to third countries (outside the European Union). There is a risk that changes in foreign trade policies of third countries could aggravate export conditions to those countries. Any such change would negatively impact export opportunities for the Company and its financial situation. One of the main markets of the Company is Ukraine; as disclosed in Note 29 to the consolidated financial statements, the political and economic situation in this country worsened significantly in 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis in Ukraine. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy as well as the Company's export volumes to this country.

Market Risk. The Company is engaged in the manufacturing of a variety of commercial and household refrigerators and freezers and their sale. Investors assume the risk that the Company may suffer losses aggravating financial situation of the Company in the event of negative changes in product markets and markets of raw materials needed in production processes.

Policy Risk. The Company is engaged in manufacturing activities which generate chemical substances harmful to the environment. Environmental matters both at Lithuanian and European Union levels are policy-regulated. There is a risk that in the event of changes in existing environmental requirements and restrictions the Company might need additional investments to ensure compliance of production processes with new requirements. However, such investments should not negatively affect the financial situation of the Company.

Business Continuity Risk. Business continuity presumptions are disclosed in detail under Note 2.2 of the consolidated audited financial statements of 2013.

Operational Risk. This is the risk that includes both direct and indirect losses resulting from improper or inoperative internal processes, systems or technologies, actions by staff and agents, and external factors. Constituent part of the operational risk is legal risk, i.e. risk of losses potentially occurring as a result of the Company's present or past obligations under various contracts and agreements, legal actions or laws, non-performance or improper performance.

Technical and Technological Factors. This includes physical and moral depreciation of a variety of technical means. Risk factors of this type could affect operations of the Company both directly and indirectly. Technological factors can affect the Company directly through physical and moral depreciation of technical base.

More detailed disclosures of the Company's risk management and interest rate, exchange rate, credit and liquidity risks can be found under Note 29 of the consolidated financial statements.

4.8.1 The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

The Audit Committee supervises preparation of the consolidated financial statements, systems of internal control and financial risk management and how the Company follows legal acts that regulate preparation of consolidated financial statements.

Chief Accountant of the Company is responsible for the preparation supervision and the final revision of the consolidated financial statements. Moreover, he constantly reviews International Financial Reporting Standards (IFRS), as adopted by European Union in order to implement IFRS changes in time, analyses the Company's and the Group's significant deals, ensures collecting information from the Group companies and timely and fair preparation of this information for the financial statements. The Company's Chief Accountant periodically informs the Board about the financial statements preparation process.

4.9 Related party transactions

The information about related party transactions is disclosed under Note 31 of the consolidated financial statements.

4.10 Legal and arbitrary processes

The information about legal and arbitrary processes is disclosed under Note 30 of the consolidated financial statements.

5 OTHER INFORMATION ABOUT AB "SNAIGĖ"

5.1 Membership in associated organizations

AB "Snaigė" is a member of Lithuanian Confederation of Industrialists.

Lithuanian Confederation of Industrialists comprises 42 branch and 9 regional associations composed of more than 2,700 enterprises of various type. The Confederation includes not only the majority of industrial enterprises but also banks, sales enterprises, representative offices of foreign firms, scientific research institutions and scholastic institutions. The activities of the members of LCI encompass all the main industrial areas; the major part of the goods produced in Lithuania is manufactured by them.

Lithuanian Confederation of Industrialists is a non-political public organization independent from the state. LCI carries out its policies independently. The confederation has a significant impact on the Seimas and Government of the Republic of Lithuania. AB "Snaigė" does not participate in the authorized capital of Lithuanian Confederation of Industrialists.

AB "Snaigė" is a member of the EEPA association. The EEPA is an association established by manufacturers and importers of electrical equipment and batteries and accumulators. The main objective of the association is the implementation of waste management obligations by the association members stipulated in both the EU and Lithuanian legislation. As of 2006 the association organizes waste from electrical and electronic equipment management and as of the end of 2009 – management of waste from batteries and accumulators. Activities of the association:

- Organizes waste management system for electrical and electronic equipment and batteries, and accumulators by the association members;
- Represents member interests in public institutions, is involved in lawmaking;
- Registers incorporators and members of the association as required by a governmental or other competent authority;
- Reports to the Government or other competent authority on waste management;
- Provides guarantees on behalf of incorporators and members of the association that their annual waste management goals in relation to electronic and electrical equipment, batteries and accumulators will be achieved;
- Provides free consultations to incorporators and members of the association on waste management issues;

- Informs and increases awareness among the general public on waste management matters in relation to electronic and electrical equipment, batteries and accumulators.

EEPA has about 300 members.

AB "Snaigė" is a member of LINPRA. The Engineering Industries Association of Lithuania LINPRA is an independent self-governing business association. Both nationally and internationally, it represents the interests of the Lithuanian mechanical, electrical, electronic and metalworking industrial sector and seeks to promote its business competitiveness.

Number of members: 80 (including almost all major companies of the sector).

Together with its partners, LINPRA carries out the following activities:

- Representing and defending the interests of engineering industry companies in state authorities and international and other organizations;
- Organizing the events for improvement of managers and specialists qualifications;
- Consulting the companies on the relevant matters;
- Searching for foreign partners and suppliers for Lithuanian engineering industry companies;
- Providing the information relevant to Lithuanian engineering industry companies;
- Development and maintenance of comprehensive sector companies database;
- Organizing incoming and outgoing missions, consultations, exhibitions and matchmaking events;
- Coordinating the National Technology Platform ManuFuture-LT;
- Initiating and implementing other types of projects and initiatives aimed to strengthen competitiveness and business internationalisation of Lithuanian engineering industries sector.

AB "Snaigė" is a member and the founder of the Association of Domestic Equipment Manufacturers "CECED Lithuania". The goals of the association are as follows: to coordinate activities of the members of the association active in the area of manufacture of domestic equipment, represent and defend the interests of the members, settle the issues raised by the members, ensure proper protection of the manufacturers' interests, etc.

5.2 Patents, licenses and contracts

The Company's activities are independent of patents or licences.

5.3 Recent and the most important events of the Company

The most important post balance sheet events are presented in the consolidated financial statements.

5.3.1 Recent publicly disclosed information

28/02/2014

"Snaigė" 2013 Strong Results are Adjusted by Sales of Russian Subsidiary's Real Estate

According to unaudited consolidated data, AB "Snaigė" achieved a turnover of LTL 176 million in 2013 (i.e. 18% more than over the same period of year 2012). Unaudited consolidated loss before tax of the Company in 2013 reached LTL (8.6) million. However, unaudited consolidated EBITDA for core activities reached LTL 14 million which was 22% ahead of the year 2012.

This negative result was caused by losses related to sales of real estate belonging to the Company's subsidiary, "Techprominvest". According to the Managing Director of AB "Snaigė" Gediminas Čeika, these are losses unrelated to the core activities of the Company. "The Company's profit from core activities was LTL 5.2million", says G. Čeika. "We are satisfied that this loss was the last one associated with Techprominvest. Having not operated the plant for several years meant unnecessary expenses for its maintenance and a worse consolidated result; now the Company will use its resources in a more effective way."

A substantial 18% turnover growth was achieved due to the Company's successful exports. The most remarkable growth was achieved in Poland (+12 times), Central Asia (+156%), France (+104%), Baltic countries (+99%), Bulgaria (+29%) vs. the same period of year 2012. The main markets for the Company remained the same: Ukraine, Central Asia, France and Germany. These countries reflect the structure of the entire sales portfolio of AB "Snaigė", i.e., balancing between risky and profitable East, and less profitable but stable West. Such sales portfolio diversification allows the Company to compensate sales if some difficulties occur in certain markets.

In Lithuania this year was particularly good for the Company. Successful marketing and sales strategy improved the Company's turnover by 78%. "Snaigė" refrigerators are among the best selling refrigerators in the country.

According to the Managing Director of AB "Snaigė" Gediminas Čeika, one of the most important reasons for growth of sales is constant and diligent improvement of technologies and creation of new products. "In 2013 AB "Snaigė" was recognized as the Innovative Enterprise of Lithuania and awarded the Prize for Innovation", says G. Čeika. "This award is given to companies which have introduced new products, significantly improved the existing ones, or significantly improved their technological processes within the span of 3 years. AB "Snaigė" has met all of the criteria: in the last three years the Company created and brought to the market 8 completely new products and 14 modifications of existing products."

In 2013 alone the Company introduced consumers to a refrigerator and freezer combination with glass surface doors, RF34NF refrigerator with frost free cooling system, highly energy efficient refrigerator of the A+++ class as well as new 163 cm high freezer.

According to Gediminas Čeika, AB “Snaigė” faces a difficult year in 2014. Because of the events in Ukraine sales in this country, one of the most important markets for the Company, are expected to decline. “We are not dramatizing the situation for now and hope to be able to balance our sales portfolio by increasing product sales in other countries”, says G. Čeika.

27/01/2014

Resolutions of the repeated Extraordinary General Meeting of Shareholders

The following resolutions were adopted the repeated Extraordinary General Meeting of Shareholders held on 27 January 2014:

THE AGENDA QUESTION: Providing AB “Snaigė” loan to shareholder UAB “Vaidana” (identification code 302473720);

THE DECISION: After receiving credit from ZAO “UniCredit Bank” bank (OGRN 1027739082106, 119034, Prečistenskaja naberežnaja 9, Moscow, Russia) AB “Snaigė” provides a loan of up to EUR 12,000,000 (twelve million euro) to shareholder UAB “Vaidana” (identification code 302473720).

Interest – 1 month EURIBOR + 5.25% annual interest will be calculated every month and will be paid on the loan repayment day. The loan maturity – 60 months from the date of signing the loan agreement. To authorise the Managing Director Gediminas Čeika (with the right to reauthorize) to administer all matters regarding signing of the loan agreement, to sign loan agreement and to sign other documents with UAB “Vaidana” related to provision of loan, indicated above.

10/01/2014

Convocation of the repeated Extraordinary General Meeting of Shareholders

On 27 January 2014 the Extraordinary General Meeting of Shareholders (hereinafter, the “Meeting”) of AB “Snaigė”, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the “Company”), is convened.

The place of the meeting – at AB “Snaigė” office, at the address Kareivių str. 6, (5th floor) Vilnius, Lithuania.

The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).

The Meeting’s accounting day – 20 January 2014 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of the Company initiates and convenes the meeting.

Agenda of the Meeting:

1. Providing AB “Snaigė” loan to shareholder UAB “Vaidana” (identification code 302473720).

10/01/2014

The Extraordinary General Meeting of Shareholders did not take place

The Extraordinary General Meeting of Shareholders of AB “Snaigė” did not take place on 10 January 2014 because the quorum was not present.

5.3.2. Important events at the Company’s business

19/12/2013

Convocation of the Extraordinary General Meeting of Shareholders

On 10 January 2014 the Extraordinary General Meeting of Shareholders (hereinafter, the “Meeting”) of AB “Snaigė”, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the “Company”), is convened.

The place of the meeting – at AB “Snaigė” office, at the address Kareivių str. 6, Vilnius (5th floor), Lithuania.

The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).

The Meeting’s accounting day – 3 January 2014 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of the Company initiates and convenes the meeting.

Agenda of the Meeting:

1. Providing AB “Snaigė” loan to shareholder UAB “Vaidana” (identification code 302473720).

The Company provides no possibility to attend and vote at the Meeting using electronic means of communication.

29/11/2013

AB “Snaigė” profits grow almost fourfold

Over the first nine months of this year AB “Snaigė” turnover was LTL 140.1 million (unaudited consolidated figures), an increase of 27 per cent compared to the same period last year. The net earnings of the Company were almost LTL 5.3 million, i.e. almost four times higher than in the same period last year. Consolidated unaudited EBITDA was LTL 12.3 million, i.e. 43 per cent more than in the same period last year.

Summing up the results of the nine months of this year AB “Snaigė” Managing Director said he was thrilled with the Company’s achievements and strong sales growth. “We’re happy to see that our efforts to maintain rapid growth bore fruits,” said G. Čeika. The 3rd quarter is the busiest time in the domestic refrigeration sector. We were successful in not only meeting the market demand but also in expanding our customer base, developing new products, and implementing marketing campaigns. This is a result of spectacular team work at AB “Snaigė”.

AB "Snaigė" turnover grew most in Western Europe and Asian markets. Particularly significant growth of 132% and 128% was recorded in Central Asia and France respectively. Sales in Lithuania and other Baltic States also grew almost twofold.

Sales growth in France was primarily linked to higher share of "Snaigė" in the sales of the largest French chain retailer "Conforama". In summer top executives of "Conforama" visited "Snaigė" plant and were impressed with the state of the art technology employed in the plant, work organization and quality of "Snaigė" products. This subsequently led to an expanded offer of "Snaigė" products at "Conforama".

The Company also welcomes its strengthened positions in Central Asia. "These are large, profitable markets," noted G. Čeika. "Thus we're very happy that our fridges caught the attention of local consumers. In some Central Asian markets "Snaigė" is one of the market leaders."

In the 3rd quarter the Company offered a number of new products to its customers and consumers, such as a 163 cm high freezer, and the hottest item of this year, a fridge/freezer featuring "No Frost" technology. The recent addition to the market, the freezer, is very popular among the consumers. "Snaigė" freezers are extremely popular and in high demand on many of our markets," claims G. Čeika. "It is our intention to expand our freezer range further since we see the demand for this product. Many of the Company's customers have been waiting for fridges featuring "No Frost" technology for quite some time now. This product marks AB "Snaigė" entry into a completely new market segment where the Company hopes to compete successfully with other manufactures of domestic fridges."

28/11/2013

On the sale of 100% stake in OOO "Techprominvest" and on the impact of the transactions to the Company's financial results

AB "Snaigė" (hereinafter, the "Company") hereby informs that it has concluded a transaction on sale of all 100% stake of OOO "Techprominvest", held by the Company (1% to OOO "Spektr plus", a company registered in Russia, and 99% – to OOO "UniversalStroi"). The total sale price of all 100% stake of OOO "Techprominvest" is EUR 2,750,000; the term for payment of the price – until 30 December 2013.

As it was indicated in the notification on material event of the Company, dated 16 October 2013, the Company undertook to announce a notification on material event, indicating the impact of the transaction on sale of real estate of OOO "Techprominvest" to the financial results of the Company (the Company announced on sale of the indicated real estate on 9 October 2013). In the opinion of the Management of the Company, taking into consideration the nature of both the aforementioned transactions, and aiming to objectively reflect the profitability thereof, the impact to the consolidated financial results of the Company of both transactions (sale of real estate of OOO "Techprominvest" and sale of 100% stake of OOO "Techprominvest") has to be established and disclosed collectively.

Thus, the Company hereby further informs that the impact of the indicated transactions (sale of real estate of OOO "Techprominvest" and sale of 100% stake of OOO "Techprominvest") to the consolidated financial results of the Company is (– EUR 2,200,767).

Mr Gediminas Čeika, Managing Director of AB "Snaigė", is positive about the sale of OOO "Techprominvest". "The Company finally disposed of assets not related to its core business, maintenance of which had been causing losses for the Company since 2009", G. Čeika said. "It is hard to admit that the investments of AB "Snaigė" in Kaliningrad did not serve their purpose; however, without this company the results of AB "Snaigė" should improve and it should be easier to carry on."

16/10/2013

Regarding announcement on the impact to the Company's financial results of sale of the subsidiary's real estate in Russia

As it was indicated in the notification on material event of AB "Snaigė" (hereinafter, the "Company"), dated 9 October 2013, the real estate of the subsidiary of the Company OOO "Techprominvest" in Russia was sold.

Hereby we inform that the Company is intending to announce an additional notification on material event, indicating the impact of the mentioned transaction to the financial results of the Company. In the Company's Management opinion, this data shall objectively reflect the profitability of the concluded transaction.

Please also note that on the day of this notification such results, which *inter alia* depend on the executed investments into the sold real estate, expenditures for the preparation of its sale and other financial indicators, are not calculated by the Company. The Company shall announce a relevant notification on material event as soon as these results are established (the Company expects to have this data till the end of November 2013).

09/10/2013

"Snaigė" sold the real estate of its subsidiary company in Russia

AB "Snaigė" sold a subsidiary company OOO "Techprominvest's" property. OOO "Techprominvest" – the Company's refrigerator plant in Kaliningrad, which used to manufacture refrigerators for the Russian market. Its activities were suspended in 2009, when after the ruble devaluation the plant became unprofitable.

According to the Managing Director of AB "Snaigė" Gediminas Čeika, "the potential selling of the OOO "Techprominvest" real estate is good news for the Company. Having not operating the plant for several years means unnecessary expenses for its maintenance and this damages the consolidated financial result," – said G. Čeika. "After selling procedures the Company will use its recourses in a more effective way."

18/09/2013

Resignation of the Member of the Management Board

On 17 September 2013, member of the Management Board of AB "Snaigė" Dmitry Komissarchik presented the request on the resignation from the members of Management Board from 2 October 2013.

30/08/2013**During the first half of the year, sales of AB "Snaigė" increased by 39% with EBITDA ahead by 61%**

During the first half year in 2013 AB "Snaigė" achieved turnover of LTL 91.2 million (as to unaudited consolidated data), a growth of 39% compared to the previous year. Net profits were almost LTL 2 million, a growth of almost 4 times more than the previous year and consolidated unaudited EBITDA reached LTL 6.6 million, a growth of 61% vs. the same period in the previous year.

The Company's turnover has increased in almost all important markets with especially good results in Central Asia (+162%), and France (+161%). The Company exported its production to almost 30 countries in Europe and Asia with the Company's most important markets remaining the same: Ukraine, Germany, France and Central Asia. According to Gediminas Čeika, Managing Director of AB "Snaigė", those countries reflect the structure of the entire sales portfolio of the Snaigė Company, i.e., balancing between risky and profitable East, and less profitable, but stable West.

The Managing Director of the Company, assessing the results of the first half-year, expressed his delight with achievements of the Company including the increase in sales: "We have put a lot of effort in order to maintain the fast growth in sales, and we are glad because we were successful in increasing our number of clients, and extending the range produced. We also implemented effective marketing campaigns in key markets, ensured we increased our capacity when needed, as well as ensuring the efficient operation of our Supply Division. The smooth and effective operation of the Company has therefore enabled the excellent results we are able to present".

Now we are planning to not only increase sales during the third quarter, but also present to the customers some new products, including a 163 cm freezer, as well as the hottest product this year which is a fridge-freezer with a "No Frost" system. According to Gediminas Čeika, clients are really looking forward to this new product, and we expect it to exceed all of our clients expectations for novelty, functionality and design.

14/08/2013**AB "Snaigė" announces the sale of real estate of its subsidiary company in Russia**

AB "Snaigė" has signed a preliminary agreement regarding subsidiary company OOO "Techprominvest's" property sale. OOO "Techprominvest" – the Company's refrigerator plant in Kaliningrad, which used to manufacture refrigerators for the Russian market. Its activities were suspended in 2009, when after the ruble devaluation the plant became unprofitable.

According to the Managing Director of AB "Snaigė" Gediminas Čeika, "the potential selling of the OOO "Techprominvest" real estate is good news for the Company. Having not operating the plant for several years means unnecessary expenses for its maintenance and this damages the consolidated financial result," – said G. Čeika. "After the Company has sold this real estate, the Company will use its resources in a more effective way."

18/06/2013**AB "Snaigė" sold its Russian subsidiary**

AB "Snaigė" sold OOO "Liga-Servis", its subsidiary in Russia. The main purpose of the business was to take care of the Company's sales and marketing in Russia. According to the Company's Managing Director Gediminas Čeika, to have subsidiaries that are engaged in sales and marketing activities in Russia has become inappropriate after the Company started cooperation with "Polair" group of companies.

POLAIR is the largest and well known producer and seller of refrigeration equipment in Russia, with its commercial channels and contacts, which AB "Snaigė" is starting to use," – said G. Čeika. "Results of this cooperation have exceeded all expectations – in the first quarter of this year sales to Russia increased by three times. As a result, there is no need to duplicate work and to waste money with subsidiaries in Russia."

Now the Company's group structure consists of Ukrainian OOO "Snaigė-Ukraine", Lithuanian UAB "Almecha" and Russian OOO "Techprominvest" – the only subsidiary company in the country which is the closed factory in Kaliningrad, which the Company also has the intention to sell. The final subsidiary in Russia OOO "Moroz Trade" is now removed from the Russian Register of Legal Entities.

Turnover at AB "Snaigė" reached LTL 34.4 million in the first quarter (unaudited consolidated data), which is an increase of 57% vs. the same period last year. At the first quarter the Company earned LTL 1.3 million consolidated unaudited EBITDA, i.e. 4 times more than at the same period last year.

31/05/2013**Sales of AB "Snaigė" up 57 percent in first quarter and EBITDA increased by 4 times**

Turnover at AB "Snaigė" reached an all time high of LTL 34.4 million in the first quarter (unaudited consolidated data), which is an increase of 57% vs. last year. Predominantly, sales have increased in Eastern markets: Uzbekistan by 23 times, Tadjikistan by almost 6 times, Russia by over 3 times. Sales also grew in some key western markets: France by 18%, Bulgaria by 38% and Poland by 24%. Additionally this year AB "Snaigė" entered the markets of Finland, Belgium, and Hungary, where it had not been trading during Q1 of the previous year. At the first quarter the Company earned LTL 1.3 million consolidated unaudited EBITDA, i.e. 4 times more than at the same period last year.

According to the Managing Director of AB "Snaigė" G. Čeika, even though the first quarter brought a loss of LTL 1.1 million (unaudited consolidated data) due to this being the low season and with especially higher heating costs this year, it was more than LTL 1 million better than the same period last year. "In our business sales are very low at the beginning of winter, thus, we always get less income than spend at that time, and a summer season brings increased sales by several times," – reported G. Čeika. "Therefore, during the first and second quarters we pay more attention to the preparation for the warm season: we update equipment, buy more raw materials, and produce for stock to have enough production for a summer season."

Although AB "Snaigė" labels over 60 percent of refrigerators with their own brand, the rest is produced for famous home appliance manufacturers and retail chains. This year the Company will continue to produce refrigerators to the following companies: "Severin", "Bomann" in Germany, "Conforama" in France and "Orima" in Portugal. We are pleased to have the largest Polish home appliance manufacturer "Amica" having joined our customers' ranks.

The Managing Director of AB "Snaigė" G. Čeika says the results of the first quarter should be seen very positively. "We have reached our budgeted sales plans for the first quarter", – affirmed G. Čeika. "Moreover, we accomplished much in creating new products and improving cooling technologies."

Since the beginning of the year, we have already released to the market a "Snaigė" branded refrigerator with a cold section "0 Fresh Zone". This year during the second and third quarter our Company will present a new higher freezer, a new two-door refrigerator with glass doors of a Premium class and an innovative refrigerator of the highest energy class A+++.

30/04/2013

AB "Snaigė" annual information for the year 2012

Presented are AB "Snaigė" annual consolidated and the Company's financial statements for the year 2012 (consolidated and Company's financial statements together with independent auditor's report, consolidated annual report, confirmation of the responsible persons) approved by the Annual General Meeting of Shareholders on 30 April 2013.

30/04/2013

Resolutions of the General Meeting of Shareholders

The General Meeting of shareholders of AB "Snaigė" was held on 30 April 2013.

THE AGENDA QUESTION: Consolidated annual report of AB "Snaigė" on the Company's activity for 2012.

In the meeting taken for information the consolidated annual report of AB "Snaigė" on the Company's activity for 2012.

THE AGENDA QUESTION: Auditor's report on the Company's financial statements for 2012.

In the meeting taken for information the auditor's report on the Company's financial statements for 2012.

THE AGENDA QUESTION: Approval of the set of financial statements of the Company for 2012.

THE DECISION: The set of financial statements of the Company for 2012 has been approved (consolidated and the Company's financial statements).

THE AGENDA QUESTION: Approval of distribution of profit (loss) of AB "Snaigė" for 2012.

THE DECISION: The distribution of profit (loss) of AB "Snaigė" for 2012 has been approved:

Non-distributed profit (loss) at the end of the last financial year: LTL 908,126 (EUR 263,011.47)

Net result – profit (loss) – of financial year: LTL 4,584,574 (1,327,784.4 EUR)

Distributable result – profit (loss) – at the end of the financial year: LTL 5,492,700 (EUR 1,590,795.87)

Contributions of shareholders to cover loss: LTL 0 (EUR 0)

Share premium for covering of loss: LTL 0 (EUR 0)

Transfers from reserves: LTL 1,143,073 (EUR 331,056.82)

Distributable profit: LTL 6,635,773 (EUR 1,921,852.69)

Distribution of profit: LTL 5,238,229 (EUR 1,517,095.98):

Portion of profit allocated to reserves foreseen by law: LTL 229,229 (EUR 66,389.31)

Portion of profit allocated to other reserves: LTL 30,000 (EUR 8,688.60)

- for support and charity LTL 0 (EUR 0)

- for social and cultural needs LTL 30,000 (EUR 8,688.60)

Portion of profit allocated for payment of dividends: LTL 0 (EUR 0)

Portion of profit allocated for payment of premiums: LTL 0 (EUR 0)

Portion of profit allocated for payment of tantiemes: LTL 0 (EUR 0)

Other: LTL 4,979,000 (EUR 1,442,018.07)

- portion of profit allocated to reserve for acquisition of own shares: LTL 0 (EUR 0)

- portion of profit allocated to reserve for investments: LTL 4,979,000 (EUR 1,442,018.07)

Non-distributed result – profit (loss) – at the end of financial year: LTL 1,397,544 (EUR 404,756.71).

THE AGENDA QUESTION: Election of the audit firm for auditing purposes of financial statements and establishment of terms regarding the payment for audit services.

THE DECISION: UAB "KPMG Baltics" has been elected for 2013 auditing purposes of annual financial statements. The Managing Director was authorized (with the right to delegate) to sign the agreement with the audit firm by establishing the terms of payment for the audit services and other terms.

THE AGENDA QUESTION: the Company Board member revocation from Board member position.

THE DECISION: Andrey Dribny was revoked from the Board members of the Company.

THE AGENDA QUESTION: New Board members appointment to opening positions.

THE DECISION: Vladislav Sviblov and Svetlana Ardentova have been elected to the members of the Board of the Company for the remaining term of this Board office. The Managing Director of the Company was authorized (including the power to delegate) to register the newly elected members of the Board with the Register of Legal Persons of the Republic of Lithuania pursuant to the procedure under law, to take any and all other actions and sign any and all documents related to the change of the Board members of the Company.

09/04/2013

Convocation of the Ordinary General Meeting of Shareholders

On 30 April 2013 the Ordinary General Meeting of Shareholders of AB "Snaigė", the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the "Company") is convened (hereinafter, the "Meeting").

The place of the meeting – main meeting hall of the Company, at the address Pramonės str. 6, Alytus, Lithuania.

The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).

The Meeting's accounting day – 23 April 2013 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of directors of the Company initiates and convenes the meeting.

Agenda of the Meeting:

Annual report of AB "Snaigė" on the Company's activity for 2012.

Auditor's report on the Company's financial statements for 2012.

Approval of the set of financial statements of the Company for 2012.

Approval of distribution of profit (loss) of AB "Snaigė" for 2012.

Election of the audit firm for auditing purposes of financial statements and establishment of terms regarding the payment for audit services.

The Company Board member revocation from Board member position.

New Board members appointment to opening positions.

28/02/2013

AB "Snaigė" improves sales results for 2012 by 31%, EBITDA by 36 percent with profits up by 5 times

Based upon (unaudited unconsolidated) 2012 results AB "Snaigė" grew sales to more than LTL 150 million in 2012 which is 31 percent higher than the same period last year. The Company generated LTL 4.6 million (unaudited unconsolidated) profit which is almost 5 times more than for the last year. EBITDA (unaudited unconsolidated) for 2012 exceeded LTL 13 million, which is 36 percent higher than for the last year.

This significant increase in turnover and EBITDA was reached due to successful export operations carried out by the Company. In 2012 AB "Snaigė" sold products to 33 European and Asian countries, export increased by 35 percent, and accounted for 97 percent of total company sales.

For achievements in the field of export AB "Snaigė" was recognized as "The Exporter of 2012" and awarded the prize of Lithuanian Chamber of Commerce, Industry and Crafts.

"It is quite difficult to compete with worldwide giants in the market for home appliances," – states the Managing Director G. Čeika. "However, the results of AB "Snaigė" in 2012 demonstrate that it is possible". According to G. Čeika the results are driven by several factors – high-quality products, successful marketing and sales policy, flexibility and reliability of the Company."

The success of AB "Snaigė" is in connection with the Company's interrelation with the Russian business group "Polair". First of all the Company obtained more confidence taking strategic decisions, such as development of "Snaigė" *Glassy*, premium design line of refrigerators, marketing campaign in Ukraine and Moldova, which has tremendous success in terms of sales volume and market share growth.

With the help of "Polair" the Company in 2012 produced and sold 4.9 thousand commercial refrigerators in Russian market. AB "Snaigė", being a part of "Polair" group, achieved tangible cost optimization on purchasing some raw materials and components.

"In 2012 the Company accomplished a lot by creating new products and improving the existing ones", – says G. Čeika. At the beginning of the year we improved refrigerators "Snaigė Ice Logic", implemented new technologies such as "Touch screen" electronic control, "Air Active", air circulation system, "0 °C Fresh Zone" section, presented several new models of freezers. These refrigerators received positive responses from the customers both in Lithuania and Western and Eastern Europe.

In 2012 AB "Snaigė" invested LTL 2 million to the development of new products and improvement of existing ones. Total investment of the Company reached LTL 3 million.

According to unaudited unconsolidated data AB "Snaigė" reached LTL 148.4 million of unaudited consolidated turnover and generated LTL 1 million of unaudited consolidated net profit in 2012.

5.4 Strategies and plans

- Recover the decreasing sales in Ukraine by increasing sales in Western, Baltic and Central Asia Markets;
- Strengthen the brand in core markets;
- Continue cost saving program;
- Increase competitive advantage by introducing new products and their new technological features;
- Develop profitable niche products and projects.

6 DISCLOSURE FORM CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>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.</p>	<p>YES</p>	<p>Company's business strategy is listed in the annual report, partly in the annual account, as well as in some press reports. The Company's published material events and announcements to investors also reflect the Company's policy.</p>
<p>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.</p>	<p>YES</p>	<p>The operational strategy of the Company is considered and approved by the Board of the Company; the strategy targets the need to ensure profitable performance with an ultimate view to increase the shareholders' equity. The compliance with the provisions of the Company's operational strategy is supervised by the Manager of the Company.</p>
<p>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.</p>	<p>NOT APPLICABLE</p>	<p>The Company has not formed the Supervisory Board.</p>
<p>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.</p>	<p>YES</p>	<p>The Company's management bodies seeking to ensure that all persons who are participating in the Company's activity or persons related with the Company's activity rights and interest will be respected. The Board of the Company monitors and assesses the activity of Company and the Company's Manager by analyzing the financial statement submitted by the Company's Manager, also the organization of the activities, data on the changes in equity.</p>
<p>Principle II: The corporate governance framework</p> <p>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.</p>		
<p>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.</p>	<p>Yes</p>	<p>The collegial management body – the board is elected by shareholders. Upon the decision of the shareholders since May 2006 the Supervisory Board is not formed.</p>

<p>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.</p>	<p>YES</p>	<p>The Board of the Company is responsible for the formation of the Company's operational strategy, organization of the enforcement thereof, the representation and the protection of the shareholder's interest.</p>
<p>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.</p>	<p>NO</p>	<p>The Board is formed in the Company (upon the shareholders' decision of May 2006).</p>
<p>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.¹</p>	<p>YES</p>	<p>These principles apply to the Board to the extent they do not contradict the essence and the purpose of the Board.</p>
<p>2.5. 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.²</p>	<p>YES</p>	<p>In the Company's article of association fixed six Members of the Board and on the opinion of the shareholders this is sufficient.</p>
<p>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.</p>	<p>NOT APPLICABLE</p>	<p>Upon the decision of the shareholders since May 2006 the Supervisory Board is not formed.</p>

¹Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

² Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

<p>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 depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>YES</p>	<p>The Chairman of the Company's Board is not and never was the manager of the Company.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p>		
<p>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</p>		
<p>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 fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>YES</p>	<p>The collegial management body – the Board is elected in the general meeting of shareholders according to the laws of the Republic of Lithuania. Besides the candidates to the Members of the Board introduce themselves to the shareholders, providing information of the positions they hold in other companies and their professional qualifications.</p>
<p>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.</p>	<p>YES</p>	<p>The Shareholders at a General Shareholders' Meeting (when Board members are elected) are introduced with work experience, education, the other important information of the candidates for the Board which company gets about Board members.</p>
<p>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.</p>	<p>YES</p>	<p>As candidates for the Board members introduce themselves for the shareholders, the shareholders while electing the board members have the opportunity to decide about the candidates competence and suitability to represent shareholders interests. In the Company's annual report the competency (education, work experience, work positions) of board chairman and the composition of the board is published.</p>

³ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined 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. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>YES</p>	<p>The Company's board and Audit Committee members have sufficiency of experience and skills, sufficiency of knowledge to perform their duties appropriately. Shareholders decision to elect them as the board of directors or audit committee members is made after their readiness and competence is evaluated.</p>
<p>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.</p>	<p>YES</p>	<p>The Company makes opportunity for the Company's Board members to take a look to the Company's activity, thus newly elected members of the Board is provided a sufficiency of knowledge and information. Board members' skills and knowledge are constantly updated while they perform their functions, during Board meetings or individually.</p>
<p>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 sufficient⁴ number of independent⁵ members.</p>	<p>NO</p>	<p>Until now the independence of the Members of the Board has not been assessed, and the contents of the concept of "adequacy" of the independent members of the Board have not been discussed. The Company has not taken any decision concerning the implementation of these provisions in the future.</p>

⁴ The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

⁵ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the 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 dependant 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:</p> <ol style="list-style-type: none"> 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); 	<p>NO</p>	<p>Until now the independence of the Members of the Board has not been assessed, and the contents of the concept of "adequacy" of the independent members of the Board have not been discussed. The Company has not taken any decision concerning the implementation of these provisions in the future.</p>
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<p>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;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>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;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>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.</p>		
<p>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.</p>	<p>NO</p>	<p>The Board has not defined the concept of independence.</p>
<p>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.</p>	<p>NO</p>	<p>Such practice does not exist.</p>

<p>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.</p>	<p>NO</p>	<p>Such practice does not exist.</p>
<p>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.⁶ The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>NOT APPLICABLE</p>	<p>The remuneration to members of collegial body was approved by shareholders during ordinary meeting in 2012, but such practice has not been applied yet.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>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 monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>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.⁸</p>	<p>YES</p>	<p>These functions are performed by the Board elected by the general meeting of shareholders. The Board shall approve and submit to the general meeting of shareholders the annual report on the activities of the Company, financial statements, evaluate the results of the business activities of the Company and assess the performance of the Manager of the Company.</p>

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the only form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

⁷ See Footnote 3.

⁸ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>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).</p>	<p>YES</p>	<p>In performing their duties the members of the Board are guided by the interests of the Company and act for the benefit of Shareholders.</p>
<p>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 half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>YES</p>	<p>Members of the Board act in accordance with the Rules of Procedure of the Board and allocate sufficient time for the performance of their duties.</p>
<p>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 committing to shareholders.</p>	<p>YES</p>	<p>There haven't been any cases of the conflict of interests between the shareholders and the Board. The Board seeks to act fairly. The Company has put in place the procedure of the provision of information to the shareholders in accordance with the Law on Companies, and this has been provided in the Articles of Association of the Company.</p>
<p>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.</p>	<p>Yes</p>	<p>The Company's management bodies conclude and approve transactions according to the legislative requirements of the Republic of Lithuania and the Articles of Association of the Company.</p>

⁹ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

<p>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 bodies¹⁰. 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. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>YES</p>	<p>Since the collegial management body – the Board is elected by the general meeting of shareholders, in its decision making function the Board is independent from the manager of the Company. The Company's management ensures that the collegial body and its committees will be provided with sufficient resources to carry out their duties.</p>
<p>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 committees¹¹. 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.</p>	<p>YES</p>	<p>The Audit Committee was elected in 2009. The Company's directors nomination and remuneration committees are not formed. The functions pointed in this item still are implemented by the Board within its jurisdiction.</p> <p>If the shareholders adopt the decision to establish such committees or it is required by the laws of the Republic of Lithuania, the committees would be established.</p>

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

¹¹The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

<p>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 exercise independent judgement and integrity when exercising its functions as well as 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.</p>	<p>YES</p>	<p>The Company's collegiate bodies are independent and make self-contained decisions not influenced by any conflicts of interest and remain fully responsible for decisions which are awarded in limits of their competence.</p>
<p>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. 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.</p>	<p>YES</p>	<p>The Company has no remuneration committee. The Audit Committee consists of three members.</p>
<p>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.</p>	<p>NO</p>	<p>The practice of committees is being formed.</p>

<p>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.</p>	<p>NO</p>	<p>The practice of committees is being formed.</p>
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • 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 on 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; • 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; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>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.</p>	<p>NOT APPLICABLE</p>	<p>Not formed (explanation in Clause 4.7.).</p>

<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • 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; • 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; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • 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); • 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. <p>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:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • 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. 	<p>NOT APPLICABLE</p>	<p>Not formed (explanation in Clause 4.7.).</p>
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<p>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.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • 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); • 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; • 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 should be reviewed at least annually; • 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; • 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 	<p>YES</p>	<p>The Company's Audit committee was elected in 2009 and re-elected in 2012. The Audit Committee's main operational functions are:</p> <ol style="list-style-type: none"> 1) make recommendations for the Board of the Company related with the external audit firm selection, its imposing, reappointment and removal and conditions of the contract with the audit company; 2) monitor the external audit process; 3) monitor how the external auditor and audit firm are following the principles of independence and objectivity; 4) monitor the Company's financial reporting process; 5) pursue other acts of the Republic of Lithuania and Governance Code for the companies listed on NASDAQ OMX Vilnius <p>These functions were provided by the Audit Committee regulations.</p>

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;

- 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. 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.

<p>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.</p>	<p>NO</p>	<p>The practice of committees is being formed.</p>
<p>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.</p>		
<p>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.</p>	<p>YES</p>	<p>The chairman of board ensures proper convocation and organization of the board meetings. The notice on the general meeting to be convened is sent to members of the board according to the regulations of the board.</p>
<p>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 month¹².</p>	<p>YES</p>	<p>Board meetings are called at appropriate intervals to ensure continuity of essential corporate governance issues. For urgent issues, extraordinary meetings are convened.</p>

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

<p>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.</p>	<p>YES</p>	<p>Agenda and all materials required according to the agenda shall be sent to the Members of the Board by electronic mail in advance; normally the agenda is not changed during meetings unless it is a necessity to solve additional issues.</p>
<p>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-ordinating 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.</p>	<p>NOT APPLICABLE</p>	<p>The Supervisory Board is not formed.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights.</p> <p>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.</p>		
<p>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.</p>	<p>YES</p>	<p>The capital of the Company is made up of shares conferring to the holders thereof equal voting and ownership rights, and the right to receive dividends.</p>
<p>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.</p>	<p>YES</p>	<p>The Company provides its investors information about the rights conferred by the newly issued shares by making a public announcement to this effect.</p>
<p>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.¹³All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>YES</p>	<p>The Shareholders of the Company approve transactions the approving of which is provided according to Law on Companies of the Republic of Lithuania and the Articles of Association. The Board of the Company passes other important decisions.</p>

¹³ The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>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.</p>	<p>YES</p>	<p>Information about shareholders' meetings is published in the way required by the Law. Shareholders' meetings convened at the Company's residence or at Company's office in Vilnius.</p>
<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages 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 Lithuanian, 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.</p>	<p>YES</p>	<p>All information about the Board meeting, the proposed drafts of decisions, and the taken decisions is hosted in the company's website in the Lithuanian and English languages.</p>
<p>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.</p>	<p>YES</p>	<p>The shareholders of the Company may exercise their rights individually in person, via their proxies or by voting in writing in advance. The Company confers to its shareholders the rights provided for by the Law on Companies of the Republic of Lithuania.</p>
<p>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 by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>NO</p>	<p>The Company does not have the technical potential.</p>
<p>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.</p>		

<p>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 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.</p>	<p>YES</p>	<p>Members of the Company's management body are trying to follow the recommendations listed in this article, but there are no regulations about such reports and information in the Company.</p>
<p>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.</p>	<p>YES</p>	<p>Members of the Company's management body are trying to follow the recommendations listed in this article, but there are no regulations about such reports and information in the Company.</p>
<p>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 orally, 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.</p>	<p>YES</p>	<p>Members of the Company's management body are trying to follow the recommendations listed in this article, but there are no regulations about such reports and information in the Company.</p>
<p>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.</p>	<p>YES</p>	<p>Members of the Company's management body are trying to follow the recommendations listed in this article.</p>
<p>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.</p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	<p>NO</p>	<p>There is no practice to publish the full report about the Company's remuneration policy on the Company's website. Questions about the Code recommended remuneration and benefits policy are planned to be discussed in the future. Brief information about the benefits for the Company's management bodies and senior management is available in the legislation.</p>

<p>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.</p>	<p>NO</p>	<p>The reasons are shown in Clause 8.1.</p>
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information. 	<p>NO</p>	<p>The reasons are shown in Clause 8.1.</p>
<p>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.</p>	<p>NO</p>	<p>The reasons are shown in Clause 8.1. This information will be possible to publish, except part of the information considered to constitute a commercial secret of the Company.</p>

<p>8.5. 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 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • 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; • The remuneration and advantages received from any undertaking belonging to the same group; • 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; • 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; • 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; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • 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; • 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; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • 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. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial</p>	<p>NO</p>	<p>The reasons are shown in Clause 8.1. This information will be possible to publish, except part of the information considered to constitute a commercial secret of the Company.</p>
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year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	NO	The reasons are shown in Clause 8.1.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	NO	The reasons are shown in Clause 8.1.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	NO	The reasons are shown in Clause 8.1.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	NO	The reasons are shown in Clause 8.1.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	NO	The reasons are shown in Clause 8.1.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	NO	The reasons are shown in Clause 8.1.
8.12. 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	The reasons are shown in Clause 8.1.
8.13. Shares should not vest for at least three years after their award.	NO	The reasons are shown in Clause 8.1.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the	NO	The reasons are shown in Clause 8.1.

basis of share price movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	NO	The reasons are shown in Clause 8.1.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	NO	The reasons are shown in Clause 8.1.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	NO	The reasons are shown in Clause 8.1.
8.18. 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	The reasons are shown in Clause 8.1.
8.19. 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 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.	NO	The Company does not practice the remuneration of directors in the form of shares or options.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • 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	No such practice is being enforced in the Company.
8.21. 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	NO	No such practice is being enforced in the Company.

exercise price is determined, should also be subject to the shareholders' approval.		
8.22. Provisions of Articles 8.19 and 8.20 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	No such practice is being enforced in the Company.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, 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 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.	NO	No such practice is being enforced in the Company.
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>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.</p>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	The management bodies of the Company respect and seek to ensure the rights of all interest holders and to an extent possible, take their opinion into account.
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	Interest holders are authorised to participate in the management of the Company and in the process of taking the decisions relevant to the Company as this is provided according to the Law of the Republic of Lithuania and when the participation of employees helps to make important Company's decisions.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information	YES	These requirements are complied with to the extent required by the laws of the Republic of Lithuania.
<p>Principle X: Information disclosure and transparency</p> <p>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.</p>		

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>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.</p>	<p>YES</p>	<p>The Company discloses the relevant information as required by the legislation of the Republic of Lithuania, in the established manner, to Lietuvos bankas, Vilnius NASDAQ OMX Vilnius Stock Exchange and the daily "Kauno diena".</p>
<p>10.2. It is recommended to the company, which is the parent of other companies, 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.</p>	<p>YES</p>	<p>The Company follows this principle.</p>
<p>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.</p>	<p>YES</p>	<p>The Company discloses that information which is known to the Company and could be disclosed without infringement of confidentiality.</p>
<p>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.</p>	<p>NO</p>	<p>The Company does not apply such practise.</p>

<p>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 Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>YES</p>	<p>The Company ensures the accuracy and expedition of the given information.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge 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.</p>	<p>YES</p>	<p>The Company ensures compliance with these requirements, the information is announced in Lithuanian and English.</p>
<p>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.</p>	<p>YES</p>	<p>The Company ensures compliance with these requirements.</p>
<p>Principle XI: The selection of the company's auditor</p>		
<p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements</p>	<p>YES</p>	<p>The recommendation is being followed partly, because an independent audit firm does not review interim reports of the Company.</p>
<p>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.</p>	<p>YES</p>	<p>The audit firm is proposed to the general meeting of shareholders by the Board of the Company.</p>
<p>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.</p>	<p>YES</p>	<p>The information is usually disclosed to shareholders, it is available for the Company's board.</p>

Sincerely,

Gediminas Čeika

Managing Director of AB "Snaigė"

