SNAIGĖ, AB

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we Gediminas Čeika, Managing Director of Snaige, AB and Mindaugas Sologubas, Finance Director of Snaige, AB hereby confirm that, to the best of our knowledge, the not audited Snaige AB interim Consolidated Financial Statements for the period of 2014 year, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, correctly reflects the reality and fairly shows issuer's assets, liabilities, financial position, profit or loss and cash flows of Snaige, AB.

Gediminas Čeika
Managing Director

Mindaugas Sologubas
Finance Director

February 27, 2015

AB SNAIGĖ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2014 (UNAUDITED)

CONTENTS

I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the twelve months of 2014.

2. The basic data about the issuer

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

Authorised capital – LTL 39,622,395

Address - Pramonės str. 6, LT-62175 Alytus

Phone - (+370-315) 56 206

Fax - (+370-315) 56 207

E-mail – snaige@snaige.lt

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

Legal organisation status – legal entity, public limited company

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

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

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

The mass media – daily paper „Kauno diena".

Statement of comprehensive income

Ref. No.	ITEMS	31 12 2014	01 10 2014 31 12 2014	31 12 2013	01 10 2013 31 12 2013
I.	**SALES AND SERVICES**	**145,422,494**	**30,426,627**	**173,949,467**	**33,819,136**
I.1	Income of goods and other products sold	23,613,598	3,613,186	33,676,312	5,418,227
I.2	Income of refrigerators sold	121,808,896	26,813,441	140,273,155	28,400,909
II.	**COST OF GOODS SOLD AND SERVICES RENDERED**	**123,574,216**	**26,505,118**	**145,105,269**	**31,828,421**
II.1	Net cost of goods and other products sold	8,722,019	1,971,783	14,688,157	4,999,499
II.2	Net cost of refrigerators sold	114,852,197	24,533,335	130,417,112	26,828,922
III.	**GROSS PROFIT**	**21,848,278**	**3,921,509**	**28,844,198**	**1,990,715**
IV.	**OPERATING EXPENSES**	**23,754,098**	**7,376,726**	**24,147,788**	**3,456,303**
IV.1	Sales expenses	11,778,337	1,849,943	12,417,746	1,963,944
IV.2	General and administrative expenses	11,975,761	5,526,783	11,730,042	1,492,359
V.	**PROFIT (LOSS) FROM OPERATIONS**	**(1,905,820)**	**(3,455,217)**	**4,696,410**	**(1,465,588)**
VI.	**OTHER ACTIVITY**	**161,085**	**26,748**	**(11,740,786)**	**(12,109,209)**
VI.1.	Income	566,300	137,726	2,269,234	1,693,948
VI.2.	Expenses	405,215	110,978	14,010,020	13,803,157
VII.	**FINANCIAL AND INVESTING ACTIVITIES**	**(503,737)**	**(83,918)**	**(1,590,655)**	**(396,904)**
VII.1.	Income	1,888,158	558,986	811,811	267,985
VII.2.	Expenses	2,391,895	642,904	2,402,466	664,889
VIII.	**PROFIT (LOSS) FROM ORDINARY ACTIVITIES**	**(2,248,472)**	**(3,512,387)**	**(8,635,031)**	**(13,971,701)**
IX.	EXTRAORDINARY GAIN				
X.	EXTRAORDINARY LOSS				
XI.	**CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES**	**(2,248,472)**	**(3,512,387)**	**(8,635,031)**	**(13,971,701)**
XII.	**TAXES**	**357,760**	**350,933**	**175,616**	**174,944**
XII.1	PROFIT TAX	74,863	68,241	49,029	48,357
XIII.	Adjustment of deferred profit tax	282,897	282,692	126,587	126,587
XIV.	Social tax				
XV.	MINORITY INTEREST	470	470	159	159
XVI.	**NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS)**	**(2,605,762)**	**(3,862,850)**	**(8,810,488)**	**(14,146,486)**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

Statement of financial position

Ref. No.	ASSETS	Notes	31 12 2014	31 12 2013
A.	**Non-current assets**		**60,595,086**	**56,014,391**
I.	**INTANGIBLE ASSETS**	10	**5,499,415**	**5,356,729**
II	**TANGIBLE ASSETS**	11	**23,395,267**	**25,480,756**
II.1.	Land			
II.2.	Buildings		8,323,769	8,821,107
II.3.	Other non-current tangible assets		1,4356,251	14,737,068
II.4.	Construction in progress and advance payments		715,247	1,922,581
III.	**INVESTMENT PROPERTY**			
IV.	**NON-CURRENT FINANCIAL ASSETS**		**31,700,404**	**25,176,906**
IV.1	Deferred taxes assets		590,280	873,177
IV.2	Other non-current assets		31,110,124	24,303,729
V.	Amounts receivable after one year			
VI.	**Assets classified as held for sale**			
B.	**Current assets**		**46,584,086**	**47,096,807**
I.	INVENTORY AND CONTRACTS IN PROGRESS		18,004,106	17,227,486
I.1.	Inventory	12	18,004,106	17,227,486
I.2.	Advance payments			
I.3.	Contracts in progress			
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR		22,349,053	25,838,627
III.	INVESTMENTS AND TERM DEPOSITS			
IV.	CASH AT BANK AND ON HAND	15	4,220,199	2,388,185
V.	Other current assets		2,010,728	1,642,509
	Planned to sell non-current assets			
C.	**Accrued income and prepaid expenses**			
	TOTAL ASSETS		**107,179,172**	**103,111,198**

(continued on the next page)

Ref. No.	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 12 2014	31 12 2013
A.	**Capital and reserves**		**30,171,028**	**32,852,519**
I.	SHARE CAPITAL		**39,622,395**	**45,321,051**
I.1.	Authorized (subscribed) share capital		39,622,395	39,622,395
I.2.	Uncalled share capital (-)			
I.3.	Share premium (surplus of nominal value)			5,698,656
	Own shares (-)			
III.	REVALUATION RESERVE		(126,010)	(50,281)
IV.	RESERVES	17	3,112,460	8,082,210
V.	PROFIT (LOSS) BROUGHT FORWARD		(12,437,817)	(20,500,461)
	Current Profit (Loss)		(2,605,762)	(8,810,488)
	The previous year Profit (Loss)		(9,832,055)	(11,689,973)
B.	**Minority interest**		**1,221**	**1,691**
D.	**Provisions and deferred taxes**			
I.	PROVISIONS FOR COVERING LIABILITIES AND DEMANDS			
II.	DEFERRED TAXES			
E.	**Accounts payable and liabilities**		**77,006,923**	**70,256,988**
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-		38,174,622	24,565,280
C	**Financing (grants and subsidies)**		598,058	643,509
I.1.	Financial debts	20	36,257,853	22,558,292
I.2.	Warranty provisions		787,822	924,922
I.3.	Deferred income tax liability			
I.4.	Advances received on contracts in progress			
I.5.	Non-current employee benefits		530,889	438,557
I.6.	Non-current liabilities to suppliers			
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT		38,832,301	45,691,708
II.1.	Current portion of non-current debts		12,038,351	20,601,708
II.2.	Financial debts			
II.3.	Trade creditors		22,148,688	19,266,960
II.4.	Advances received on contracts in progress		593,286	550,234
II.5.	Taxes, remuneration and social security payable	23	2,132,384	3,549,247
II.6.	Warranty provisions		1,493,856	1,586,677
II.7.	Other provisions			
II.8.	Other current liabilities		425,736	136,882
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**107,179,172**	**103,111,198**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

Statement of cash flow

Ref. No.		31 12 2014	31 12 2013
I.	**Cash flows from the key operations**		
I.1	Result before taxes	(2,605,762)	(8,810,488)
I.2	Depreciation and amortization expenses	5,990,391	6,915,431
I.3	Subsidies amortization	(87,785)	(91,313)
I.4	Result of sold non-current assets	(20,180)	13,752,603
I.5	Write-off of non-current assets	87	648,737
I.6	Write-off of inventories		316
I.7	Depreciation of receivables		
I.8	Other provisions	260,913	366,644
I.9	Change in provision for guarantee repair	(229,921)	204,594
I.10	Recovery of devaluation of trade receivables (correction)		158,237
I.11	Influence of foreign currency exchange rate change	(209,150)	106,702
I.12	Financial income (interest income)	(1,656,905)	(804,100)
I.13	Financial expenses (interest expenses)	2,369,790	2,288,053
	Cash flows from the key operations until decrease (increase) in working capital	**3,811,478**	**14,735,416**
II.1	Decrease (increase) in receivables and other liabilities	3,505,405	126,482
II.2	Decrease (increase) in inventories	(781,088)	(1,744,802)
II.3	Decrease (increase) in trade and other debts to suppliers	3,142,393	(6,033,841)
	Cash flows from the main activities	**9,678,188**	**7,083,255**
III.1	Other cash income		
III.2	Interest paid	(2,359,871)	(2,569,911)
III.3	Profit tax paid		
	Net cash flows from the key operations	**7,318,317**	**4,513,344**

IV.	**Cash flows from the investing activities**		
IV.1	Acquisition of tangible non-current assets	(4,080,805)	(4,187,831)
IV.2	Capitalization of intangible non-current assets	(1,083,414)	(1,115,823)
IV.3	Sales of non-current assets	57,208	9,400,565
IV.4	Loans granted	(7,289,650)	(16,591,314)
IV.5	Loan repayments	1,726,400	
IV.6	Interest received	5,420	3,451
	Net cash flows from the investing activities	**(10,664,841)**	**(12,490,952)**

(continued on the next page)

III.	**Cash flows from the financial activities**	5,178,538	8,749,958
III.1	Cash flows related to the shareholders of the company		
III.1.1	Issue of shares		
III.1.2	Shareholders' contributions for covering losses		
III.1.3	Sale of own shares		
III.1.4	Payment of dividends		
III.2	Cash flows arising from other financing sources		
III.2.1	Subsidies received	42,334	
III.2.1.1	Inflows from non-current loans	9,667,840	43,160,000
III.2.1.2	Loans repaid	(4,531,636)	(27,110,042)
III.2.2	Finance lease received		
III.2.2.1	Payments of leasing (finance lease) liabilities		
III.3	Other decreases in the cash flows from financial activities		
III.4.	Redemption of issued securities		(7,300,000)
	Net cash flows from the financial activities	**5,178,538**	**8,749,958**

IV.	**Cash flows from extraordinary items**		
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
V.	**The influence of exchange rates adjustments on the balance of cash and cash equivalents**		
VI.	**Net increase (decrease) in cash flows**	**1,832,014**	**772,350**
VII.	**Cash and cash equivalents at the beginning of period**	**2,388,185**	**1,615,835**
VIII.	**Cash and cash equivalents at the end of period**	**4,220,199**	**2,388,185**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

Statement of changes in equity

	Paid up authorised capital	Share premium	Own shares (-)	Legal reserves		Other reserves			Retained earnings (losses)	TOTAL	Minority shareholders	TOTAL
				Compulsory	For acquiring own shares	For social needs	For investments	Currency exchange reserve				
Balance as of December 31, 2012	**39,622,395**	**5,698,656**	**0**	**2,883,920**		**30,000**	**2,211,915**	**(3,773,726)**	**(8,733,598)**	**37,939,562**	**1,850**	**37,941,412**
Total registered income and expenses as of 2013									(8,810,488)	**(8,810,488)**	**(159)**	**(8,810,647)**
Formed reserves				189,290		30,000	4,979,000		(5,198,290)	**0**	**0**	**0**
Transfers from reserves						(30,000)	(2,211,915)		2,241,915	**0**	**0**	**0**
Other changes								3,723,445		**3,723,445**		**3,723,445**
Balance as of December 31, 2013	**39,622,395**	**5,698,656**	**0**	**3,073,210**	**0**	**30,000**	**4,979,000**	**(50,281)**	**(20,500,461)**	**32,852,519**	**1,691**	**32,854,210**
Total registered income and expenses as of 2014									(2,605,762)	**(2,605,762)**	**(470)**	**(2,606,232)**
Formed reserves				39,250					(39,250)			
Other changes								(75,729)		**(75,729)**		**(75,729)**
Loos cover		(5,698,656)				(30,000)	(4,979,000)		10,707,656	**0**		**0**
Balance as of December 31, 2014	**39,622,395**	**0**	**0**	**3,112,460**	**0**	**0**	**0**	**(126,010)**	**(12,437,817)**	**30,171,028**	**1,221**	**30,172,249**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

EXPLANATORY NOTES

1 Basic information

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

Pramonės str. 6,
Alytus,
Lithuania.

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

Main shareholders of AB Snaigė as on December 31, 2014 and December 31, 2013 were:

	December 31, 2014		December 31, 2013	
	Number of shares owned	**Share of total capital, %**	**Number of shares owned**	**Share of total capital, %**
VAIDANA UAB	36,096,193*	91.10%	36,096,193*	91.10%
Other shareholders	3,526,202	8.90%	3,526,202	8.90%
Total	**39,622,395**	**100%**	**39,622,395**	**100%**

*Out of this amount 4,584,408 units shares UAB Vaidana mortgage to bank, under a pledge agreement, to ensure financial obligations.

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as of 31 December 2014 and 31 December 2013. The Company did not hold its own shares.

As at 31 December 2014 UAB Vaidana was ultimately owned by Tetal Global Ltd. (intermediate shareholders are Furuchi Enterprises Ltd and Hymana Holdings Ltd.).

The Group consisted of AB Snaige and the followings subsidiaries as of 31 December 2014 (hereinafter – "the Group"):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
TOB Snaige Ukraina	Ukraine	99%	34,220	61,824
UAB Almecha	Lithuania	100%	(15,806)	1,250 548

The Board of the Company must consist of 6 members; however, only 5 members represented the Board as at 31 December 2014, including 2 representatives of OAO Polair and 3 independent representatives (as at 31 December 2013, the Board consisted of 5 members, 3 representatives of OAO Polair and 2 independent representatives).

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

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

As of 31 December 2014 the number of employees of the Group was 722 (as of 31 December 2013 – 746).

2 Accounting principles

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

2.1. Basis of preparation

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

These financial statements are prepared on the historical cost basis.

2.2. Going concern

The Group's current assets exceeded current liabilities by LTL 7,752 thousand of 31 December 2014 (whereas in the year 2013, December 31st LTL 1,405 thousand).

- liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 1.2 (1.03 in 31 December 2013),
- quick ratio ((total current assets – inventories) / total current liabilities) – 0.74 (in 31 December 2013 0.65),
- the Group suffered LTL 2,248 thousand loss before tax (in 2013 incurred LTL 8,635 thousand loss before tax),
- commitment ratios: the ratio of debt/asset was 0.72 (whereas in the year 2013, December 31st 0.68).

These financial statements for the year 2014 have been prepared based on the assumption that the Group will be able to continue as a going concern for at least 12 months.

The Company's direction assurances, that the Company will have enough resources to continue operating in the near future. Therefore, the Group has to adopt the going concern basis of accounting in preparing these financial statements.

2.3. Currency of financial statement

The Group's financial statements are presented in local currency of the Republic of Lithuania, litas (LTL), which is the Company's functional and the Group's and 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 TOB Snaige Ukraina is 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 recognized in the shareholder/s equity caption relating to that particular foreign operation is transferred to the statement of comprehensive income.

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

The applicable exchange rates of the functional currencies as at the 31 December 2014 and 2013 were as follows:

	31 12 2014	**31 12 2013**
RUB	0.0502	0.0767
UAH	0.1794	0.3046
USD	2.8387	2.5098

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 period, 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.

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

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

2.5. Intangible assets, except for goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the 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).

<u>Research and development</u>

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.

<u>Licenses</u>

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

<u>Software</u>

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.

2.6. Tangible non-current assets

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

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

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

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

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

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

2.7. Non-current assets held for sale

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

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

2.8. Inventories

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

2.9. Receivables and loans granted

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

2.10. Cash and cash equivalents

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

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

2.11. Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised as of 31 December 2014 and 31 December 2013.

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

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

2.12. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into. Subsequent to initial recognition and measurement, outstanding derivatives are carried in the statement of financial position at the fair value. Fair value is determined using the discounted cash flow method applying the effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. The Group had no derivative contracts outstanding as of 31 December 2014 and 31 December 2013.

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

2.13. Factoring

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

2.14. Financial lease and operating lease

<u>Finance lease – the Group as lessee</u>

The Group recognises finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the nominal interest rate of finance lease payment, when it is possible to determine it, in other cases, Group's composite interest rate on borrowings is applied. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.
Direct expenses incurred by the lessee during the lease period are included in the value of the leased asset.
The depreciation is accounted for finance lease assets and it also gives rise to financial expenses in the statement of comprehensive income for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets cannot be depreciated over the period longer than the lease term, unless the Group according to the lease contract, gets transferred their ownership after the lease term is over.
If the result of sales and lease back transactions is finance lease, any profit from sales exceeding the book value is not recognised as income immediately. It is deferred and amortised over the finance lease term.

<u>Operating lease – the Group as lessee</u>

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

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

2.15. Grants and subsidies

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

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

2.16. Provisions

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

2.17. Non-current employee benefits

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

2.18. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.
Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.
Revenue from services is recognized on accrual basis when services are rendered and are stated in the statement of comprehensive income.
In these consolidated financial statements intercompany sales are eliminated.

2.19. Impairment of assets

<u>Financial assets</u>

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

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

<u>Other assets</u>

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

2.20. Subsequent events

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

2.21. Offsetting and comparative figures

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

3 Segment information

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

Information for the reporting period 31 December 2014 and 31 December 2013 with respect to geographical location of the Group's sales and assets (in LTL thousand) is presented below:

Group	**Total segment sales revenue**		**Inter-segment sales**		**Sales revenue**		**Total assets by its location ***	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Russia	2,291	7,299	-	(669)	2,291	6,630	31,737	1,946
Ukraine	18,658	56,280	-	-	18,658	56,280	1,990	9,177
Western Europe	49,825	45,904	-	-	49,825	45,904	7,683	7,049
Eastern Europe	29,480	21,978	-	-	29,480	21,978	4,208	3,158
Lithuania	27,928	30,747	(14,026)	(16,439)	13,902	14,308	55,298	79,008
Other CIS countries	28,174	26,028	-	-	28,174	26,028	6,169	2,559
Other Baltic states	2,912	2,724	-	-	2,912	2,724	94	215
Other countries	180	97	-	-	180	97	-	
Total	**159,448**	**191,057**	**(14,026)**	**(17,108)**	**145,422**	**173,949**	**107,179**	**103,112**

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

In 2014 the sales to the five largest buyers comprised 50.6 % of total sales, including: Sayxun Baraka (Uzbekistan) 15%, Conforama 13 %, Amica Wronki 10.9 %, Severin 8.1 %, J. M. Trade internacional 3.6%, (in 2013 – 32.8 %, including: SAV-DISTRIBUTION LLC 6.5 %, Conforama 8.4 %, OOO Favorit Comfort Trading (Uzbekistan) 4.8%, Amica Wronki 7.5%, Severin 5.6%).

4 Cost of refrigerators and freezers sales

	31 12 2014	**31 12 2013**
		(in LTL thousand)
Raw materials	91,852	110,992
Salaries and wages	9,320	10,997
Depreciation and amortisation	3,277	3,686
Other indirect costs	19,125	19,430
Total:	**123,574**	**145,105**

5 Other income

	31 12 2014	**31 12 2013**
Income from transportation services	358,391	290,758
Income from rent of premises	42,411	1,867,724
Gain on disposal of property, plant and equipment	18,572	108
Income from rent of equipment	954	1,676
Other	145,972	108,968
Total:	**566,300**	**2,269,234**

6 Operating expenses

	31 12 2014	**31 12 2013**
Selling expenses	11,778,337	12,417,746
General and administrative expenses	11,975,761	11,730,042
	23,754,098	**24,147,788**

7 Other operating expenses

	31 12 2014	31 12 2013
Transportation expenses	337,202	217,313
Expenses from rent of equipment	-	650
Gain on disposal of property, plant and equipment	-	13,752,711
Other	68,013	39,346
	405,215	**14,010,020**

8 Financial income

	31 12 2014	31 12 2013
Foreign currency exchange gain	202,207	7,616
Interest income and other	1,685,951	804,195
	1,888,158	**811,811**

9 Financial expenses

	31 12 2014	31 12 2013
Interest expenses	2,369,790	2,288,053
Foreign currency exchange loss, net	-	40,558
Realized loss on foreign currency derivatives	-	-
Loss of foreign currency translation transactions	22,075	-
Other	30	73,855
	2,391,895	**2,402,466**

10 Intangible assets

	Balance sheet value	
	31 12 2014	**31 12 2013**
Development costs	5,104,687	5,233,790
Software, license	208,321	72,463
Other intangible assets	186,407	50,476
Total:	**5,499,415**	**5,356,729**

Non-current intangible assets depreciation expenses are included under operating expenses in the profit (loss) account.

Over 2014, the Group has accumulated LTL 1,077 thousand (2013 - LTL 894 thousand) of intangible assets depreciation.

Part of non-current intangible assets of the Group with the acquisition value of LTL 9,754 thousand as at 31 December 2014 was fully amortised (LTL 8,059 thousand as at 31 December 2013) but was still in use.

11 Non-current tangible assets

	Balance sheet value	
	31 12 2014	**31 12 2013**
Land and buildings	8,323,769	8,821,107
Machinery and equipment	11,872,609	12,318,999
Vehicles and other property	2,483,642	2,418,069
Construction in progress and prepayments	715,247	1,922,581
Total:	**23,395,267**	**25,480,756**

The depreciation charge of the Group's property, plant and equipment and investment property on 31 December, 2014 amounts to LTL 4,914 thousand (LTL 5,382 thousand for 2013). The amount of LTL 4,571 thousand for 2014 (LTL 4,853 thousand for 2013) was included into production costs. The remaining amount of LTL 343 thousand (LTL 529 thousand for 2013) was included into administration expenses in the Group's statement of comprehensive income.

At 31 December 2014 buildings and investment properties with land lease right of the Group with the net book value of LTL 7,573 thousand, (as of 31 December 2013 – LTL 7,975 thousand) and machinery and equipment of the Group with the net book value of LTL 9,520 thousand (as of 31 December 2013 – LTL 8,273 thousand) were pledged to banks as a collateral for the loans (Note 20).

12 Inventories

	31 12 2014	**31 12 2013**
Raw materials, spare parts and production in progress	10.857.183	11,615,581
Finished goods	7.306.648	5,583,014
Other	233.348	417,496
Total inventories, gross	18.397.179	17,616,091
Less: valuation allowance for raw materials and production in progress	(390,044)	(388,605)
Less: valuation allowance for finished goods	(3,029)	-
Total inventories, net	**18,004,106**	**17,227,486**

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

At 31 December 2014 and at 31st of December 2013 the Grope and Company has no legal restrictions on inventories.

13 Trade receivables

	31 12 2014	**31 12 2013**
Receivables	25,859,667	26,122,807
Less: impairment allowance for doubtful receivables	(3,510,614)	(284,180)
	22,349,053	**25,838,627**

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

As at 31 December 2014 100% impairment was accounted trade receivables for 5 customers and for 2 from 40% to 67% of the Group in gross values of LTL 3,511 thousand (as at 31 December 2013 – LTL 284 thousand). Change in impairment allowance for receivables was accounted for within administrative expenses.

Trade receivables from the Group in the amount of LTL 11,377 thousand as at 31 December 2014 (LTL 11,041 thousand as at 31 December 2013) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch. Trade receivables from Ukraine, Moldova, Russia and other CIS countries are not insured.

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

	31 12 2014	31 12 2013
Balance at the beginning of the period	(284,180)	(11,597,545)
Charge for the year	(3,277,117)	(52,563)
Write-offs of trade receivables	-	11,359,205
Effect of the change in foreign currency exchange rate	45,899	6,723
Amounts paid	4,784	-
Balance in the end of the period	**(3,510,614)**	**(284,180)**

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

The ageing analysis of trade receivables as of 31 December 2014 and 31 December 2013 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired: Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2014	13,544,007	4,008,213	1,702,753	1,338,815	1,143,820	611,445	**22,349,053**
2013	15,051,939	5,710,230	1,558,112	872,200	1,413,081	1,233,065	**25,838,627**

As of 31 December 2014 the Group has signed factoring agreement with recourse, therefore no limitations on disposable assets been present.

14 Other current assets

	31 12 2014	31 12 2013
Prepayments and deferred expenses	131,262	439,177
VAT receivable	593,582	562,340
Compensations receivable from suppliers	-	1,297
Restricted cash	15,000	15,000
Granted loans	628,050	244,000
Other receivables	642,834	380,695
Less: valuation allowance for doubtful other receivables	-	-
	2,010,728	**1,642,509**

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

	31 12 2014	31 12 2013
Balance at the beginning of the period	-	(1,352,681)
Charge for the year	-	-
Effect of the change in foreign currency exchange rate	-	-
Amounts paid	-	-
Write off	-	1,352,681
Balance in the end of the period	-	-

15 Cash and cash equivalents

	31 12 2014	31 12 2013
Cash at bank	4,220,199	2,381,718
Cash on hand	-	6,467
	4,220,199	**2,388,185**

16 Share capital

According to the Law on Companies of the Republic of Lithuania the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As at 31 December 2014 the Company was in compliance with this requirement.

17 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2014 legal reserve was not fully formed yet.

As of 31 December 2014 the legal reserve amounted to LTL 3,112 thousand.

Non-restricted reserves

Other reserves are formed based on the decision of the General Shareholders' Meeting for special purposes. All distributable reserves before distributing the profit are transferred to retained earnings and redistributed annually under a decision of the shareholders.
The general meeting of the shareholders which was held on18 of April 2014 has approved the Company's management proposal non-distributed profit and reserve from share premium to allocate for covering of 2013 year loss (the remainder of not covered loss is LTL 10,767 thousand).

No funds were allocated for investments and for social and cultural needs.

Foreign currency translation reserve

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

Exchange differences are classified as equity in the consolidated financial statements until the disposal of the investment. Upon disposal of the corresponding investment, the cumulative translation reserve is transferred to retained result in the same period when the gain or loss on disposal is recognised.

18 Subsidies

Balance as at 1 January 2012	**10,703,880**
Received during the period	-
Balance as at 31 December 2012	10,703,880
Received during the period	-
Balance as at 31 December 2013	10,703,880
Received during the period	42,334
Balance as at 31 December 2014	**10,746,214**

Accumulated amortisation as at 1 January 2012	**9,769,747**
Amortisation during the period	199,311
Accumulated amortisation as at 31 December 2012	9,969,058
Amortisation during the period	91,313
Accumulated amortisation as at 31 December 2013	10,060,371
Amortisation during the period	87,785
Accumulated amortisation as at 31 December 2014	**10,148,156**
Carrying amount as at 31 December 2014	**598,058**
Carrying amount as at 31 December 2013	**643,509**

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.
- Increasing business productivity by investing in the production of commercial refrigerators bar. The subsidies were received from the European Structural Funds.

Subsidies are amortised over the same period as the machinery and other assets for which subsidies were designated when compensatory costs are incurred. The amortisation of subsidies is included in production cost against depreciation of machinery and reconstruction of buildings for which the subsidies were designated.

19 Provisions for guarantee related liabilities

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

Changes over the reporting period were:

	31 12 2014	31 12 2013
1 January,	2,511,599	2,307,005
Changes over reporting period (Note 6)	1,007,710	1,594,963
Used	(1,237,631)	(1,390,369)
Foreign currency exchange effect	-	-
	2,281,678	**2,511,599**

Warranty provisions are accounted for:	**31 12 2014**
- non- current	787,822
- current	1,493,856
	31 12 2013
-	
- non- current	924,922
- current	1,586,677

20 Borrowings

	31 12 2014	31 12 2013
Non-current borrowings		
Non-current borrowings with fixed interest rate	-	
Non-current borrowings with variable interest rate	36,257,853	22,558,292
Ordinary bonds	-	-
Interest on bonds	,-	,-
	36,257,853	**22,558,292**
Current borrowings		
Convertible bonds	-	-
Ordinary bonds	-	-
Current borrowings with fixed interest rate	-	-
Long-term loans of the current year	12,038,351	20,601,708
	12,038,351	**20,601,708**
Total	**48,296,204**	**43,160,000**

Borrowings with variable interest rate bear EURIBOR + 5.25 % annual interest rate and for factoring 1-month EURIBOR + 1.75%, as of 31 December 2014 (6-month EURIBOR + 4.25 to 5%, annual interest rate and for factoring 1-month EURIBOR + 1.75% as at 31 December 2013).

As of 31 December 2014 the Group's buildings with the carrying amount of LTL 7,573 thousand, including Company's buildings, with the carrying amount LTL 7,573 thousand (as of 31 December 2013 – LTL 7,975 thousand), the Group's machinery and equipment with the net book value of LTL 9,520 thousand, including Company's machinery and equipment with the net book value of LTL 9,520 thousand (as of 31 December 2013 – LTL 8,273 thousand) were pledged to the banks for the loans and guarantee provided.

Borrowings in national and foreign currencies:

	31 12 2014	31 12 2013
Borrowings denominated in:		
EUR	48,296,204	43,160,000
USD	-	-
LTL	-	-
RUB	-	-
	48,296,204	**43,160,000**

Repayment schedule for borrowings:

	Fixed interest rate	Variable interest rate
2015	-	12,038,351
2016 - 2017	-	15,592,845
2018	-	20,665,008
	-	**48,296,204**

21 Financial leasing

The Group has not financial lease payables on 31 December, 2014.

22 Operating lease

The Group have concluded several contracts of operaing lease of land and premises. The terms of lease do not include restrictions of the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. In 2014 the lease exzpenses of the Group amounted to LTL 320 thousand (in 2013 LTL 352 thousand).

Planned operaiting lease expenses of the Group in 2015 will be LTL 320 thousand.

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

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

23 Other current liabilities

	31 12 2014	31 12 2013
Salaries and related taxes	967,470	1,814,285
Vacation reserve	1,164,915	1,734,962
Accrued interest	69,586	59,667
Other taxes payable	174,144	112,385
Other payables and accrued expenses	182,005	(35,170)
	2,558,120	**3,686,129**

Terms and conditions of other payables:

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

24 Basic and diluted earnings (loss) per share

	31 12 2014	30 09 2013
Shares issued 1 January	39,622,395	39,622,395
Weighted average number of shares	-	-
Net result for the year, attributable to the parent company	(2,605,762)	(8,810,488)
Basic profit (loss) per share, in LTL	**(0.07)**	**(0.22)**

25 Risk and capital management

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 2014 and 2013, 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 2014 and 31 December 2013, the credit risk (thous.LTL) was related to:

	31 12 2014	**31 12 2013**
Loans receivable from related parties	31,738	24,550
Trade and other receivables	22,349	25,837
Cash and cash equivalents	4,220	2,388
	58,307	**52,775**

As at 31 December 2014 and 31 December 2013 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 refrigeratingequipment in Russia: its non-settlement risk is low.

The concentration of the Group's trade partners is not large. The largest credit risk related to trade receivables according to clients as at the reporting date and 31 December 2013 (in LTL thousand):

	2014	**%**	**2013**	**%**
Client 1	5,160	20	3,707	14
Client 2	4,069	16	2,120	8
Client 3	2,627	10	2,019	8
Client 4	2,055	8	1,783	7
Client 5	795	3	1,773	7
Client 6	745	3	-	-
Client 7	624	2	1,575	6
Other clients	9,785	38	13,146	50
Impairment	(3,511)		(284)	
	22,349	**100**	**25,839**	**100**

Trade receivables according to geographic regions (in LTL thousand):

	2014	**2013**
Western Europe	7,683	7,049
Ukraine	1,934	9,130
Lithuania	1,633	1,782
Eastern Europe	4,208	3,158
Other CIS countries	6,169	2,559
Other Baltic states	94	215
Russia	628	1,946
	22,349	**25,839**

In 2014, 12.53 % and 15.09 % the Group's sales were to Ukraine and Uzbekistan (in 2013, 33.68% and 11.75% sales respectively).

The Group's receivables from goods sold in Ukraine and Uzbekistan as at 31 December 2014 amounted to LTL 4,856 thousand and LTL 5,160 thousand (in 2013, LTL 9,130 thousand and LTL 1,943 thousand respectively).

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 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 2014, impairment allowance for receivables from goods sold LTL 3,273 thousand, including Ukraine LTL 2,922 thousand, Russia LTL 351 thousand (as at 31 December 2013, no impairment allowance for receivables from goods sold in Ukraine).

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 13.

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 11,377 thousand as at 31 December 2014 (LTL 11,041 thousand as at 31 December 2013) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch.
Trade receivables from Ukraine, Moldova, Russia and other CIS countries are not insured.

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

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

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

<u>Interest rate risk</u>

The Group's borrowings are subject to variable interest rates related to EURIBOR.

As at 31 December 2014 and 2013 the Group did not use any financial instruments to hedge against interest rate risk.

<u>Liquidity risk</u>

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

The Group seeks to maintain sufficient financing to meet the financial liabilities on time..

<u>Foreign exchange risk</u>

The Group significantly reduced income earned in USD. Revenue in dollars the Group is trying to balance with payments in same currency to avoid the loss on currency exchange.

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

<u>Capital management</u>

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

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

A company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 December 2014 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Group.

26 Commitments and contingencies

The General Meeting of shareholders of Snaige AB was held on 18 April 2014. At the meeting following resolutions were made:

- Approved the Company's financial statements for the year 2013.
- Approved the distribution of profit (loss): Non-distributed profit (loss) at the end of the last financial year – LTL 1,398 thousand, reserve of share Premium – LTL 6,699 thousand and reserves – LTL 5,009 thousand allocated to cover losses of 2013 year (the Company's remainder of not covered loss is LTL 10,767 thousand). No funds were allocated for investments and for social and cultural needs.
- UAB „KPMG Baltics" was elected for 2014 auditing purposes of annual financial statements.

In 2014 July 09 Company signed agreements with UniCredit Bank for the refinancing of existing loans (repayment of 1.3 million euro's and 2.8 million giving in Euro's), also a new repayment terms and loan extension until 2017.

In 2014 August 6 Company Snaigė signed a loan agreement with company controlled by shareholders. Regarding this agreement, the Company undertakes till 2014 September 09 to provide a 1.5 million euro's loan which for a repayment period is till 2016 December 22.

UAB Vaidana and AB Šiaulių Bankas are signed credit agreement. For fulfilment obligations according this credit agreement UAB Vaidana collateralized 4,584,408 thousand held shares of AB Snaigė.

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 on 27 April 2015.

The Company has entered into a suretyship agreements with OAO Petrokomerc Bank; based on the agreemenst, the Company assumes joint and several liability for the loans of OAO Polair (920 million. Rubles) . The suretyship matures: 2014 - 2018 years.

27 Related party transactions

According to IAS 24 *Related Party Disclosures*, the parties are considered related when one party can unilaterally or jointly control other party or have significant influence over the other party in making financial or operating decisions or operation matters, or when parties are jointly controlled and if the members of management, their relatives or close persons who can unilaterally or jointly control the 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 2014 and 2013 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.

In the period 2014 December 31 and 2013 December 31 the Group has not booked receivables value decreasing from any of the related parties.

Financial and investment transactions with the related parties:

	31 December 2014						**31 December 2013**		
	Loans received	**Repayment of loans**	**Interest revenue**	**Loans granted**	**Repayment of loans**	**Interest expenses**	**Loans received**	**Repayment of loans**	**Interest expenses**
UAB „Vaidana“ (loan)	-	-	5,420	384,050	-	29,709	244,000	-	5,919
OAO „Polair“	-	-	-	1,726,400	1,726,400	1,522,261	16,347,314	-	786,070
Sovitalprodmash	-	--		5,179,200		104,935	-	-	-
			5,420	**7,289,650**	**1,726,400**	**1,656,905**	**16,591,314**	**-**	**791,989**

<u>31 12 2014</u>	**Purchases**	**Sales**	**Receivables**	**Payables**
OAO „Polair“	2,423,660	-		439,005
Polair Europe S.R.L	-	-	-	-
Polair Europe Limited	-	-	-	-
	2,423,660	**-**	**-**	**439,005**

<u>31 12 2013</u>

	Purchases	**Sales**	**Receivables**	**Payables**
OAO „Polair“	1,656,365	962,708	-	-
Polair Europe S R L	15,585	-	-	-
Polair Europe Limited	267,685			-
	1,939,635	**962,708**	**-**	**-**

The Company‘s transactions carried out with subsidiaries (in LTL thousand):

	<u>2014</u>		**<u>2013</u>**	
	Purchases	**Sales**	**Purchases**	**Sales**
UAB Almecha	7,694	6,666	8,932	7,762
TOB Snaigė Ukraina	96	-	100	-
	7,790	**6,666**	**9,032**	**7,762**

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

The carrying amount of loans and receivables from subsidiaries on 31 December 2014 and 31 December 2013:

	2014	**2013**
Non-current receivables		
UAB Almecha	-	-
Total non-current receivables	**-**	**-**
Current receivables		
Trade receivables from UAB Almecha	1,053,421	1,212,188
Total current receivables	**1,053,421**	**1,212,188**

The analysis of receivables from subsidiaries and granted loans during the period on 31 December 2014 and 2013:

	Receivables from subsidiaries and granted loans neither past due nor impaired	Receivables from subsidiaries and granted loans past due but not impaired					
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2014	1,053,421	-	-	-	-	-	**1,053,421**
2013	1,211,112	1,076	-	-	-	-	**1,212,188**

Payables to subsidiaries as of 31 December 2014 and as of 31 December 2013 (included under the trade payables caption in the Company's statement of financial position):

	2014	**2013**
TOB Snaigė Ukraina	8,287	16,573
UAB Almecha	1,433,526	656,107
Total	**1,441,813**	**672,680**

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, and of validyti – 30 April 2014.

As at 31 December 2014, the Company, by all its present ant 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 2015. The terms of the loan agreement with the bamk and of the Company's suretyship wer extended until 27 March 2015.

Credit to OOO Polair was increased from EUR 7,500,000 to EUR 9,000,000 on April 30, 2014 as per change Nr. 6 of agreement Nr. 19/0712-z.

Credit to UAB Vaidana was increased from LTL 800,000 to EUR 231,696 on December 1, 2014 as per change Nr. 2 of agreement Nr. 2013/71/TEIS.

On the actual date of the Company reporting Company has not any valid guaranty agreements for subsidiaries.

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

Remuneration (without Social Insurance) of the Company's and subsidiaries' management amounted to LTL 1,367 thousand and LTL 106 thousand, respectively, in 2014 (LTL 1,238 thousand and LTL 159 thousand in 2013, respectively). The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

28 Subsequent events

On January 30 2015 Company signed aditional Agreement with UniCredit bank, where intrest rates and credit return terms were changed.