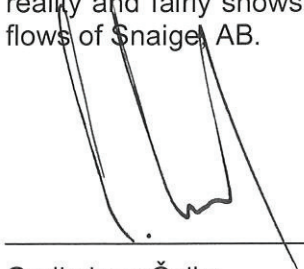


Snaige AB**CONFIRMATION OF RESPONSIBLE PERSONS**

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we Gediminas Čeika, Managing Director of Snaige, AB and Neringa Menčiūnienė, Finance Director of Snaige, AB hereby confirm that, to the best of our knowledge, the not audited Snaige AB interim Consolidated Financial Statements for the three months period ended 31 March 2014, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, correctly reflects the reality and fairly shows issuer's assets, liabilities, financial position, profit or loss and cash flows of Snaige AB.



Gediminas Čeika
Managing Director



Neringa Menčiūnienė
Finance Director

May 30, 2014

AB SNAIGĖ

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS
PERIOD ENDED 31 MARCH 2014
(UNAUDITED)**

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I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the three 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 03 2014 | 31 03 2013 |
|--------------|---|-------------------|--------------------|
| I. | SALES AND SERVICES | 32,903,457 | 34,359,494 |
| I.1 | Income of goods and other products sold | 6,079,113 | 11,785,029 |
| I.2 | Income of refrigerators sold | 26,824,344 | 22,574,465 |
| II. | COST OF GOODS SOLD AND SERVICES RENDERED | 28,300,773 | 28,462,288 |
| II.1 | Net cost of goods and other products sold | 1,825,418 | 6,519,601 |
| II.2 | Net cost of refrigerators sold | 26,475,355 | 21,942,687 |
| III. | GROSS PROFIT | 4,602,684 | 5,897,206 |
| IV. | OPERATING EXPENSES | 4,994,725 | 6,784,260 |
| IV.1 | Sales expenses | 3,061,381 | 2,915,175 |
| IV.2 | General and administrative expenses | 1,933,344 | 3,869,085 |
| V. | PROFIT (LOSS) FROM OPERATIONS | (392,041) | (887,054) |
| VI. | OTHER ACTIVITY | 31,118 | 248,828 |
| VI.1. | Income | 121,722 | 295,046 |
| VI.2. | Expenses | 90,604 | 46,218 |
| VII. | FINANCIAL AND INVESTING ACTIVITIES | (165,634) | (471,964) |
| VII.1. | Income | 396,848 | 167,007 |
| VII.2. | Expenses | 562,482 | 638,971 |
| VIII. | PROFIT (LOSS) FROM ORDINARY ACTIVITIES | (526,557) | (1,110,190) |
| IX. | EXTRAORDINARY GAIN | | |
| X. | EXTRAORDINARY LOSS | | |
| XI. | CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES | (526,557) | (1,110,190) |
| XII. | TAXES | 205 | 460 |
| XII.1 | PROFIT TAX | 205 | 460 |
| XII.2 | Adjustment of deferred profit tax | | |
| XIII. | MINORITY INTEREST | 371 | |
| XIV. | NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS) | (526,391) | (1,110,650) |

Managing Director

Gediminas Čeika

Financial Director

Neringa Menčiūnienė

Statement of financial position

| Ref. No. | ASSETS | Notes | 31 03 2014 | 31 12 2013 |
|------------|---|-------|--------------------|--------------------|
| A. | Non-current assets | | 55,326,846 | 56,014,391 |
| I. | INTANGIBLE ASSETS | 10 | 5,352,573 | 5,356,729 |
| II | TANGIBLE ASSETS | 11 | 24,422,627 | 25,480,756 |
| II.1. | Land | | | |
| II.2. | Buildings | | 8,696,772 | 8,821,107 |
| II.3. | Other non-current tangible assets | | 13,781,833 | 14,737,068 |
| II.4. | Construction in progress and advance payments | | 1,944,022 | 1,922,581 |
| III. | INVESTMENT PROPERTY | | | |
| IV. | NON-CURRENT FINANCIAL ASSETS | | 25,551,646 | 25,176,906 |
| IV.1 | Deferred taxes assets | | 873,020 | 873,177 |
| IV.2 | Other non-current assets | | 24,678,626 | 24,303,729 |
| V. | Amounts receivable after one year | | | |
| VI. | Assets classified as held for sale | | 0 | 0 |
| | | | | |
| B. | Current assets | | 52,686,786 | 47,096,807 |
| I. | INVENTORY AND CONTRACTS IN PROGRESS | 12 | 19,834,354 | 17,227,486 |
| I.1. | Inventory | | 19,834,354 | 17,227,486 |
| I.2. | Advance payments | | | |
| I.3. | Contracts in progress | | | |
| II. | ACCOUNTS RECEIVABLE WITHIN ONE YEAR | 13 | 28,417,270 | 25,838,627 |
| III. | INVESTMENTS AND TERM DEPOSITS | | | |
| IV. | CASH AT BANK AND ON HAND | 15 | 2,409,214 | 2,388,185 |
| V. | Other current assets | 14 | 2,025,948 | 1,642,509 |
| | Planned to sell non-current assets | | | |
| C. | Accrued income and prepaid expenses | | | |
| | | | | |
| | TOTAL ASSETS | | 108,013,632 | 103,111,198 |

(continued on the next page)

AB SNAIGĖ, company code 249664610, Pramonės str. 6, Alytus Lithuania
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014
(all amounts are in LTL unless otherwise stated)

| Ref. No. | SHAREHOLDERS' EQUITY AND LIABILITIES | Notes | 31 03 2014 | 31 12 2013 |
|-----------|---|-------|--------------------|--------------------|
| A. | Capital and reserves | | 32,278,720 | 32,852,519 |
| I. | SHARE CAPITAL | | 45,321,051 | 45,321,051 |
| I.1. | Authorized (subscribed) share capital | | 39,622,395 | 39,622,395 |
| I.2. | Uncalled share capital (-) | | | |
| I.3. | Share premium (surplus of nominal value) | | 5,698,656 | 5,698,656 |
| | Own shares (-) | | | |
| III. | REVALUATION RESERVE | | (97,689) | (50,281) |
| IV. | RESERVES | 17 | 8,082,210 | 8,082,210 |
| V. | PROFIT (LOSS) BROUGHT FORWARD | | (21,026,852) | (20,500,461) |
| | Current Profit (Loss) | | (526,391) | (8,810,488) |
| | The previous year Profit (Loss) | | (20,500,461) | (11,689,973) |
| B. | Minority interest | | 1,320 | 1,691 |
| D. | Provisions and deferred taxes | | 0 | 0 |
| I. | PROVISIONS FOR COVERING LIABILITIES AND DEMANDS | | | |
| II. | DEFERRED TAXES | | | |
| E. | Accounts payable and liabilities | | 75,733,592 | 70,256,988 |
| I. | ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES | | 24,542,530 | 24,565,280 |
| C | Financing (grants and subsidies) | 18 | 620,759 | 643,509 |
| I.1. | Financial debts | 20 | 22,558,292 | 22,558,292 |
| I.2. | Warranty provisions | 19 | 924,922 | 924,922 |
| I.3. | Deferred income tax liability | | | |
| I.4. | Advances received on contracts in progress | | | |
| I.5. | Non-current employee benefits | | 438,557 | 438,557 |
| I.6. | Non-current liabilities to suppliers | | | |
| II. | ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES | | 51,191,062 | 45,691,708 |
| II.1. | Current portion of non-current debts | 20 | 20,558,712 | 20,601,708 |
| II.2. | Financial debts | | | |
| II.3. | Trade creditors | | 24,879,991 | 19,266,960 |
| II.4. | Advances received on contracts in progress | | 282,248 | 550,234 |
| II.5. | Taxes, remuneration and social security payable | 23 | 3,699,988 | 3,549,247 |
| II.6. | Warranty provisions | | 1,586,232 | 1,586,677 |
| II.7. | Other provisions | | | |
| II.8. | Other current liabilities | | 183,891 | 136,882 |
| | | | | |
| | TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 108,013,632 | 103,111,198 |

Managing Director

Gediminas Čeika

Financial Director

Neringa Menčiūnienė

Statement of cash flow

| Ref. No. | | 31 03 2014 | 31 03 2013 |
|-----------|--|------------------|------------------|
| I. | Cash flows from (to) operating activities | | |
| I.1 | Profit (loss) before tax | (526,557) | (1,110,190) |
| I.2 | Depreciation and amortisation expenses | 1,495,534 | 1,780,480 |
| I.3 | Amortisation of subsidies | (22,749) | (23,065) |
| I.4 | Result from disposal of non-current assets | (323) | |
| I.5 | Write-off of non-current assets | 5 | |
| I.6 | Write-down of inventories | | |
| I.7 | Depreciation of receivables | | |
| I.8 | (Gain) loss from foreign currency forward contracts | | |
| I.9 | Change in warranty provision | 445 | 315,961 |
| I.10 | Recovery of devaluation of trade receivables | | |
| I.11 | Influence of foreign currency exchange rate change | (11,371) | 18,845 |
| I.12 | Financial income (interest income) | (381,853) | (167,007) |
| I.13 | Financial expenses (interest expenses) | 558,858 | 620,126 |
| | Cash flows from operating activities until changes in working capital | 1,111,989 | 1,435,150 |
| II.1 | (Decrease) increase in trade and other receivables | (3,197,929) | (213,143) |
| II.2 | (Increase) decrease in inventories | (2,606,868) | (7,917,109) |
| II.3 | (Increase) decrease in trade and other payables | 5,542,795 | 6,519,745 |
| | Cash flows from operating activities | 849,987 | (175,357) |
| III.1 | Interest received | 5,420 | |
| III.2 | Interest paid | (519,190) | (599,241) |
| III.3 | Profit tax paid | | (460) |
| | Net cash flows from operating activities | 336,217 | (775,058) |

| | | | |
|------------|--|------------------|---------------------|
| IV. | Cash flows from investing activities | | |
| IV.1 | Acquisition of non-current assets | (215,392) | (234,610) |
| IV.2 | Capitalization of intangible non-current assets | | (1,487) |
| IV.3 | Disposal of non-current assets | 31,200 | |
| IV.4 | Loans granted | (88,000) | (12,602,720) |
| IV.5 | Loans regained | | |
| IV.6 | Interest received | | |
| | Net cash flows from (to) investing activities | (272,192) | (12,838,817) |

(continued on the next page)

AB SNAIGĖ, company code 249664610, Pramonės str. 6, Alytus Lithuania
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014
(all amounts are in LTL unless otherwise stated)

| | | | |
|-------------|---|-----------------|-------------------|
| III. | Cash flows from (to) financing activities | (42,996) | 16,049,958 |
| III.1 | Cash flows related to the shareholders of the company | | |
| III.1.1 | Issue of shares | | |
| III.1.2 | Issue of bonds | | |
| III.1.3 | Sale of own shares | | |
| III.1.4 | Payment of dividends | | |
| III.2 | Cash flows arising from other financing sources | | |
| III.2.1 | Subsidies received | | |
| III.2.1.1 | Proceeds from non-current borrowings | | 43,160,000 |
| III.2.1.2 | (Repayment) from non-current borrowings | (42,996) | (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 | | |
| | Net cash flows from (to) financing activities | (42,996) | 16,049,958 |

| | | | |
|--------------|--|------------------|------------------|
| 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 | 21,029 | 2,436,083 |
| 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 | 2,409,214 | 4,051,918 |

Managing Director

Gediminas Čeika

Financial Director

Neringa Menčiūnienė

Statement of changes in equity

| | Paid up authorised capital | Share premium | Own shares (-) | Legal reserves | | Other reserves | | | Retained earnings (losses) | TOTAL | Minority shareholders | TOTAL |
|---|----------------------------|------------------|----------------|------------------|--------------------------|------------------|------------------|---------------------------|----------------------------|-------------------|-----------------------|-------------------|
| | | | | Compulsory | For acquiring own shares | For social needs | For investments | Currency exchange reserve | | | | |
| Balance as of December 31, 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 IQ | | | | | | 0 | | | (1,110,647) | (1,110,647) | | (1,110,647) |
| Other changes | | | | | | | | 446,441 | | 446,441 | | 446,441 |
| Balance as of March 31, 2013 | 39,622,395 | 5,698,656 | 0 | 2,883,920 | | 30,000 | 2,211,915 | (3,327,285) | (9,844,245) | 37,275,356 | 1,850 | 37,277,206 |
| Total registered income and expenses as of 2013 IIQ - IVQ | | | | | | | | | (7,699,841) | (7,699,841) | (159) | (7,700,000) |
| Formed reserves | | | | 189,290 | | 30,000 | 4,979,000 | 0 | (5,198,290) | 0 | 0 | 0 |
| Transfers from reserves | | | | | | (30,000) | (2,211,915) | 0 | 2,241,915 | 0 | 0 | 0 |
| Other changes | | | | | | | | 3,723,445 | | 3,727,004 | | 3,277,004 |
| 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 IQ | | | | | | | | | (526,391) | (526,391) | (371) | (526,762) |
| Formed reserves | | | | | | | | | | | | |
| Transfers from reserves | | | | | | | | | | | | |
| Other changes | | | | | | | | (47,408) | | (47,408) | | (47,408) |
| Balance as of March 31, 2014 | 39,622,395 | 5,698,656 | 0 | 3,073,210 | 0 | 30,000 | 4,979,000 | (97,689) | (21,026,852) | 32,278,720 | 1,320 | 32,280,040 |

Managing Director

Gediminas Čeika

Financial Director

Neringa Menčiūnienė

III. EXPLANATORY NOTES

1 Basic information

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

Pramonės str. 6,
Alytus,
Lithuania.

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

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

| | March 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 3,309,943 units shares UAB Vaidana mortgage to bank, under a pledge agreement, to ensure financial obligations.

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

As at 31 March 2014 UAB Vaidana was ultimately owned by Tetel 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 March 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% | 10,247 | 50,386 |
| UAB Almecha | Lithuania | 100% | (85,341) | 1,181,013 |

The Board of the Company must consist of 6 members; however, only 5 members represented the Board as at 31 March 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 March 2014 the number of employees of the Group was 780 (as of 31 March 2013 – 817).

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 1,496 thousand of 31 March 2014 (whereas in the year 2013, December 31st LTL 1,405 thousand).

- liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 1.03 (1.03 in 31 December 2013),
- quick ratio ((total current assets – inventories) / total current liabilities) – 0.64 (in 31 December 2013 0.65),
- the Group earned LTL 527 thousand loss before tax (in 2013 incurred LTL 1,110 thousand loss before tax),
- commitment ratios: the ratio of debt/asset was 0.70 (whereas in the year 2013, December 31st 0.68).

Despite this, these financial statements for the three months of 2014 are prepared under the assumption that the Group will continue as a going concern at least 12 months from the balance sheet date. The going concern is based on the following assumptions:

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

2.3. Currency of financial statement

The Group's financial statements are presented in local currency of the Republic of Lithuania, litas (LTL), which is the Company's functional and the Group's and 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) and former subsidiaries: OOO Techprominvest, OOO Moroz Trade and OOO Liga Servis is Russian rouble (RUB). 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.

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 March 2014 and 2013 were as follows:

| | 31-03-2014 | 31-12-2013 |
|-----|-------------------|-------------------|
| RUB | 0.070360 | 0.076727 |
| UAH | 0.22247 | 0.30459 |
| USD | 2.5139 | 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).

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.

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.

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 March 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 March 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

Finance lease – the Group as lessee

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

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

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

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

Operating lease – the Group as lessee

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the 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

Financial assets

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

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

Other assets

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

2.20. Subsequent events

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

2.21. Offsetting and comparative figures

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

3 Segment information

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

Information for the reporting period 31 March 2014 and 31 March 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 | 252 | 2,646 | - | (669) | 252 | 1,977 | 1,031 | 24,582 |
| Ukraine | 1,700 | 9,222 | - | - | 1,700 | 9,222 | 5,566 | 8,516 |
| Western Europe | 13,439 | 14,410 | - | - | 13,439 | 14,410 | 9,609 | 7,438 |
| Eastern Europe | 6,578 | 1,704 | - | - | 6,578 | 1,704 | 3,630 | 1,121 |
| Lithuania | 6,571 | 4,920 | (3,284) | (3,625) | 3,287 | 1,295 | 82,247 | 82,175 |
| Other CIS countries | 7,136 | 5,205 | - | - | 7,136 | 5,205 | 5,702 | 3,570 |
| Other Baltic states | 511 | 450 | - | - | 511 | 450 | 229 | 226 |
| Other countries | - | 97 | - | - | - | 97 | - | - |
| Total | 36,187 | 38,654 | (3,284) | (4,294) | 32,903 | 34,360 | 108,014 | 127,628 |

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

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

In 2014 IQ the sales to the five largest buyers comprised 61.43 % of total sales, including: Sayxun Baraka (Uzbekistan) 18.71%, Conforama 18.41 %, Amica Wronki 11.90 %, „Severin“ 7.11 %, Mario Miranda Almeida 5.3%, (in 2013 – 43.09 %, including: SAV-DISTRIBUTION LLC 10.10 %, Conforama 9.57 %, OOO Favorit Comfort Trading (Uzbekistan) 9.12%, „Severin“ 8.15 %, OOO Real Leather 6.15 %).

4 Cost of refrigerators and freezers sales

| | 2014 | 2013 |
|-------------------------------|-------------------|-------------------|
| Raw materials | 20,336,261 | 16,538,009 |
| Salaries and wages | 2,054,054 | 1,696,086 |
| Depreciation and amortisation | 841,240 | 800,501 |
| Other | 3,243,800 | 2,908,091 |
| Total: | 26,475,355 | 21,942,687 |

| 5 Other income | 2014 | 2013 |
|---|------------------|------------------|
| Income from transportation services | 68,755 | 50,674 |
| Income from rent of premises | 13,275 | 1,351 |
| Gain on disposal of property, plant and equipment | 323 | - |
| Income from rent of equipment | 81 | 731 |
| Other | 39,288 | 242,290 |
| | 121,722 | 295,046 |
| | | |
| 6 Operating expenses | 2014 | 2013 |
| Selling expenses | 3,061,381 | 2,915,175 |
| General and administrative expenses | 1,933,344 | 3,869,085 |
| | 4,994,725 | 6,784,260 |
| | | |
| 7 Other operating expenses | 2014 | 2013 |
| Transportation expenses | 65,216 | 36,804 |
| Expenses from rent of equipment | - | 650 |
| Gain on disposal of property, plant and equipment | - | - |
| Other | 25,388 | 8,764 |
| | 90,604 | 46,218 |
| | | |
| 8 Financial income | 2014 | 2013 |
| Foreign currency exchange gain | 7,797 | - |
| Interest income and other | 389,051 | 167,007 |
| | 396,848 | 167,007 |
| | | |
| 9 Financial expenses | 2014 | 2013 |
| Interest expenses | 558,858 | 620,126 |
| Foreign currency exchange loss, net | - | 18,831 |
| Realized loss on foreign currency derivatives | - | - |
| Loss of foreign currency translation transactions | 3,624 | - |
| Other | - | 14 |
| | 562,482 | 638,971 |

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10 Intangible assets

| | Balance sheet value | |
|-------------------------|---------------------|-------------------|
| | 31 03 2014 | 31 12 2013 |
| Development costs | 4,934,806 | 5,233,790 |
| Software, license | 109,071 | 72,463 |
| Other intangible assets | 308,696 | 50,476 |
| Total: | 5,352,573 | 5,356,729 |

Non-current intangible assets depreciation expenses are included under operating expenses in the profit (loss) account. Over 2014 IQ, the Group has accumulated LTL 250 thousand (2013 - LTL 225 thousand) of intangible assets depreciation.

Part of non-current intangible assets of the Group with the acquisition value of LTL 8,063 thousand as at 31 March 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 03 2014 | 31 12 2013 |
| Land and buildings | 8,696,772 | 8,821,107 |
| Machinery and equipment | 11,779,299 | 12,318,999 |
| Vehicles and other property | 2,002,534 | 2,418,069 |
| Construction in progress and prepayments | 1,944,022 | 1,922,581 |
| Total: | 24,422,627 | 25,480,756 |

The depreciation charge of the Group's property, plant and equipment and investment property on 31 March, 2014 amounts to LTL 1,245 thousand (LTL 1,556 thousand for 2013). The amount of LTL 1,193 thousand for 2014 (LTL 1,251 thousand for 2013) was included into production costs. The remaining amount of LTL 52 thousand including depreciation of investment property (LTL 305 thousand for 2013) was included into administration expenses in the Group's statement of comprehensive income.

At 31 March 2014 buildings and investment properties with land lease right of the Group with the net book value of LTL 7,874 thousand, including Company's buildings with the net book value of LTL 7,874 thousand (as of 31 December 2013 – LTL 7,975 thousand) and machinery and equipment of the Group with the net book value of LTL 7,535 thousand including Company's LTL 7,535 thousand (as of 31 December 2013 – LTL 8,273 thousand) were pledged to banks as a collateral for the loans (Note 20).

In order to assure the proper fulfilment of Company's liabilities to suppliers according to legal proceedings, the rights to machinery and equipment with the net book value of LTL 321 thousand as of 31 March 2014 (as of 31 December 2013 – LTL 394 thousand) were limited by law.

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

12 Inventories

| | 31 03 2014 | 31 12 2013 |
|--|-------------------|-------------------|
| Raw materials, spare parts and production in progress | 13,637,778 | 11,615,581 |
| Finished goods | 6,313,737 | 5,583,014 |
| Other | 271,444 | 417,496 |
| Total inventories, gross | 20,222,959 | 17,616,091 |
| Less: valuation allowance for raw materials and production in progress | (388,605) | (388,605) |
| Less: valuation allowance for finished goods | - | - |
| Total inventories, net | 19,834,354 | 17,227,486 |

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

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

13 Trade receivables

| | 31 03 2014 | 31 12 2013 |
|---|-------------------|-------------------|
| Receivables | 28,670,830 | 26,122,807 |
| Less: impairment allowance for doubtful receivables | (253,560) | (284,180) |
| | 28,417,270 | 25,838,627 |

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

As at 31 March 2014 100% impairment was accounted for trade receivables of the Group and the Company in gross values of LTL 254 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 13,690 thousand as at 31 March 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 03 2014 | 31 12 2013 |
|--|-------------------|-------------------|
| Balance at the beginning of the period | (284,180) | (11,597,545) |
| Charge for the year | - | (52,563) |
| Write-offs of trade receivables | - | 11,359,205 |
| Effect of the change in foreign currency exchange rate | 30,120 | 6,723 |
| Amounts paid | 500 | - |
| Balance in the end of the period | (253,560) | (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 March 2014 and 31 December 2013 is as follows:

| | Trade receivables neither past due nor impaired | Trade receivables past due but not impaired | | | | | Total |
|-------------|--|--|-------------------------|-------------------------|--------------------------|-----------------------------------|-------------------|
| | | Less than 30 days | 30 – 60 days | 60 – 90 days | 90 – 120 days | More than 120 days | |
| 2014 | 18,611,525 | 4,780,298 | 754,481 | 855,223 | 418,159 | 2,997,584 | 28,417,270 |
| 2013 | 15,051,939 | 5,710,230 | 1,558,112 | 872,200 | 1,413,081 | 1,233,065 | 25,838,627 |

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

14 Other current assets

| | 31 03 2014 | 31 12 2013 |
|--|-------------------|-------------------|
| Prepayments and deferred expenses | 466,332 | 439,177 |
| VAT receivable | 1,159,158 | 562,340 |
| Compensations receivable from suppliers | 998 | 1,297 |
| Restricted cash | 15,000 | 15,000 |
| Granted loans | 383,050 | 244,000 |
| Other receivables | 1,410 | 380,695 |
| Less: valuation allowance for doubtful other receivables | - | - |
| | 2,025,948 | 1,642,509 |

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

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

| | 31 03 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 03 2014 | 31 12 2013 |
|--------------|-------------------|-------------------|
| Cash at bank | 2,397,932 | 2,381,718 |
| Cash on hand | 11,282 | 6,467 |
| | 2,409,214 | 2,388,185 |

As at 31 March 2014 the accounts of the Group and the Company up to LTL 691 thousand (LTL 691 thousand in 31 December 2013) are pledged to the bank for the bank guarantee (note 20).

16 Share capital

According to the Law on Companies of the Republic of Lithuania the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As at 31 March 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 March 2014 legal reserve was not fully formed yet.

As of 31 March 2014 the legal reserve amounted to LTL 3,073 thousand.

Non-restricted reserves

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

The general meeting of the shareholders which was held on 18 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 | - |
| Balance as at 31 March 2014 | 10,703,880 |
| | |
| 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 | 22,750 |
| Accumulated amortisation as at 31 March 2014 | 10,083,121 |
| | |
| Carrying amount as at 31 March 2014 | 620,759 |
| 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. Subsidies are amortised over the same period as the machinery and other assets for which subsidies were designated when compensatory costs are incurred. The amortisation of subsidies is included in production cost against depreciation of machinery and reconstruction of buildings for which the subsidies were designated.

19 Provisions for guarantee related liabilities

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

Changes over the reporting period were:

| | 31 03 2014 | 31 12 2013 |
|--|-------------------|-------------------|
| 1 January, | 2,511,599 | 2,307,005 |
| Changes over reporting period (Note 6) | 194,835 | 1,594,963 |
| Used | (195,280) | (1,390,369) |
| Foreign currency exchange effect | - | - |
| | 2,511,154 | 2,511,599 |

Warranty provisions are accounted for:

| | 31 03 2014 |
|----------------|-------------------|
| - non- current | 924,922 |
| - current | 1,586,677 |
| | 31 12 2013 |
| - non- current | 924,922 |
| - current | 1,586,677 |

20 Borrowings

| | 31 03 2014 | 31 12 2013 |
|--|-------------------|-------------------|
| Non-current borrowings | | |
| Non-current borrowings with fixed interest rate | - | |
| Non-current borrowings with variable interest rate | 22,558,292 | 22,558,292 |
| Ordinary bonds | - | - |
| Interest on bonds | - | - |
| | 22,558,292 | 22,558,292 |
| Current borrowings | | |
| Convertible bonds | - | - |
| Ordinary bonds | - | - |
| Current borrowings with fixed interest rate | - | - |
| Current borrowings with variable interest rate | 20,558,712 | 20,601,708 |
| | 20,558,712 | 20,601,708 |
| Total | 43,117,004 | 43,160,000 |

Borrowings with variable interest rate bear 6-month EURIBOR + 4.25 to 5 % annual interest rate and for factoring 1-month EURIBOR + 1.75%, as of 31 March 2014 (6-month EURIBOR + 3.5 to 4.5%, annual interest rate and for factoring 1-month EURIBOR + 1.75% as at 31 December 2013).

As of 31 March 2014 the Group's buildings with the carrying amount of LTL 7,874 thousand, including Company's buildings, with the carrying amount LTL 7,874 thousand (as of 31 December 2013 – LTL 7,975 thousand), the Group's machinery and equipment with the net book value of LTL 7,535 thousand, including Company's machinery and equipment with the net book value of LTL 7,535 thousand (as of 31 December 2013 – LTL 8,273 thousand) and Company earnings up to LTL 690 thousand were pledged to the banks for the loans and guarantee provided.

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Borrowings in national and foreign currencies:

| | 31 03 2014 | 31 12 2013 |
|-----------------------------------|-------------------|-------------------|
| Borrowings denominated in: | | |
| EUR | 43,117,004 | 43,160,000 |
| USD | - | - |
| LTL | - | - |
| RUB | - | - |
| | 43,117,004 | 43,160,000 |

Repayment schedule for borrowings:

| | Fixed interest rate | Variable interest rate |
|-------------|----------------------------|-------------------------------|
| 2014 | - | 20,558,712 |
| 2015 - 2016 | - | 22,558,292 |
| | - | 43,117,004 |

21 Financial leasing

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

22 Operating lease

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

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

23 Other current liabilities

| | 31 03 2014 | 31 12 2013 |
|-------------------------------------|-------------------|-------------------|
| Salaries and related taxes | 1,894,663 | 1,814,285 |
| Vacation reserve | 1,686,031 | 1,734,963 |
| Accrued interest | 60,814 | 59,667 |
| Other taxes payable | 108,773 | 112,385 |
| Other payables and accrued expenses | 133,598 | (35,171) |
| | 3,883,879 | 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 03 2014 | 31 03 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 | (526,391) | (1,110,650) |
| Basic (loss) per share, in LTL | (0.01) | (0.03) |

25 Risk and capital management

Overview

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 March 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 March 2014 and 31 December 2013, the credit risk was related to:

| | As at 31 March 2014 | As at 31 December 2013 |
|---------------------------------------|--------------------------------|-----------------------------------|
| Loans receivable from related parties | 25,011 | 24,548 |
| Trade and other receivables | 28,417 | 25,839 |
| Cash and cash equivalents | 2,409 | 2,388 |
| | 55,837 | 52,775 |

As at 31 March 2014 and 31 December 2013 the main part of the loans granted consists of the loan granted to related company OOO Polair.

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:

| | 2014 | % | 2013 | % |
|---------------|---------------|------------|---------------|------------|
| Client 1 | 5,458 | 19 | 3,707 | 14 |
| Client 2 | 4,934 | 17 | 2,120 | 8 |
| Client 3 | 2,069 | 7 | 2,019 | 8 |
| Client 4 | 1,944 | 7 | 1,783 | 7 |
| Client 5 | 1,747 | 6 | 1,773 | 7 |
| Client 6 | 1,374 | 5 | - | - |
| Client 7 | 1,288 | 4 | 1,575 | 6 |
| Other clients | 9,857 | 35 | 13,146 | 50 |
| Impairment | (254) | | (284) | |
| | 28,417 | 100 | 25,839 | 100 |

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Trade receivables according to geographic regions:

| | 2014 | 2013 |
|---------------------|---------------|---------------|
| Western Europe | 9,609 | 7,049 |
| Ukraine | 5,538 | 9,130 |
| Lithuania | 2,678 | 1,782 |
| Eastern Europe | 3,630 | 3,158 |
| Other CIS countries | 5,702 | 2,559 |
| Other Baltic states | 229 | 215 |
| Russia | 1,031 | 1,946 |
| | 28,417 | 25,839 |

In 2014 IQ 5 % and 19 % the Group's sales were to Ukraine and Uzbekistan (in 2013, 34% and 12% sales respectively).

The Group's receivables from goods sold in Ukraine and Uzbekistan as at 31 March 2014 amounted to LTL 5,538 thousand and LTL 4,934 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 March 2014 and 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 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 13,690 thousand as at 31 March 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.

Interest rate risk

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

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

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 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..

Foreign exchange risk

The Group significantly reduced income earned in USD.

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

Capital management

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

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

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

26 Commitments and contingencies

UAB Vaidana and AB Šiaulių Bankas are signed credit agreement. For fulfilment obligations according this credit agreement UAB Vaidana collateralized 3,309,943 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 March 2015. The fair value of the suretyship as at 31 March 2014 and 31 December 2013 was immaterial.

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.

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);

OAD 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);

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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.

Financial and investment transactions with the related parties:

| | 31 March 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 | 139,050 | - | 4,570 | 244,000 | - | 5,919 |
| OAO „Polair“ | - | - | - | - | - | 374,897 | 16,347,314 | - | 786,070 |
| | | | 5,420 | 139,050 | - | 379,467 | 16,591,314 | - | 791,989 |

| 31 03 2014 | Purchases | Sales | Receivables | Payables |
|-----------------------|----------------|----------------|------------------|----------------|
| OAO „Polair“ | 215,439 | 374,897 | 1,287,862 | 215,439 |
| Polair Europe S.R.L | - | - | - | - |
| Polair Europe Limited | - | - | - | - |
| | 215,439 | 374,897 | 1,287,862 | 215,439 |

| 31 12 2013 | Purchases | Sales | Receivables | Payables |
|-----------------------|------------------|----------------|-------------|----------|
| OAO „Polair“ | 1,656,365 | 962,708 | - | - |
| Polair Europe S R L | 15,585 | - | - | - |
| Polair Europe Limited | 267,685 | - | - | - |
| | 1,939,635 | 962,708 | - | - |

The Company's transactions carried out with subsidiaries:

| | Purchases | | Sales | |
|--------------------|------------------|------------------|------------------|------------------|
| | 31 03 2014 | 31 12 2013 | 31 03 2014 | 31 12 2013 |
| OOO Techprominvest | - | - | - | - |
| TOB Snaigė Ukraina | 14,087 | 100,130 | - | - |
| UAB Almecha | 1,713,974 | 8,932,344 | 1,659,624 | 7,762,184 |
| OOO Liga-Servis | - | - | - | - |
| | 1,728,061 | 9,032,474 | 1,659,624 | 7,762,184 |

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.

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

| | 2014 | 2013 |
|---|------------------|------------------|
| Non-current receivables | | |
| Trade receivables from OOO Techprominvest | - | - |
| Total non-current receivables | - | - |
| Current receivables | | |
| Trade receivables from OOO Techprominvest | - | - |
| Trade receivables from UAB Almecha | 1,514,735 | 1,212,188 |
| Total current receivables | 1,514,735 | 1,212,188 |

The analysis of receivables from subsidiaries and granted loans during the period on 31 March 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 | | | | | Total |
|-------------|---|---|--------------|--------------|---------------|--------------------|------------------|
| | | Less than 30 days | 30 – 60 days | 60 – 90 days | 90 – 120 days | More than 120 days | |
| 2014 | 1,513,692 | 1,043 | - | - | - | - | 1,514,735 |
| 2013 | 1,211,112 | 1,076 | - | - | - | - | 1,212,188 |

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

| | 2014 | 2013 |
|-----------------|----------------|----------------|
| OOO Liga-Servis | 14,087 | 16,573 |
| UAB Almecha | 421,390 | 656,107 |
| Total | 435,477 | 672,680 |

The Company signed agreement with SEB bank regarding issuing LTL 690 thousand bank guarantee for subsidiary company UAB Almecha which is valid until 2014 April 30.

Remuneration of the management and other payments

Remuneration of the Company's and subsidiaries' management, consisting of 5 and 2 employees amounted to LTL 314 thousand and LTL 31 thousand, respectively, in 2014 (LTL 314 thousand and LTL 63 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

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.