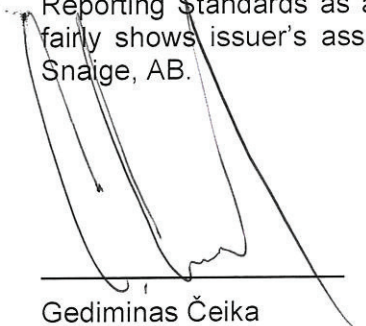



**Snaige AB****CONFIRMATION OF RESPONSIBLE PERSONS**

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 Julija Dabušinskaitė, acting 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 2013, 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.



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Gediminas Čeika  
Managing Director



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Julija Dabušinskaitė  
Acting Finance Director

May 31, 2013

***AB SNAIGĒ***

***CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS OF 2013***

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## **I. GENERAL PROVISIONS**

### **1. Accounting period of the report**

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

### **2. The basic data about the issuer**

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

Authorised capital – LTL 39,622,395

Address - Pramones str. 6, LT-62175 Alytus

Phone - (8-315) 56 206

Fax - (8-315) 56 207

E-mail – [snaige@snaige.lt](mailto: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 Pramones 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”.

## II. FINANCIAL STATUS

AB "Snaige" is the parent company situated in Lithuania with subsidiaries also in Lithuania, Russia and Ukraine. The financial statements of the subsidiary companies are integrated into the consolidated financial statements. These financial statements have been composed in accordance with the international financial reporting standards (IFRS), which are accepted in the European Union countries.

### Consolidated statement of comprehensive income

Ref. No.	ITEMS	31 03 2013	31 03 2012
<b>I.</b>	<b>SALES AND SERVICES</b>	<b>34,359,494</b>	<b>21,831,729</b>
I.1	Income of goods and other products sold	11,785,029	2,837,630
I.2	Income of refrigerators sold	22,574,465	18,994,099
<b>II.</b>	<b>COST OF GOODS SOLD AND SERVICES RENDERED</b>	<b>28,462,288</b>	<b>19,303,610</b>
II.1	Net cost of goods and other products sold	6,519,601	713,064
II.2	Net cost of refrigerators sold	21,942,687	18,590,546
<b>III.</b>	<b>GROSS PROFIT</b>	<b>5,897,206</b>	<b>2,528,119</b>
<b>IV.</b>	<b>OPERATING EXPENSES</b>	<b>6,784,260</b>	<b>4,207,449</b>
IV.1	Sales expenses	2,915,175	1,430,367
IV.2	General and administrative expenses	3,869,085	2,777,082
<b>V.</b>	<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>(887,054)</b>	<b>(1,679,330)</b>
<b>VI.</b>	<b>OTHER ACTIVITY</b>	<b>248,828</b>	<b>33,436</b>
VI.1.	Income	295,046	76,178
VI.2.	Expenses	46,218	42,742
<b>VII.</b>	<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>(471,964)</b>	<b>(623,673)</b>
VII.1.	Income	167,007	1,404
VII.2.	Expenses	638,971	625,077
<b>VIII.</b>	<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES</b>	<b>(1,110,190)</b>	<b>(2,269,567)</b>
<b>IX.</b>	EXTRAORDINARY GAIN		
<b>X.</b>	EXTRAORDINARY LOSS		
<b>XI.</b>	<b>CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES</b>	<b>(1,110,190)</b>	<b>(2,269,567)</b>
<b>XII.</b>	<b>TAXES</b>	<b>460</b>	<b>0</b>
XII.1.	PROFIT TAX	460	
XII.2.	Adjustment of deferred profit tax		
XII.3.	Social tax		
	MINORITY INTEREST		53
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>	<b>(1,110,650)</b>	<b>(2,269,514)</b>

**Consolidated statements of financial position**

Ref. No.	ASSETS	Notes	31 03 2013	31 12 2012
<b>A.</b>	<b>NON-CURRENT ASSETS</b>		<b>53,525,118</b>	<b>53,901,900</b>
I.	INTANGIBLE ASSETS	10	5,163,237	5,135,335
II	PROPERTY, PLANT AND EQUIPMENT	11	26,787,669	27,326,449
II.1.	Land			
II.2.	Buildings		9,010,009	9,132,976
II.3.	Other non-current tangible assets		17,322,829	18,073,385
II.4.	Construction in progress and advance payments		454,831	120,088
III.	INVESTMENT PROPERTY	11	19,435,477	19,284,051
IV.	NON-CURRENT FINANCIAL ASSETS			
IV. I	Deferred taxes assets		1,138,735	1,156,065
IV.II	Other non-current assets		1,000,000	1,000,000
V.	AMOUNTS RECEIVABLE AGTER ONE YEAR			
VI.	Assets classified as held for sale			
<b>B.</b>	<b>CURRENT ASSETS</b>		<b>74,102,851</b>	<b>51,505,849</b>
I.	INVENTORY AND CONTRACTS IN PROGRESS		23,399,793	15,482,684
I.1.	Inventory	12	23,399,793	15,482,684
I.2.	Advance payments			
I.3.	Contracts in progress			
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	13	25,222,191	25,103,689
III.	INVESTMENTS AND TERM DEPOSITS			
IV.	CASH AT BANK AND ON HAND	15	4,051,918	1,615,835
V.	Other current assets	14	21,428,949	9,303,641
	Planned to sell non-current assets			
<b>C.</b>	<b>Accrued income and prepaid expenses</b>			
	<b>TOTAL ASSETS</b>		<b>127,627,969</b>	<b>105,407,749</b>

(continued on the next page)

## Consolidated statements of financial position (cont'd)

Ref. No.	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 03 2013	31 12 2012
<b>C.</b>	<b>Capital and reserves</b>		<b>37,275,356</b>	<b>37,939,562</b>
<b>I.</b>	<b>SHARE CAPITAL</b>		<b>45,321,051</b>	<b>45,321,051</b>
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 (-)			
<b>III.</b>	<b>REVALUATION RESERVE</b>		<b>(3,327,285)</b>	<b>(3,773,726)</b>
<b>IV.</b>	<b>RESERVES</b>		<b>5,125,835</b>	<b>5,125,835</b>
<b>V.</b>	<b>RETAINED EARNINGS (DEFICIT)</b>		<b>(9,844,245)</b>	<b>(8,733,598)</b>
	Current Profit (Loss)		(1,110,649)	1,018,928
	The previous year Profit (Loss)		(8,733,596)	(9,752,526)
	<b>Minority interest</b>		<b>1,850</b>	<b>1,850</b>
<b>D.</b>	<b>Provisions and deferred taxes</b>		<b>0</b>	<b>0</b>
<b>I.</b>	<b>PROVISIONS FOR COVERING LIABILITIES AND DEMANDS</b>			
<b>II.</b>	<b>DEFERRED TAXES</b>			
<b>E.</b>	<b>Liabilities</b>		<b>90,350,763</b>	<b>67,466,337</b>
<b>I.</b>	<b>ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES</b>		<b>40,706,856</b>	<b>23,492,458</b>
C	Financing (grants and subsidies)	18	711,757	734,822
I.1.	Financial debts	20	38,671,360	21,435,846
I.2.	Warranty provisions		783,700	783,700
I.3.	Deferred income tax liability		153,454	147,015
I.4.	Advances received on contracts in progress			
I.5.	Non-current employee benefits		354,801	354,801
I.6.	Non-current liabilities to suppliers		31,784	36,274
<b>II.</b>	<b>ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES</b>		<b>49,643,907</b>	<b>43,973,879</b>
II.1.	Current portion of non-current debts	20	11,912,718	13,096,699
II.2.	Financial debts			
II.3.	Trade creditors		26,824,747	21,158,920
II.4.	Advances received on contracts in progress		3,690,101	2,916,788
II.5.	Taxes, remuneration and social security payable	23	4,428,941	4,401,548
II.6.	Warranty provisions		1,839,266	1,523,305
II.7.	Other provisions			
II.8.	Other current liabilities	23	948,134	876,619
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>127,627,969</b>	<b>105,407,749</b>

**Consolidated statements of cash flows**

Ref. No.		31 03 2013	31 03 2012
<b>I.</b>	<b>Cash flows from (to) operating activities</b>		
I.1	Net result for the year	(1,110,190)	(2,269,567)
I.2	Depreciation and amortisation	1,780,480	1,975,879
I.3	(Amortisation) of subsidies	(23,065)	(87,075)
I.4	Result from disposal of non-current assets		(20,581)
I.5	Write-off of non-current assets		6,598
I.6	Write-off of inventories		65,841
I.7	Depreciation of receivables		
I.8	Other provisions		
I.9	Change in provision for guarantee repair	315,961	(30,920)
I.10	Recovery of devaluation of trade receivables		
I.11	Influence of foreign currency exchange rate change	18,845	6,480
I.12	Interest (income)	(167,007)	(1,404)
I.13	Interest expenses	620,126	618,597
	<b>Cash flows from the key operations until decrease (increase) in working capital</b>	<b>1,435,150</b>	<b>263,848</b>
II.1	Decrease (increase) in receivables and other liabilities	(213,143)	(3,741,998)
II.2	Decrease (increase) in inventories	(7,917,109)	(1,660,865)
II.3	Decrease (increase) in trade and other debts to suppliers	6,519,745	4,674,328
	<b>Cash flows from the main activities</b>	<b>(175,357)</b>	<b>(464,687)</b>
III.1	Other cash income		
III.2	Interest paid	(599,241)	(483,222)
III.3	Income tax paid	(460)	
	<b>Net cash flows from the key operations</b>	<b>(775,058)</b>	<b>(947,909)</b>

<b>II.</b>	<b>Cash flows from (to) investing activities</b>		
II.1	(Acquisition) of tangible assets	(234,610)	(670,761)
II.2	(Acquisition) of intangible assets	(1,487)	(676)
II.3	Proceeds from disposal of non-current assets		24,870
II.4.	Loans granted	(12,602,720)	
II.5.	Interest received		
	<b>Net cash flows from investing activities</b>	<b>(12,838,817)</b>	<b>(646,567)</b>

*(cont'd on the next page)*



**Consolidated statements of cash flows (cont'd)**

<b>III.</b>	<b>Cash flows from (to) financing activities</b>	<b>16,049,958</b>	<b>1,411,115</b>
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 borrowings	43,160,000	2,287,320
III.2.1.2	Repayment of borrowings	(27,110,042)	(301,617)
III.2.2	Finance lease received		
III.2.2.1	Payments of leasing (finance lease) liabilities		(71,152)
III.3.	Other decreases in the cash flows from financial activities		
III.4	Redemption of issued securities		(503,436)
	<b>Net cash flows from the financial activities</b>	<b>16,049,958</b>	<b>1,411,115</b>
<b>IV.</b>	<b>Cash flows from extraordinary items</b>		
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
<b>V.</b>	<b>The influence of exchange rates adjustments on the balance of cash and cash equivalents</b>		
<b>VI.</b>	<b>Net increase (decrease) in cash flows</b>	<b>2,436,083</b>	<b>(183,361)</b>
<b>VII.</b>	<b>Cash and cash equivalents at the beginning of period</b>	<b>1,615,835</b>	<b>960,486</b>
<b>VIII.</b>	<b>Cash and cash equivalents at the end of period</b>	<b>4,051,918</b>	<b>777,125</b>

**Consolidated statement of changes in equity**

	Share capital	Share premium	Own shares (-)	Legal reserve		Kiti rezervai			Retained earnings (losses)	TOTAL	Minority shareholders	TOTAL
				Legal reserve	For acquiring own shares	For social needs	For investments	Currency exchange reserve				
<b>Balance as of December 31, 2011</b>	<b>39,622,395</b>	<b>5,698,656</b>	<b>0</b>	<b>2,828,472</b>	<b>0</b>	<b>30,000</b>	1,158,483	<b>(4,958,048)</b>	<b>(8,643,646)</b>	<b>35,736,312</b>	<b>1,945</b>	<b>35,738,257</b>
Total registered income and expenses as of I Q, 2012									(2,269,514)	<b>(2,269,514)</b>	<b>(53)</b>	<b>(2,269,567)</b>
Formed reserves												
Transfer from reserves												
Other changes								1,453,703		<b>1,453,703</b>		<b>1,453,703</b>
<b>Balance as of March 31, 2012</b>	<b>39,622,395</b>	<b>5,698,656</b>	<b>0</b>	<b>2,828,472</b>	<b>0</b>	<b>30,000</b>	1,158,483	<b>(3,504,345)</b>	<b>(10,913,160)</b>	<b>34,920,501</b>	<b>1,892</b>	<b>34,922,393</b>
Total registered income and expenses as of IIQ-IVQ,2012									3,288,442	<b>3,288,442</b>	<b>(42)</b>	<b>3,288,400</b>
Formed reserves				55,448		30,000	2,211,915	(2,297,363)		<b>0</b>		<b>0</b>
Transfer from reserves						(30,000)	(1,158,483)		1,188,483	<b>0</b>		<b>0</b>
Increase of share capital										<b>0</b>		<b>0</b>
Other changes								(269,381)		<b>(269,381)</b>		<b>(269,381)</b>
<b>Balance as of December 31, 2012</b>	<b>39,622,395</b>	<b>5,698,656</b>	<b>0</b>	<b>2,883,920</b>	<b>0</b>	<b>30,000</b>	<b>2,211,915</b>	<b>(3,773,726)</b>	<b>(8,733,598)</b>	<b>37,939,562</b>	<b>1850</b>	<b>37,941,412</b>
Total registered income and expenses as of I Q, 2013									(1,110,647)	<b>(1,110,647)</b>		<b>(1,110,647)</b>
Formed reserves												
Transfer from reserves												
Increase of share capital												
Other changes								446,441		<b>446,441</b>		<b>446,441</b>
<b>Likutis 2013 m. kovo 31 d.</b>	<b>39,622,395</b>	<b>5,698,656</b>	<b>0</b>	<b>2,883,920</b>	<b>0</b>	<b>30,000</b>	<b>2,211,915</b>	<b>(3,327,285)</b>	<b>(9,844,245)</b>	<b>37,275,356</b>	<b>1,850</b>	<b>37,277,206</b>

### III. Notes to the financial statements

#### 1. General information

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

Pramonės Str. 6,  
Alytus,  
Lithuania.

The Company is engaged in 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.

As of 31 March 2013 and 31 December 2012 the shareholders of the Company were:

	31 March 2013		31 December 2012	
	Number of shares held (units)	Ownership share	Number of shares held (units)	Ownership share
UAB „Vaidana“	36,096,193*	91.10%,	36,096,193*	91.10%,
Perzow enterprises limited	1,412,350	3.56%	1,412,350	3.56%
Other shareholders	2,113,852	5.34%	2,113,852	5.34%
<b>Total</b>	<b>39,622,395</b>	<b>100%</b>	<b>39,622,395</b>	<b>100%</b>

\*Out of this amount 3,309,943 units of AB Snaigė shares UAB „Vaidana“ is pledged.

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 2013 and 31 December 2012. As of 31 March 2013 and 31 December 2012 the Company did not hold its own shares.

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

The Group consists of AB Snaigė and the following subsidiaries as of 31 March 2013 (hereinafter the Group) (the structure of the Group and cost of investments remain unchanged compared to 2012):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
OOO „Techprominvest“	Russia (Kaliningrad)	100%	92,320	20,757,929
TOB „Snaige Ukraina“	Ukraine	99%	(1,717)	65,553
OOO „Moroz Trade“	Russia	100%	-	(14,302,983)
OOO „Liga Servis“	Russia	100%	(66,778)	(1,467,168)
UAB „Almecha“	Lithuania	100%	816,320	1,298,989

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

In 2002 „Snaige“ AB bought „Techprominvest“ (Kaliningrad, Russia) in 2002.

On 12 August 2009 due to global economic crisis and particularly unfavourable effect of it on the Group activities, the management of the Group made a decision to terminate the activities of AB Snaigė refrigerator factory OOO Techprominvest. At present moment OOO Techprominvest rent out real estate and searching for a potential buyer for it.

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.

On 13 May 2004, OOO Moroz Trade (Moscow, Russia) was established. The Company acquired 100% of shares of OOO Moroz Trade in October 2004. The subsidiary provides sales and marketing services in the Russian market. In 2012 and 2011 OOO Moroz Trade did not operate.

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

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 owns 100 % of the company's shares.

As at 31 March 2013 the number of employees of the Group was 817 (as at 31 March 2012 - 775).

## **2. Accounting principles**

The principal accounting policies adopted in preparing the Group's 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 24,459 thousand as of 31 March 2013 (whereas in the year 2012 December 31<sup>st</sup> by LTL 7,532 thousand).

liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 1.49 (1.17 in 31 December 2012).

- quick ratio (total current assets – inventories) / total current liabilities) – 1.02 (0.82 in 31 December 2012).

- the Group incurred LTL 1.110 tūkst. thousand pre-tax loss (on the year 2012 March 31<sup>st</sup> – LTL 2.270 thousand loss)

- commitment ratios: the ratio of debt/asset was 0.71 whereas in the year 2012, December 31<sup>st</sup> 0.64)

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

- in 2012 the Group expects 15 % increase in sales comparing to 2012;
- 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 have the maturity term ending in year 2013 April and May.

The direction of the Company agrees that all those assumptions above could be influenced of uncertainties, which could raise doubts about Company's ability to continue operating, because of the disability to realize its property and to implement its commitments by carrying out its normal activities. However despite all this the Company's direction expects that the Company will have enough resources to continue operating in the near future. Therefore, the Group has continued to adopt the going concern basis of accounting in preparing these financial statements.

### 2.3. Presentation currency

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

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

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

	<u>31 03 2013</u>	<u>31 12 2012</u>
RUB	0.086984	0.085879
UAH	0.33124	0.32292
USD	2.6984	2.6060

### 2.4. Principles of consolidation

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

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

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

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

### 2.5. Intangible assets, except for goodwill

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

#### Research and development

Research costs are expensed as incurred. Development expenditure on an 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, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

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

#### 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 expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

### **2.6. Property, plant and equipment**

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**

Ilgalaikis turtas laikomas pardavimui yra apskaitomas žemesniaja iš apskaitinės ir tikrosios vertės, atėmus pardavimo išlaidas. Ilgalaikis turtas priskiriamas laikomam parduoti, jeigu jo balansinė vertė atspirks jį parduodant, o ne tęsiant jo eksploataciją. Ši sąlyga tenkinama tik tuomet, kai pardavimas yra labai tikėtinas ir turtas yra visiškai paruoštas greitam pardavimui. Perklasifikavus ilgalaikį turtą į turtą laikomą pardavimui, jam sustabdomas nusidėvėjimo skaičiavimas.

Jeigu Grupės turtas klasifikuojamas kaip laikomas pardavimui, nebetenkina aukščiau aprašytų sąlygų, Grupė neklasifikuoja to turto kaip laikomo pardavimui ir tuomet tokį ilgalaikį turtą įvertina, verte žemesniaja iš: turto likutinės vertės prieš turto perklasifikavimą į laikomą pardavimui, įvertinus bet kokius nusidėvėjimo, amortizacijos ar perkainojimo

pataisymus, kurie būtų buvę apskaityti jeigu turtas nebūtų klasifikuojamas kaip laikomas pardavimui ir jo atsiperkamosios vertės, po sprendimo neparduoti turto datos. Ilgalaikio turto, kuris nustoja būti klasifikuojamas kaip turtas laikomas pardavimui, apskaitinės vertės pataisymai yra apskaitomi pelno (nuostolio) ataskaitoje to periodo, kuriuo sąlygos nustoją būti tenkinamos.

## **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 2013 and 31 December 2012.

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

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

## **2.12. Derivative financial instruments**

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

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

## **2.13. Factoring**

Factoring transaction is a funding transaction wherein the company transfers to factor claim rights for determined fee. The companies alienate rights to receivables due at a future date according to invoices. At the date of the making this statement the Group had not such transactions

## **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 and the Company 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 Company and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

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

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

In Group's 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, except for goodwill, 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 with respect to geographical location of the Group's sales and assets is presented below (LTL thous.):

Group	Total segment sales revenue		Inter-segment sales		Sales revenue		Total assets by its location *	
	2013	2012	2013	2012	2013	2012	2013	2012
Russia	2,646	1,795	(669)		1,977	1,795	22,075	21,858
Ukraine	9,222	8,446	-	-	9,222	8,446	55	56
Western Europe	14,410	7,939	-	-	14,410	7,939	-	-
Eastern Europe	1,704	1,450	-	-	1,704	1,450	-	-
Lithuania	4,920	4,538	(3,625)	(3,003)	1,295	1,535	105,498	83,494
Other CIS countries	5,205	505	-	-	5,205	505	-	-
Other Baltic states	450	162	-	-	450	162	-	-
Other countries	97	-	-	-	97	-	-	-
<b>Total</b>	<b>38,654</b>	<b>24,835</b>	<b>(4,294)</b>	<b>(3,003)</b>	<b>34,360</b>	<b>21,832</b>	<b>127,628</b>	<b>105,408</b>

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

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

In 2013 1<sup>st</sup> quarter the sales to the five largest buyers comprised 43.09% of total sales, including: „SAV-DISTRIBUTION“ LLC 10.10 %, Conforama 9.57 %, OOO „Favorit comfort Trading“ 9.12%, „Severin“ 8.15 %, OOO „Real Leather“ 6.15 % (same period 2012 – 39.88 %, including „Severin“ 11.93 %, Conforama 9.69 %, Peidž AP CP 7.16 %, Versija 5.98 % , OOO „Polair“ 5.12 %).

#### 4 Cost of sales

	31 03 2013	31 03 2012
Raw materials	21,716,726	14,378,584
Salaries and wages	2,228,597	1,234,043
Depreciation and amortisation	829,422	1,051,804
Other	3,687,543	2,639,179
	<b>28,462,288</b>	<b>19,303,610</b>

#### 5 Other income

	31 03 2013	31 03 2012
Income from transportation services	50,674	31,958
Income from rent of premises	1,351	1,910
Ilgalaikio materialiojo turto pardavimo pelnas	-	20,468
Income from rent of equipment	731	731
Other	242,290	21,111
	<b>295,046</b>	<b>76,178</b>

In 2013 1<sup>st</sup> quarter from property rental received LTL 556 thousand income (in 2012 – LTL 380 thousand), which in the profit (loss) statement recorded in the goods sold and other production income.

## 6 Operating expenses

	<b>31 03 2013</b>	<b>31 03 2012</b>
Selling expenses	2,915,175	1,430,367
General and administrative expenses	3,869,085	2,777,082
	<b>6,784,260</b>	<b>4,207,449</b>

## 7 Other expenses

	<b>31 03 2013</b>	<b>31 03 2012</b>
Transportation expenses	36,804	21,000
Expenses from rent of equipment	650	-
Gain on disposal of property, plant and equipment	-	,-
Other	8,764	,21,742
	<b>46,218</b>	<b>42,742</b>

## 8 Financial income

	<b>31 03 2013</b>	<b>31 03 2012</b>
Foreign currency exchange gain	-	-
Interest income and other	167,007	1,404
	<b>167,007</b>	<b>1,404</b>

## 9 Financial expenses

	<b>31 03 2013</b>	<b>31 03 2012</b>
Interest expenses	620,126	618,597
Foreign currency exchange loss	18,831	5,894
Loss of foreign currency translation transactions	-	-
Other	14	586
	<b>638,971</b>	<b>625,077</b>

**10 Intangible assets**

	Balance sheet value	
	31 03 2013	31 12 2012
Development cost	4,806,385	5,022,823
Software, licenses	49,940	54,687
Other intangible assets	306,912	57,825
	<b>5,163,237</b>	<b>5,135,335</b>

Total amount of amortisation expenses is included into administration expenses in the statement of comprehensive income.

During 2013 1<sup>st</sup> quarter the Group has accumulated LTL 225 thousand (n 2012 respectively – LTL 194 thousand) of non-current intangible assets depreciation.

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

**11 Property, plant and equipment**

	Balance sheet value	
	31 03 2013	31 03 2012
Buildings and structures	9,010,009	9,132,976
Machinery and Equipment	15,317,641	15,831,236
Vehicles and other	2,005,188	2,242,149
Construction in progress and prepayments	454,831	120,088
	<b>26,787,669</b>	<b>27,326,449</b>
Investment property	19,435,477	19,284,051
	<b>46,223,146</b>	<b>46,610,500</b>

The depreciation charge of the Group's property, plant and equipment and investment property for 1<sup>st</sup> quarter 2013 year amounts to LTL 1,556 thousand (LTL 1,782 thousand for 1<sup>st</sup> quarter 2012). The amount of LTL 1,251 thousand for 1<sup>st</sup> quarter 2013 was included into production cost (1<sup>st</sup> quarter 2012 – LTL 1,413 thousand). The remaining amount of LTL 305 thousand was included into Operating expenses (1<sup>st</sup> quarter 2012 – LTL 369 thousand) in the Group's statement of comprehensive income.

After refinansation of loans was removed buildings and machinery and equipment pledge to banks and not yet registered pledge for a loan from UniCredit bank. At 2013 March 31 Group's net book value of buildings was LTL 7,047 thousand (at 2012 31<sup>st</sup> of December LTL 7,110 thousand) and machinery and equipment net book value was LTL 6,918 thousand (at 2012 31<sup>st</sup> of December LTL 7,574 thousand). (Note 20)

In order to assure the proper fulfilment of the Company's liabilities to suppliers according to legal proceedings, the rights to machinery and equipment with the net book value of LTL 612 thousand as of 31 March 2013 (LTL 690 thousand as at 31 December 2012) 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.

Assets reclassified as investment

Since the end of 2011 till 2013 March 31, most of the building of OOO „Techprominvest“ is leased, so property (building) Reclassification to investment property continues. The Group's management estimates that in 2013 March 31 the fair value of investment property is about LTL 38 million.

**12 Inventories**

	<b>31 03 2013</b>	<b>31 12 2012</b>
Raw materials and spare parts and production in progress	16,008,790	11,803,045
Finished goods	7,563,108	3,838,504
Other	418,402	436,477
Total inventories, gross	23,990,300	16,078,026
Less: valuation allowance for finished goods	(13,179)	(13,179)
Less: valuation allowance for raw materials and production in progress	(577,328)	(582,163)
<b>Total inventories, net</b>	<b>23,399,793</b>	<b>15,482,684</b>

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

After refinansation of loans at 2013 31<sup>st</sup> of March was removed inventories pledge to banks in sum of LTL 10,500 thousand (at 31<sup>st</sup> of December 2012 pldget inventories for LTL 10,500 thousand).

**13 Trade receivables**

	<b>31 03 2013</b>	<b>31 12 2012</b>
Trade receivables	36,941,558	36,701,234
Less: valuation allowance for doubtful trade receivables	(11,719,367)	(11,597,545)
	<b>25,222,191</b>	<b>25,103,689</b>

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

As at 31 Mach 2013 100% impairment was accounted for trade receivables of the Group in gross values of LTL 11,719 thousand (as at 31 December 2012 – LTL 11,597 thousand). Change in valuation allowance for doubtful trade receivables was accounted for within administrative expenses.

In Note 13 the Group's trade receivables amounting only LTL 6,918 thousand as of March 2013 (LTL 7,244 thousand as of 31 December 2012) were insured by credit insurance Atradius Sweden Kreditförsäkring Lithuanian branch.

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

	<b>31 03 2013</b>	<b>31 12 2012</b>
Balance at the beginning of the period	(11,597,545)	(13,115,429)
Charge for the year	-	(262,168)
Write-offs of trade receivables	-	1,996,497
Effect of the change in foreign currency exchange rate	(148,858)	(326,641)
Amounts paid	27,036	110,196
Balance in the end of the period	(11,719,367)	(11,597,545)

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

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

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
<b>2013</b>	18,563,241	3,692,028	1,221,156	1,001,707	249,825	494,234	<b>25,222,191</b>
<b>2012</b>	19,754,042	3,509,623	656,817	538,748	524,120	120,339	<b>25,103,689</b>

At 31 March 2013 and 31 December 2012 Group signed factoring without recourse agreement, which hasn't been used.

At 31 March 2013 and 31 December 2012 Group had no factoring with recourse agreement therefore no limitations on disposable assets were present.

#### 14 Other current assets

	31 03 2013	31 12 2012
Prepayments and deferred expenses	602,474	803,502
VAT receivable	1,130,684	894,427
Compensations receivable from suppliers	1,158	3,328
Restricted cash	15,000	15,000
Granted loans	19,646,432	7,043,712
Other receivables	1,403,287	1,896,353
Less: valuation allowance for doubtful other receivables	(1,370,086)	(1,352,681)
	<b>21,428,949</b>	<b>9,303,641</b>

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

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

	31 03 2013	31 12 2012
Balance at the beginning of the period	(1,352,681)	(1,431,114)
Charge for the year	-	-
Effect of the change in foreign currency exchange rate	(17,405)	(40,087)
Amounts paid	-	-
Write off	-	118,520
Balance in the end of the period	(1,370,086)	(1,352,681)

#### 15 Cash and cash equivalents

	31 03 2013	31 12 2012
Cash at bank	4,038,369	1,611,908
Cash on hand	13,549	3,927
	<b>4,051,918</b>	<b>1,615,835</b>

After refinansation of loans at 2013 31<sup>st</sup> of March was removed pledge from foreign currency and litas accounts (at 31<sup>st</sup> of December 2012 pledget foreign currency and litas accounts up to LTL 15,085 thousand) (note 20)

## **16 Share capital and share premium**

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 of 31 March 2013 the Company was in compliance with this requirement.

## **17 Reserves**

### Legal reserve

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

As of 31 March 2013 the legal reserve amounted to LTL 2,884 thousand.

### Other reserves

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

On 30 April 2012 the general shareholders' meeting approved the Company's non-restricted reserves:

LTL 2,212 thousand for investments and LTL 30 thousand for social needs.

### Foreign currency translation reserve

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

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

**18 Subsidies**

<b>Balance as at 1 January 2011</b>	<b>10,703,880</b>
Received during the year	-
Balance as at 31 December 2011	10,703,880
Received during the year	-
Balance as at 31 December 2012	10,703,880
Received during the year	-
Balance as at 31 March 2013	10,703,880
<b>Accumulated amortisation as at 1 January 2011</b>	<b>9,421,447</b>
Amortisation during the year	348,300
Accumulated amortisation as at 31 December 2011	9,769,747
Amortisation during the year	199,311
Accumulated amortisation as at 31 December 2012	9,969,058
Amortisation during the year	23,065
Accumulated amortisation as at 31 March 2013	9,992,123
<b>Net book value as at 31 March 2013</b>	<b>711,757</b>
<b>Net book value as at 31 December 2012</b>	<b>734,822</b>

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 Warranty provisions**

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 in warranty provisions were as follows:

	<b>31 03 2013</b>	<b>31 12 2012</b>
As of 1 January	2,307,005	2,057,612
Additions during the year	564,338	1,627,335
Utilised	(248,377)	(1,377,942)
Foreign currency exchange effect	-	-
	<b>2,622,966</b>	<b>2,307,005</b>



Warranty provisions are accounted for as:	<b>31 03 2013</b>
- non-current	783,700
- current	1,839,266
	<b>2012</b>
- non-current	783,700
- current	1,523,305

**20 Borrowings**

	<b>31 03 2013</b>	<b>31 12 2012</b>
<b>Non-current borrowings</b>		
Non-current borrowings with fixed interest rate	-	9,666,674
Non-current borrowings with variable interest rate	38,671,360	11,769,172
Ordinary bonds	-	-
Interest on bonds	-	-
	<b>38,671,360</b>	<b>21,435,846</b>
<b>Current borrowings</b>		
Convertible bonds	7,300,000	7,300,000
Ordinary bonds	-	-
Current borrowings with fixed interest rate	124,078	1,298,970
Current borrowings with variable interest rate	4,488,640	4,497,729
	<b>11,912,718</b>	<b>13,096,699,</b>
	<b>50,584,078</b>	<b>34,532,545</b>

On 18 April 2011 the Company issued 725 days 30,000 units of convertible bonds with the par value of LTL 100 each with the annual yield of 9% and redemption date 12 April 2013.

On 2 May 2011 the Company issued 43,000 units of convertible bonds with the par value of LTL 100 each, with the annual yield of 9%, redemption date 2 May 2013, interest is paid annually. The purpose is the refinancing of part of the convertible bonds emission issued in 2010 with the maturity date of 11 April 2011.

Accrued interest on the bonds in 2013 March 31 was LTL 369 thousand, in balance sheet they recorded in Current liabilities part Other current liabilities. Interest on the bonds is paid once a year (In 2012 paid LTL 387 thousand) with the exception of 30,000 units bond holder, which interest is paid once a quarter on the last day of the quarter.

Borrowings with variable interest rate bear 6-month VILIBOR + 4.25 to 5 %, but not less than 7% annual interest rate as at March 2013 (6-month VILIBOR + 3.5 to 4.5%, but not less than 7% annual interest rate as at 31 December 2012). Borrowings with the fixed interest rate bear 8 % - 9 % annual interest rates.

At 2013 31<sup>st</sup> of March after refinansation of loans was removed asset pledge to banks and new pledge was made only in April of 2013 (at 2012 31<sup>st</sup> of December pledget assets net book value was: buildings LTL 7,110 thousand, machinery and equipment LTL 7,328 thousand, current account up to LTL 15,085 thousand). In addition, the LTL 1,000 thousand cash deposit accounted in non-current assets, were limited right of disposal and pledget to bank.

Borrowings in national and foreign currencies:

	31 03 2013	31 12 2012
<b>Borrowings denominated in:</b>		
EUR	43,160,000	3,797,395
USD	-	-
LTLi	7,300,000	30,612,647
RUB	124,078	122,503
	<b>50,584,078</b>	<b>34,532,545</b>

Repayment schedule for borrowings, including convertible and ordinary bonds, is as follows:

	Fixed interest rate	Variable interest rate
2013	7,424,078	4,488,640
2014 – 2016	-	38,671,360
	<b>7,424,078</b>	<b>43,160,000</b>

## 21 Finance lease obligations

As at 31 March 2013 there were no finance lease obligations at the Company.

## 22 Operating lease

The Group has concluded several contracts of operating 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 IQ 2013 the lease expenses of the Group amounted to LTL 92 (in 2012 - LTL 381 thousand).

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

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

## 23 Other current liabilities

	31 03 2013	31 12 2012
Accrued interest on convertible bonds (Note 23)	346,767	282,033
Salaries and related taxes	2,579,117	2,447,762
Vacation reserve	1,849,824	1,874,842
Other accrued interest	90,662	134,492
Other taxes payable	293,046	259,633
Other payables and accrued expenses	217,659	279,405
	<b>5,377,075</b>	<b>5,278,167</b>

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 profit (loss) per share

	31 03 2013	31 12 2012
Shares issued on 1 January	39,622,395	39,622,395
Weighted average number of shares*	-	-
Net profit (loss) for the year, attributable to the shareholders of Company	(1,110,650)	(2,269,514)
Basic profit (loss) per share, in LTL	(0.028)	(0.057)

## 25 Capital and risk management

### Credit risk

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

Concentration of trading counterparties of the Group and the Company is average. As at 31 March 2013 amounts receivable from the main 10 customers of the Group accounted for approximately 33.22 % (47.68 % as at 31 December 2012) of the total Group's trade receivables.

The credit policy 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.

At 31 March 2013 the Group's trade receivables, after elimination of reserves was LTL 25,222 thousand. LTL 6,918 thousand were insured with credit insurance by Atradius Sweden Lithuanian branch (at 31 December 2012 trade receivables was – LTL 25,104 thousand, insured – LTL 7,244 thousand).

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

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

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

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

### Interest rate risk

The part of the Group's borrowings is with variable rates, related to EURIBOR.

As of 31 March 2013 and 2012 the Group did not use any financial instruments to manage interest rate risk.

#### Liquidity risk

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

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

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

#### Foreign exchange risk

The Group significantly reduced income earned in USD.

Foreign exchange risk decreased because most of income is earned in euros by the Group and the Company, 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 and the Company's capital management is to ensure that the Group and the Company comply with the externally imposed capital requirements and to maintain appropriate capital ratios in order to ensure its business and to maximise the shareholders' benefit.

The Group manage their 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 2013 the Group complied with this requirement. There were no other significant externally imposed capital requirements on the Group.

### **26 Commitments and contingencies**

UAB „Vaidana“ has pledged 3,309,943 units AB „Snaigė“ shares .

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.

Shareholder company UAB Vaidana acquired all the company's 2011 04-05 months issued bonds (73 thousand pcs., each worth LTL 100). Bond interest and redemption payment arrangements have not changed (more note 20).

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

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

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

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

Under this agreement in 2013 first quarter Company borrowed to OAO Polair LTL 12,603 thousand LTL.

### **27 Related party transactions**

According to IAS 24 *Related Party Disclosures*, the parties are considered related when one party can unilaterally or jointly control other party or have significant influence over the other party in making financial or operating decisions or operation

matters, or when parties are jointly controlled and if the members of management, their relatives or close persons who can unilaterally or jointly control the Group or have influence on it. To determine whether the parties are related the assessment is based on the nature of relation rather than the form.

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

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

The Group has a policy to conduct related party transactions on commercial terms and conditions. Outstanding balances at the year-end are unsecured, interest-free, except the loan granted, and settlement occurs in cash. As of 31 March 2013 and 31 December 2012 the Group has not recorded any impairment of receivables from related parties.

Financial and investment transactions with the related parties:

	31 03 2013				31 12 2012		
	Loans received	Interest expenses	Loans granted	Loans granted	Loans received	Repayment of loans	Interest expenses
UAB „Vaidana“ (bonds)	-	162,000	-	-	-	-	658,800
OAO „Polair“	-	290,940	19,646,432	7,043,712	7,300,000	-	126,633
	-	<b>452,940</b>	<b>19,646,432</b>	<b>7,043,712</b>	<b>7,300,000</b>	-	<b>785,433</b>

#### 31 03 2013

	Purchases	Sales	Receivables	Payables
OAO „Polair“ (refrigerators)	-	124,384	629,123	-
Polair Europe S.R.L	-	-	15,582	-
Polair Europe Limited	72,602	-	-	72,602
	<b>72,602</b>	<b>124,384</b>	<b>644,705</b>	<b>72,602</b>

#### 31 12 2012

	Purchases	Sales	Receivables	Payables
OAO „Polair“ (refrigerators)	514,011	4,525,577	504,740	3,909
Polair Europe S.R.L	329,695	-	-	15,585
Polair Europe Limited	25,505	-	-	25,505
	<b>869,211</b>	<b>4,525,577</b>	<b>504,740</b>	<b>44,999</b>

The Company's transactions carried out with subsidiaries:

	Purchases		Sales	
	31 03 2013	31 03 2012	31 03 2013	31 03 2012
OOO „Techprominvest“	-	112,730	-	-
TOB „Snaigė Ukraina“	17,263	8,861	-	-
UAB „Almecha“	2,098,356	1,836,052	1,626,361	1,313,192
OOO „Liga-Servis“	28,514	20,431	-	-
	<b>2,144,133</b>	<b>1,978,074</b>	<b>1,626,361</b>	<b>1,313,192</b>

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 March and 31 December:

	2013 m.	2012 m.
<b>Non-current receivables</b>		
Trade receivables from OOO Techprominvest	457,159	457,159
Total non-current receivables	<b>457,159</b>	<b>457,159</b>
<b>Current receivables</b>		
Trade receivables from OOO Techprominvest	-	-
Trade receivables from UAB Almecha	1,526,545	1,484,593
Total current receivables	<b>1,526,545</b>	<b>1,484,593</b>

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

	Receivables from subsidiaries and granted loans neither past due nor impaired	Receivables from subsidiaries and granted loans past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
<b>2013</b>	1,905,918	-	-	-	4,163	73,623	1,983,704
<b>2012</b>	1,863,966	4,163	-	24,280	-	49,343	1,941,752

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

	<b>2013 m.</b>	<b>2012 m.</b>
OOO „Techprominvest“	13,030	13,030
TOB „Snaigé Ukraina“	8,328	16,573
OOO „Liga-Servis“	14,000	172,690
UAB „Almecha“	1,297,277	710,211
<b>Total</b>	<b>1,332,635</b>	<b>912,504</b>

As at 31 March 2013 the Company had signed guarantee agreements, according to which it guaranteed payments to suppliers for liabilities of the subsidiaries OOO „Techprominvest“; UAB „Almecha“; „Snaigé Ukraina“; „Moroz Trade“; „Liga Servis“.

#### Remuneration of the management and other payments

Remuneration of the Company's and subsidiaries' management amounted to LTL 410 thousand and LTL 153 respectively in 1<sup>st</sup> Q 2013 (LTL 319 thousand and LTL 81 thousand respectively in 2012). The management of the Company 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 30 April 2013. At the meeting following resolutions were made:

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

Redeemed in 2011 distributed bonds and their accumulated interest. Redemption made by netting method (AB Snaigé, UAB Vaidana and OAO POLAIR), set of OAO POLAIR loan repayment to the Company.

With SEB bank signed LTL 10,358 thousand factoring with recourse agreement.

For loan which was received from Unicredit bank Company at 2013 10<sup>th</sup> of March pledged assets in sum of LTL 49,097 thousand (Real Estate – LTL 18,276 thousand, land – LTL 2 thousand, machinery and equipment – LTL 30,819 thousand).