

AB SNAIGĖ

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of AB Snaigė

Report on Financial Statements

We have audited the accompanying financial statements of AB Snaigė, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of the Company together with its subsidiaries (hereinafter the Group) which comprise the statement of financial position as of 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As of 31 December 2012 the Company has an investment in subsidiary Techprominvest OOO amounting to LTL 36 million. The subsidiary is not operational and therefore the recoverability of investment depends on recoverability of the non-current tangible assets of the entity. There are indications that investment cost might not be recovered as significant uncertainty exists in respect of the future use of manufacturing and administrative premises - building (classified as investment property) and production equipment held at the subsidiary Techprominvest OOO (net book value amounts to LTL 23 million as of 31 December 2012). As of 31 December 2012 management of the Company did not perform impairment valuation of the above mentioned investment and non-current tangible assets. Therefore we have not been able to obtain sufficient and appropriate audit evidence in order to conclude on whether the entire investment cost amount in the Company's statement of financial position and the carrying values of investment property and property, plant and equipment in the consolidated Group's statement of financial position respectively, will be fully recovered.

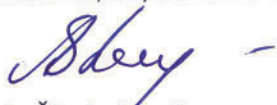
Qualified Opinion

In our opinion, except for the possible effects of the matters described in section „Basis for Qualified Opinion”, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2012 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2012.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

A handwritten signature in blue ink, appearing to read 'Asta Štreimikienė'.

Asta Štreimikienė
Auditor's licence
No. 000382

The audit was completed on 25 April 2013.

Group's and Company's statement of comprehensive income

	Notes	Group		Company	
		2012	2011	2012	2011
Sales	3	146,548	111,133	150,142	114,523
Cost of sales	4	(121,952)	(94,736)	(127,004)	(98,638)
Gross profit		24,596	16,397	23,138	15,885
Selling and distribution expenses	5	(9,736)	(6,281)	(9,403)	(6,293)
Administrative expenses	6	(12,893)	(10,571)	(7,521)	(7,044)
Other income	7	2,335	1,482	1,051	1,024
Other expenses	8	(1,409)	(1,286)	(839)	(737)
Operating profit (loss)		2,893	(259)	6,426	2,835
Financial income	9	173	5	1,265	826
Financial expenses	10	(2,043)	(5,813)	(3,089)	(3,790)
Profit (loss) before income tax		1,023	(6,067)	4,602	(129)
Income tax income (expenses)	11	(4)	1,025	(17)	1,037
Net profit (loss)		1,019	(5,042)	4,585	908
Other comprehensive income					
Exchange differences on translation of foreign operations	19	1,184	1,317	-	-
Total comprehensive income, net of tax		2,203	(3,725)	4,585	908

Net profit (loss) attributable to:

The shareholders of the Company	1,019	(5,042)
Non-controlling interest	-	1

Total comprehensive income, net of tax, attributable to:

The shareholders of the Company	2,203	(3,725)
Non-controlling interest	-	-

Basic profit (loss) per share	27	0.03	(0.14)
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The accompanying notes are an integral part of these financial statements.

General Director	Gediminas Čeika	25 April 2013
Financial Director	Neringa Menčiūnienė	25 April 2013

Group's and Company's statement of financial position

		Group		Company	
	Notes	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
ASSETS					
Non-current assets					
Intangible assets	12	5,135	4,967	5,119	4,966
Property, plant and equipment	13	27,327	30,702	24,785	28,430
Investment property	13	19,284	19,263	-	-
Investments into subsidiaries	1	-	-	37,822	37,822
Deferred income tax asset	11	1,156	1,160	1,138	1,155
Other non-current assets	23	1,000	1,000	1,000	1,000
Receivables from subsidiaries	31	-	-	458	-
Total non-current assets		53,902	57,092	70,322	73,373
Assets held for sale	13	-	2,144	-	-
Current assets					
Inventories	14	15,483	13,232	12,268	12,389
Trade receivables	15	25,104	13,191	23,386	12,485
Receivables from subsidiaries	31	-	-	1,484	1,334
Other current assets	16	9,303	2,695	8,821	2,316
Cash and cash equivalents	17	1,616	960	696	893
Total current assets		51,506	30,078	46,655	29,417
Total assets		105,408	89,314	116,977	102,790

(continued on the next page)

The accompanying notes are an integral part of these financial statements.

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

		Group		Company	
	Notes	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the Company					
Share capital	1, 18	39,622	39,622	39,622	39,622
Share premium		5,699	5,699	5,699	5,699
Legal reserve	19	2,884	2,828	2,828	2,783
Other reserves	19	2,242	1,189	2,051	1,188
Foreign currency translation reserve	19	(3,774)	(4,958)	-	-
Retained earnings (deficit)		(8,734)	(8,644)	4,585	908
		37,939	35,736	54,785	50,200
Non-controlling interest		2	2	-	-
Total equity		37,941	35,738	54,785	50,200
Liabilities					
Non-current liabilities					
Subsidies	20	735	934	735	934
Warranty provision	21	783	685	783	685
Deferred income tax liability	11	147	147	-	-
Non-current borrowings and financial lease obligations	23	21,436	14,742	21,436	14,742
Non-current employee benefits	22	355	347	355	347
Trade payables		36	-	32	-
Total non-current liabilities		23,492	16,855	23,341	16,708
Current liabilities					
Current borrowings, current portion of non-current borrowings and financial lease obligations	23, 24	13,097	16,006	12,898	15,874
Trade payables		21,159	14,967	19,603	14,853
Advances received		2,917	216	454	167
Warranty provision	21	1,523	1,373	1,518	1,370
Other current liabilities	26	5,279	4,159	4,378	3,618
Total current liabilities		43,975	36,721	38,851	35,882
Total equity and liabilities		105,408	89,314	116,977	102,790

The accompanying notes are an integral part of these financial statements.

General Director

Gediminas Čeika

25 April 2013

Financial Director

Neringa Menčiūnienė

25 April 2013

Group's statement of changes in equity

Notes	Attributable to equity holders of the Company						Non- control- ing interests	Total equity
	Share capital	Share premium	Legal reserve	Other reserves	Foreign currency translation reserve	Retained earnings (deficit)		
Balance as of 1 January 2011	30,736	5,699	2,828	1,860	(6,275)	(4,273)	1	30,576
Net (loss) for the year	-	-	-	-	-	(5,042)	1	(5,041)
Other comprehensive income	-	-	-	-	1,317	-	-	1,317
Total comprehensive income	-	-	-	-	1,317	(5,042)	1	(3,724)
Share capital increase	8,886	-	-	-	-	-	-	8,886
Transfer from reserves	-	-	-	(671)	-	671	-	-
Balance as of 31 December 2011	39,622	5,699	2,828	1,189	(4,958)	(8,644)	2	35,738
Net profit for the year	-	-	-	-	-	1,019	-	1,019
Other comprehensive income	-	-	-	-	1,184	-	-	1,184
Total comprehensive income	-	-	-	-	1,184	1,019	-	2,203
Transfer to reserves	-	-	58	1,053	-	(1,109)	-	-
Balance as of 31 December 2012	39,622	5,699	2,884	2,242	(3,774)	(8,734)	2	37,941

The accompanying notes are an integral part of these financial statements.

General Director	Gediminas Čeika	25 April 2013
Financial Director	Neringa Menčiūnienė	25 April 2013

Company's statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance as of 1 January 2011		30,736	5,699	2,783	1,860	(672)	40,406
Net profit for the year		-	-	-	-	908	908
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	908	908
Increase of share capital	1	8,886	-	-	-	-	8,886
Transfer from reserves	19	-	-	-	(672)	672	-
Balance as of 31 December 2011		39,622	5,699	2,783	1,188	908	50,200
Net profit for the year		-	-	-	-	4,585	4,585
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	4,585	4,585
Transfer to reserves	19	-	-	45	863	(908)	-
Balance as of 31 December 2012		39,622	5,699	2,828	2,051	4,585	54,785

The accompanying notes are an integral part of these financial statements.

General Director	Gediminas Čeika	25 April 2013
Financial Director	Neringa Mencūnienė	25 April 2013

Group's and Company's statement of cash flows

		Group		Company	
	Notes	2012	2011	2012	2011
Cash flows from (to) operating activities					
Net result for the year		1,019	(5,042)	4,585	908
Adjustments for non-cash items:					
Depreciation and amortisation	12, 13	8,745	9,308	6,325	6,543
(Amortisation) of subsidies	20	(199)	(349)	(199)	(349)
Result from disposal of non-current assets	7	(42)	(152)	(39)	(98)
Write-off of non-current assets		460	368	-	-
Write-off of inventories		208	-	1	1
Change in allowance for trade receivables, inventories and deferred income tax		378	(1,360)	322	(1,047)
Change in provisions	21	257	(718)	248	(576)
Interest (income)	9	(173)	(5)	(171)	(5)
Interest expenses	10	1,940	2,998	1,926	2,987
		12,593	5,048	12,998	8,364
Changes in working capital:					
(Increase) decrease in inventories		(2,251)	(707)	120	(936)
(Increase) decrease in trade and other receivables		(11,478)	1,496	(10,970)	1,465
Increase (decrease) in trade payables and other payables		10,045	(264)	5,904	(3,418)
Advance income tax returned (paid)		(2)	-	-	-
Net cash flows from operating activities		8,907	5,573	8,052	5,475
Cash flows from (to) investing activities					
(Acquisition) of tangible assets	13	(2,093)	(4,443)	(1,904)	(4,902)
(Acquisition) of intangible assets	12	(947)	(728)	(929)	-
Proceeds from disposal of non-current assets		115	214	103	5
Interest received		173	5	39	168
Loans granted		(7,044)	-	(7,044)	-
Net cash flows from investing activities		(9,796)	(4,952)	(9,735)	(4,729)

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The accompanying notes are an integral part of these financial statements.

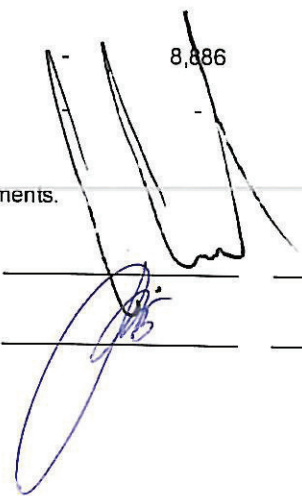
AB SNAIGĖ

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in LTL thousand unless otherwise stated)

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

	Group		Company	
	2012	2011	2012	2011
Cash flows from (to) financing activities				
Issue of convertible bonds	-	-	-	3,000
Proceeds from borrowings	6,516	14,596	6,394	11,596
Interest (paid)	(2,240)	(2,089)	(2,233)	(2,089)
(Repayment) of non-current borrowings	(1,807)	(13,305)	(1,751)	(13,306)
Financial lease (payments)	(71)	(834)	(71)	(833)
(Redemption) of bonds	(853)	-	(853)	-
Net cash flows from (to) financing activities	1,545	(1,632)	1,486	(1,632)
Net increase (decrease) in cash and cash equivalents	656	(1,011)	(197)	(886)
Cash and cash equivalents at the beginning of the year	960	1,971	893	1,779
Cash and cash equivalents at the end of the year	1,616	960	696	893
Supplemental information of cash flows:				
Non-cash financing activity:				
Convertible bonds conversion to shares (Note 1)	-	8,886	-	8,886
Receivable from OOO Techprominvest converted to equity of subsidiary	-	-	-	38,509

The accompanying notes are an integral part of these financial statements.

General Director	Gediminas Čeika		25 April 2013
Financial Director	Neringa Menčiūnienė		25 April 2013

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

(all amounts are in LTL thousand unless otherwise stated)

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

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

Pramonės Str. 6,
Alytus,
Lithuania.

The Company is engaged in 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 December 2012 and 2011 the shareholders of the Company were:

	2012		2011	
	Number of shares held (in thousand units)	Ownership share	Number of shares held (in thousand units)	Ownership share
UAB Vaidana*	36,096*	91.10%	23,716	59.86%
Skandinaviska Enskilda Banken AB clients	4	0.01%	2,266	5.72%
Swedbank AS (Estonia) clients	107	0.27%	3,322	8.38%
Other shareholders	3,415	8.62%	10,318	26.04%
Total	39,622	100%	39,622	100%

*Out of this amount 12,975 thousand units of AB Snaigė shares were collateralized to AB Šiaulių Bankas in accordance with a financial warranty agreement as at 31 December 2012 (Note 30).

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as of 31 December 2012 and 2011. As of 31 December 2012 and 2011 the Company did not hold its own shares.

On 18 April 2011 pursuant to the decision of convertible bonds owners 23 thousand units of convertible bonds with the par value of EUR 100 each were converted into 8,886 thousand ordinary registered shares of the Company with the par value of LTL 1 each and the share capital was increased accordingly. The increased share capital was registered on 12 May 2011.

On 12 December 2011 UAB Vaidana acquired 17,601 thousand ordinary registered shares of the Company with the par value of LTL 1 each, which represents 44.42% of the total shares of the Company and voting rights in the general meeting.

On 21 December 2011 UAB Vaidana additionally acquired 6,115 thousand ordinary registered shares of the Company (15.43% of total shares of the Company).

The non-competitive offer for the remaining 15,906 thousand ordinary shares of the Company with the par value of LTL 1 each (amounting to 40.14% of the total share capital) was announced on 21 March 2012. During this offer UAB Vaidana acquired 12,380 thousand shares (amounting to 31.25 %), and as at the financial statements date it held 36,096 thousand shares or 91.1% of the Company's shares and voting rights in the general meeting.

As at 31 December 2012 UAB Vaidana was ultimately owned by LLC FURUCHI ENTERPRISES LIMITED.

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

(all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

The Group consists of AB Snaigė and the following subsidiaries as of 31 December 2012 (hereinafter the Group) (the structure of the Group and cost of investments remain unchanged compared to 2011):

Company	Country	Cost of investment	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
OOO Techprominvest	Russia (Kaliningrad)	106,355	100%	(18,952)	20,362
TOB Snaige Ukraina	Ukraine	89	99%	(3)	66
OOO Moroz Trade	Russia	1	100%	-	(14,121)
OOO Liga Servis	Russia	1	100%	(97)	(1,409)
UAB Almecha	Lithuania	1,376	100%	34	483
Total investment in subsidiaries		107,822			
Impairment of investment in subsidiaries (OOO Techprominvest)		(70,000)			
Total investment in subsidiaries, net		37,822			

With reference that subsidiary OOO Techprominvest in 2012 did not pursue manufacturing activities and was generating losses, carrying value of investment into the subsidiary might be impaired. However, as at 31 December 2012 Company's management did not perform impairment test of investment into subsidiary since significant uncertainties were present in relation to possible alternatives of usage and recoverable amount of its property, plant and equipment and investment property, based on which value of investment into subsidiary is highly dependent.

The board of the Company should consist of 6 representatives; however, as at 31 December 2012 the board only consisted of 5 representatives including 1 from UAB Vaidana and 4 from OAO Polair (2 representatives of the Company and 4 representatives of UAB Vaidana in 2011).

85% share capital of the subsidiary OOO Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. The remaining 15 % of share capital was acquired in 2006. The Company then became sole shareholder of OOO Techprominvest.

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.

The Board of directors of the Company in its meeting on 30 September 2011 decided to sell 100% share capital of OOO Techprominvest held by Company through a public tender. It was also decided to convert the receivables in the amount of LTL 38,509 thousand from OOO Techprominvest into its share capital by increasing it up to LTL 88,852,896 (estimated by the year end exchange rate). The share capital was increased in October 2011.

The above mentioned increase of share capital / decrease in the liabilities of OOO Techprominvest was executed in order to make the entity more attractive to potential investors; however in the absence of participants the public tender to sell 100% share capital of OOO Techprominvest held by Company was cancelled by the management decision as at 14 November 2011.

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.

UAB Almecha (Alytus, Lithuania) was established on 9 November 2006. The main activities of the company are production of refrigerating components and equipment to the parent company.

As at 31 December 2012 the number of employees of the Group was 766 and the number of employees at the Company was 633 (as at 31 December 2011 – 760 and 625 respectively).

1 General information (cont'd)

The Group's management authorised these financial statements on 25 April 2013. The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and request that the management prepares a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and Company's financial statements for 2012 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 are separate Company's and consolidated AB Snaige Group financial statements. These financial statements are prepared on the historical cost basis.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

During the year the Group and the Company has adopted the following IFRS amendments:

- amendment to IFRS 7 *Financial Instruments* - Enhanced Derecognition Disclosure Requirements,
- amendment to IAS 12 *Income tax* - Deferred tax - Recovery of Underlying Assets.

The amendments did not impact the financial statements of the Group and the Company, because the Group and the Company did not have items or transactions addressed by these changes.

Standards issued but not yet effective

The Group and the Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (effective for financial years beginning on or after 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's and Company's financial position or performance. The Group and the Company have not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 19 Employee Benefits (effective for financial years beginning on or after 1 January 2013)

There are numerous amendments to IAS 19, they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group and the Company have not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 27 Separate Financial Statements (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 Separate Financial Statements requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

Amendment to IAS 28 Investments in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Group and the Company as they do not have investments into associates and joint ventures.

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

Amendment to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014)

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group and the Company have not yet evaluated the impact of the implementation of this amendment.

Amendment to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2013)

The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The Group and the Company have not yet evaluated the impact of the implementation of this amendment.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2015, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

IFRS 10 *Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2014)

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 11 *Joint Arrangements* (effective for financial years beginning on or after 1 January 2014)

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The implementation of this standard will not have any impact on the financial statements of the Group and the Company as they do not have joint arrangements contracts.

IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2014)

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Group, as the parent of the Group is not an investment entity.

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

IFRS 13 Fair Value Measurement (effective for financial years beginning on or after 1 January 2013)

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

In May 2012 IASB issued omnibus of necessary, but non-urgent amendments to its five standards:

- IFRS 1 *First-time adoption of IFRS*;
- IAS 1 *Presentation of Financial Statements*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 32 *Financial instruments: Presentation*;
- IAS 34 *Interim Financial Reporting*.

The adoption of these amendments may result in changes to accounting policies but will not have any impact on the financial position or performance of the Group and the Company.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013)

This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Interpretation will have no impact on the Group's and the Company's financial statements, as the Group and the Company are not involved in mining activity.

The Group and the Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.2. 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.

AB SNAIGĖ

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(all amounts are in LTL thousand unless otherwise stated)

2 Accounting principles (cont'd)

2.2 Presentation currency (cont'd)

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 of the 31 December 2012 and 2011 were as follows:

	2012-12-31	2011-12-31
RUB	0.085879	0.083334
UAH	0.32292	0.33243
USD	2.6060	2.6694

2.3. 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.

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.

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

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

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

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

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

2.4. Investments in subsidiaries

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

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

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

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

Research and development

Research costs are expensed as incurred. Development expenditure on 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. During the period of development, the asset is tested for impairment annually.

Licenses

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

Software

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

Costs incurred in order to restore or maintain the future economic benefits that the Group and the Company 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.

The Company has no intangible assets with indefinite useful lifetime.

2.6. Property, plant and equipment and investment property

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

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

The carrying values of property, plant and equipment investment property 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. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

2 Accounting principles (cont'd)

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

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less inevitable costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group and the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The value in use amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash generating units are further explained in Note 13.

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

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

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

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

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 are 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. 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 Accounting principles (cont'd)**2.10. Financial assets**

According to IAS 39 "*Financial Instruments: Recognition and Measurement*" the Group's and Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

The Group and the Company did not have financial assets at fair value through profit or loss, held to maturity investments or available for sale financial assets as of 31 December 2012 and 2011.

Loans and receivables

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

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

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 in 2012 and 2011.

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.

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

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

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

2 Accounting principles (cont'd)**2.12. Derecognition of financial assets and liabilities**Financial assets

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

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

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

Financial liabilities

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

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

2.13. Financial lease and operating leaseFinance lease – the Group and the Company as lessee

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

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 and the Company 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 and the Company as lessee

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

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

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

2 Accounting principles (cont'd)**2.14. 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.

2.15. 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. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest costs.

2.16. Financial guarantees

Financial guarantees provided for the liabilities of the parent during the initial recognition are accounted at estimated fair value as a distribution to the parent and a financial liability in the statement of financial position. Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the parent's financial liability to the bank. If there is a possibility that the parent may fail to fulfil its obligations to the bank, the financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37 requirements.

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.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

2 Accounting principles (cont'd)

2.18. Income tax

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

In Lithuania in 2012 and 2011 income tax rate is 15%.

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

The standard income tax rate in the Russian Federation in 2012 and 2011 is 20%.

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

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

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

2.19. Revenue recognition

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

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

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

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

2 Accounting principles (cont'd)**2.20. 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 and the Company 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.

2.21. Use of estimates in the preparation of financial statements

The preparation of financial statements requires Group's and Company's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to the going concern assumptions, depreciation (Notes 2.6. and 13), amortisation (Notes 2.5. and 12), fair value of investment property (Note 13), provisions, non-current employee benefits, evaluation of impairment for accounts receivable, inventories and property, plant and equipment (Notes 2.17, 2.18, 2.21, 13, 14, 15, 21 and 22) evaluation of deferred income tax asset recognition and valuation allowance (Note 11). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

The detailed assumptions used to determine the recoverable amount of intangible assets and property, plant and equipment in 2011 are further explained in Note 13.

Estimated fair value of investment property is also disclosed in Note 13.

2.22. Contingencies

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

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

2.23. Subsequent events

Subsequent events that provide additional information about the Group's and Company'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.

2.24. Offsetting and comparative figures

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

Presentation of comparatives figures was changed to better reflect current presentation of items. Depreciation of investment property of the Group of LTL 911 thousand was reclassified from administration expenses to other expenses.

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

(all amounts are in LTL thousand unless otherwise stated)

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:

Group	Total segment sales revenue		Inter-segment sales		Sales revenue		Total assets by its location *		Acquisition of property, plant and equipment and intangible assets	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Russia	13,177	1,940	(3,092)	(10)	10,085	1,930	21,858	22,716	483	2,015
Ukraine	73,132	44,431	-	-	73,132	44,431	56	67	-	55
Western Europe	33,228	38,253	-	-	33,228	38,253	-	-	-	-
Eastern Europe	8,278	8,091	-	-	8,278	8,091	-	-	-	-
Lithuania	25,129	21,881	(18,263)	(14,263)	6,866	7,618	83,494	66,531	2,557	3,893
Other CIS countries	13,904	9,514	-	-	13,904	9,514	-	-	-	-
Other Baltic states	1,023	1,296	-	-	1,023	1,296	-	-	-	-
Other countries	32	-	-	-	32	-	-	-	-	-
Total	167,903	125,406	(21,355)	(14,273)	146,548	111,133	105,408	89,314	3,040	5,963

* 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.

The Company's sole business segment is the production and sales 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 Company in these financial statements.

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

	2012	2011
Western Europe	33,195	38,253
Ukraine	73,132	44,431
Lithuania	12,219	11,202
Eastern Europe	8,278	8,091
Other CIS countries	13,904	9,514
Other Baltic states	1,001	1,274
Russia	8,389	1,758
Other countries	24	-
	150,142	114,523

All assets of the Company as of 31 December 2012 and 2011 are located in Lithuania and all acquisitions of non-current assets in 2012 and 2011 are connected with it.

AB SNAIGÉ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

(all amounts are in LTL thousand unless otherwise stated)

4 Cost of sales

	Group		Company	
	2012	2011	2012	2011
Raw materials	89,065	69,806	95,606	72,937
Salaries and wages	10,571	8,208	11,041	8,576
Depreciation and amortisation	4,241	4,195	4,137	4,078
Other	18,075	12,527	16,220	13,047
	121,952	94,736	127,004	98,638

5 Selling and distribution expenses

	Group		Company	
	2012	2011	2012	2011
Transportation	3,838	3,367	3,838	3,347
Warranty service expenses	1,051	812	1,051	809
Salaries and social security	1,195	910	1,114	844
Market research, sales promotion and commissions to third parties	1,127	403	901	525
Insurance	141	160	141	160
Advertising	1,621	229	1,599	226
Certification expenses	393	103	393	103
Rent of warehouses and storage expenses	73	58	73	58
Production dispatch expenses	95	18	-	-
Business trips	142	54	142	54
Other	60	167	151	167
	9,736	6,281	9,403	6,293

6 Administrative expenses

	Group		Company	
	2012	2011	2012	2011
Salaries and social security	5,485	5,717	3,950	4,533
Depreciation and amortisation	2,428	2,570	935	842
Taxes, other than income tax	1,042	878	238	236
Change in allowance for accounts receivable (Notes 15 and 16)	392	(284)	114	25
Non-current employee benefits (Note 22)	8	(12)	8	(12)
Other	3,538	1,702	2,276	1,420
	12,893	10,571	7,521	7,044

Change of allowance for receivables in the years 2012 and 2011 is mainly related to overdue receivables from clients in Russia and Ukraine (Note 15).

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(all amounts are in LTL thousand unless otherwise stated)

7 Other income

	Group		Company	
	2012	2011	2012	2011
Income from transportation services	326	284	326	284
Income from rent of premises	1,831	894	147	147
Gain on disposal of property, plant and equipment	42	152	39	98
Income from rent of equipment	3	2	7	6
Income from sale of other services	-	-	517	474
Other	133	150	15	15
	2,335	1,482	1,051	1,024

8 Other expenses

	Group		Company	
	2012	2011	2012	2011
Depreciation of investment property	990	911	-	-
Transportation expenses	348	309	348	309
Expenses from rent of equipment	1	1	142	120
Cost of sold raw and other materials	-	-	335	293
Other	70	65	14	15
	1,409	1,286	839	737

9 Financial income

	Group		Company	
	2012	2011	2012	2011
Foreign currency exchange gain	-	-	1,081	812
Gain of foreign currency translation transactions	-	-	13	9
Interest income from loans	127	-	127	-
Other interest income	46	5	44	5
	173	5	1,265	826

10 Financial expenses

	Group		Company	
	2012	2011	2012	2011
Interest expenses	1,940	2,998	1,926	2,986
Foreign currency exchange loss	31	2,776	1,093	787
Loss of foreign currency translation transactions	28	-	28	17
Other	44	39	42	-
	2,043	5,813	3,089	3,790

11 Income tax

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

	Group		Company	
	2012	2011	2012	2011
Components of the income tax (expense) income				
Current income tax for the reporting year	-	(17)	-	-
Deferred income tax income (expenses)	(4)	1,042	(17)	1,037
Income tax income (expenses) recorded in the statement of comprehensive income	(4)	1,025	(17)	1,037
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Deferred income tax asset				
Tax loss carried forward	23,464	17,894	1,368	2,369
Allowance for receivables and inventories	59	295	59	308
Warranty provisions	345	308	345	295
Accrued liabilities	196	109	196	109
Other	71	54	53	54
Deferred income tax asset before valuation allowance	24,135	18,660	2,021	3,135
Less: valuation allowance	(22,206)	(16,806)	(110)	(1,214)
Deferred income tax asset, net	1,929	1,854	1,911	1,921
Deferred income tax liability				
Capitalised development and repair costs	(920)	(841)	(773)	(766)
Deferred income tax liability	(920)	(841)	(773)	(766)
Deferred income tax, net	1,009	1,013	1,138	1,155
Presented in the statement of financial position:				
Deferred income tax asset	1,156	1,160	1,138	1,155
Deferred income tax liability	(147)	(147)	-	-

Deferred income tax asset is recognised in the amount, which is expected to be realized in the foreseeable future. As as 31 December 2011 and 2012 the management of the Company and the Group doubted whether the entire deferred income tax asset related to the tax loss carry forward and accounts receivable allowances will be realized in the foreseeable future, therefore only a more certain part was recognized.

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

	Group		Company	
	2012	2011	2012	2011
Profit (loss) before tax	1,023	(6,067)	4,602	(129)
Income tax income (expenses) computed using the effective tax rate	(153)	910	(690)	19
Non-deductible expenses	5,549	5,814	(431)	(420)
Change of deferred income tax asset valuation allowance	(5,400)	(5,751)	1,104	1,438
Effect of not recognised tax losses	-	52	-	-
Income tax income (expenses) recorded in the statement of comprehensive income	(4)	1,025	(17)	1,037

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(all amounts are in LTL thousand unless otherwise stated)

12 Intangible assets**Group**

	Development cost	Software, licenses	Total
Cost:			
Balance as of 31 December 2011	14,382	2,066	16,448
Additions	922	25	947
Disposals and write-offs	-	(3)	(3)
Balance as of 31 December 2012	15,304	2,088	17,392
Amortisation:			
Balance as of 31 December 2011	9,472	2,009	11,481
Charge for the year	751	28	779
Disposals and write-offs	-	(3)	(3)
Balance as of 31 December 2012	10,223	2,034	12,257
Net book value as of 31 December 2012	5,081	54	5,135
Net book value as of 31 December 2011	4,910	57	4,967

	Development cost	Software, licenses	Total
Cost:			
Balance as of 1 January 2011	13,698	2,024	15,722
Additions	684	44	728
Disposals and write-offs	-	(2)	(2)
Balance as of 31 December 2011	14,382	2,066	16,448
Amortisation:			
Balance as of 1 January 2011	8,809	1,998	10,807
Charge for the year	663	13	676
Disposals and write-offs	-	(2)	(2)
Balance as of 31 December 2011	9,472	2,009	11,481
Net book value as of 31 December 2011	4,910	57	4,967
Net book value as of 1 January 2011	4,889	26	4,915

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

Part of non-current intangible assets of the Group with the acquisition value of LTL 8,514 thousand as at 31 December 2012 was fully amortised (LTL 8,258 thousand as at 31 December 2011) but was still in use.

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

(all amounts are in LTL thousand unless otherwise stated)

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

	Development cost	Software, licenses	Total
Cost:			
Balance as of 31 December 2011	14,246	1,652	15,898
Additions	917	12	929
Disposals and write-offs	-	(3)	(3)
Balance as of 31 December 2012	15,163	1,661	16,824
Amortisation:			
Balance as of 31 December 2011	9,335	1,597	10,932
Charge for the year	751	25	776
Disposals and write-offs	-	(3)	(3)
Balance as of 31 December 2012	10,086	1,619	11,705
Net book value as of 31 December 2012	5,077	42	5,119
Net book value as of 31 December 2011	4,911	55	4,966

	Development cost	Software, licenses	Total
Cost:			
Balance as of 1 January 2011	13,562	1,610	15,172
Additions	684	44	728
Disposals and write-offs	-	(2)	(2)
Balance as of 31 December 2011	14,246	1,652	15,898
Amortisation:			
Balance as of 1 January 2011	8,672	1,587	10,259
Charge for the year	663	12	675
Disposals and write-offs	-	(2)	(2)
Balance as of 31 December 2011	9,335	1,597	10,932
Net book value as of 31 December 2011	4,911	55	4,966
Net book value as of 1 January 2011	4,890	23	4,913

Total amount of amortisation expenses is included into administration expenses in the statement of comprehensive income. Part of non-current intangible assets of the Company with the acquisition value of LTL 8,255 thousand as of 31 December 2012 was fully amortised (LTL 8,258 thousand as of 31 December 2011) but was still in use.

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(all amounts are in LTL thousand unless otherwise stated)

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

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total	Investment property
Cost:						
Balance as at 31 December 2011	14,028	116,747	16,043	493	147,311	25,695
Additions		183	1,221	274	1,678	415
Disposals and write-offs	-	(2,230)	(395)	(18)	(2,643)	-
Reclassifications	-	568	57	(628)	(3)	3
Reclassification from held for sale assets	-	5,351	-	-	5,351	-
Effect of change in foreign currency exchange rate	-	403	18	-	421	782
Balance as at 31 December 2012	14,028	121,022	16,944	121	152,115	26,895
Accumulated depreciation:						
Balance as at 31 December 2011	4,520	97,713	14,376	-	116,609	6,432
Charge for the year	492	5,818	666	-	6,976	990
Disposals and write-offs	-	(1,906)	(364)	-	(2,270)	-
Reclassifications	-	(7)	7	-	-	-
Reclassification from held for sale assets	-	3,207	-	-	3,207	-
Effect of change in foreign currency exchange rate	-	249	17	-	266	189
Balance as at 31 December 2012	5,012	105,074	14,702	-	124,788	7,611
Net book value as of 31 December 2012	9,016	15,948	2,242	121	27,327	19,284
Net book value as of 31 December 2011	9,508	19,034	1,667	493	30,702	19,263

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CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(all amounts are in LTL thousand unless otherwise stated)

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

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total	Investment property
Cost:						
Balance as at 1 January 2011	38,373	121,922	16,880	-	177,175	-
Additions	2,015	2,371	374	475	5,235	-
Disposals and write-offs	-	(1,719)	(1,049)	-	(2,768)	-
Reclassifications	-	126	(144)	18	-	-
Reclassification to investment property	(25,695)	-	-	-	(25,695)	25,695
Reclassification to held for sale assets	-	(5,351)	-	-	(5,351)	-
Effect of change in foreign currency exchange rate	(665)	(602)	(18)	-	(1,285)	-
Balance as at 31 December 2011	14,028	116,747	16,043	493	147,311	25,695
Accumulated depreciation:						
Balance as at 1 January 2011	9,640	95,999	14,839	-	120,478	-
Charge for the year	1,483	6,504	646	-	8,633	-
Disposals and write-offs	-	(1,358)	(980)	-	(2,338)	-
Reclassifications	-	113	(113)	-	-	-
Reclassification to investment property	(6,432)	-	-	-	(6,432)	6,432
Reclassification to held for sale assets	-	(3,207)	-	-	(3,207)	-
Effect of change in foreign currency exchange rate	(170)	(338)	(17)	-	(525)	-
Balance as at 31 December 2011	4,521	97,713	14,375	-	116,609	6,432
Net book value as at 31 December 2011	9,507	19,034	1,668	493	30,702	19,263
Net book value as at 1 January 2011	28,733	25,923	2,041	-	56,697	-

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CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(all amounts are in LTL thousand unless otherwise stated)

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

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total
Cost:					
Balance as at 31 December 2011	14,467	102,404	13,799	2,056	132,726
Additions	-	241	1,171	492	1,904
Disposals and write-offs	-	(917)	(229)	-	(1,146)
Reclassifications	-	568	60	(628)	-
Balance as at 31 December 2012	14,467	102,296	14,801	1,920	133,484
Accumulated depreciation:					
Balance as at 31 December 2011	4,842	86,843	12,611	-	104,296
Charge for the year	492	4,495	562	-	5,549
Disposals and write-offs	-	(916)	(230)	-	(1,146)
Reclassifications	-	-	-	-	-
Balance as at 31 December 2012	5,334	90,422	12,943	-	108,699
Net book value as of 31 December 2012	9,133	11,874	1,858	1,920	24,785
Net book value as of 31 December 2011	9,625	15,561	1,188	2,056	28,430

	Land, buildings and structures	Machinery and equipment	Vehicles and other property, plant and equipment	Construction in progress and prepayments	Total
Cost:					
Balance as at 1 January 2011	14,467	100,123	14,541	-	129,131
Additions	-	2,968	315	2,056	5,339
Disposals and write-offs	-	(813)	(931)	-	(1,744)
Reclassifications	-	126	(126)	-	-
Balance as at 31 December 2011	14,467	102,404	13,799	2,056	132,726
Accumulated depreciation:					
Balance as at 1 January 2011	4,270	82,843	12,989	-	100,102
Charge for the year	572	4,700	596	-	5,868
Disposals and write-offs	-	(813)	(861)	-	(1,674)
Reclassifications	-	113	(113)	-	-
Balance as at 31 December 2011	4,842	86,843	12,611	-	104,296
Net book value as of 31 December 2011	9,625	15,561	1,188	2,056	28,430
Net book value as of 1 January 2011	10,197	17,280	1,552	-	29,029

The depreciation charge of the Group's property, plant and equipment and investment property for 2012 amounts to LTL 7,966 thousand (LTL 8,633 thousand for 2011). The amount of LTL 5,502 thousand for 2012 (LTL 5,825 thousand for 2011) was included into production costs. Depreciation of investment property was included into Other expenses in the Group's statement of comprehensive income, while the remaining amount of LTL 1,474 thousand (LTL 1,897 thousand for 2011) was included into administration expenses in the Group's statement of comprehensive income.

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

The depreciation charge of the Company's property, plant and equipment for 2012 amounts to LTL 5, 549 thousand (LTL 5,868 thousand for 2011). The amount of LTL 160 thousand for 2012 (LTL 169 thousand for 2011) was included into administration expenses in the Company's statement of comprehensive income. The remaining amount of depreciation was included in the production cost.

At 31 December 2012 buildings of the Group and Company with the net book value of LTL 7,110 thousand (as of 31 December 2011 – LTL 7,359 thousand) and machinery and equipment with the net book value of LTL 7,574 and 7,328 thousand respectively (as of 31 December 2011 – LTL 5,870 and 5,537 thousand) were pledged to banks as a collateral for the loans (Note 23).

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 690 thousand as of 31 December 2012 (LTL 1,047 thousand as at 31 December 2011) 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.

Impairment assessment as at 31 December 2012**Group**

With reference that subsidiary OOO Techprominvest in 2012 did not pursue manufacturing activities and rent agreements of property/premises were limited, carrying value of property, plant and equipment and investment property might have been impaired. However, Group's management did not perform impairment test of the property, plant and equipment and investment property since significant uncertainties were present in relation to possible alternatives of usage of this property in the future and its recoverable amount.

Company

With reference to profitable Company's activities in 2012 and other internal and external circumstances there were no indications of impairment of property, plant and equipment and intangibles, therefore full assessment of impairment was not performed as at 31 December 2012.

Impairment assessment as at 31 December 2011

On 31 December 2011 the Group and the Company have performed the impairment test of intangible assets and property, plant and equipment and investment property. Assessment of impairment of the investment property was based on comparative market price method, which in turn was also used to assess the estimated fair value amount. After the impairment test the management did not identify the impairment of the industrial building, as the estimated fair value amount was assessed at approximately LTL 38 million. The assessment of the remaining part of intangible assets and property plant and equipment was performed by evaluating their value in use. As a result of test performed no impairment was recognised as at 31 December 2011.

Assets reclassified as held for sale

In 2011 due to changes in shareholders structure, it was decided to sell part of the assets, which was not going to be used for the Group's operations. In April 2012 an entity related to the new majority shareholder of the Company signed a letter of intent in respect of the acquisition of some of the Group's owned machinery and equipment units; therefore, the management classified the respective assets as held for sale in the financial statements as of 31 December 2011.

As the transaction did not take place until 31 December 2012 and no further serious intentions are present, the Group's management estimates that this transaction will not be carried out, therefore these assets were classified as assets for own use in the financial statements for the year ended 31 December 2012 and related depreciation for 2012 was accounted for.

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14 Inventories

	Group		Company	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Raw materials and spare parts and production in progress	11,803	8,199	8,513	7,159
Finished goods	3,839	5,628	3,615	5,615
Goods for resale	413	-	413	-
Other	23	-	-	-
Total inventories, gross	16,078	13,827	12,541	12,774
Less: valuation allowance for finished goods	(13)	-	(13)	-
Less: valuation allowance for slow moving and obsolete inventories	(582)	(595)	(260)	(385)
Total inventories, net	15,483	13,232	12,268	12,389

Raw materials and spare parts consist of compressors, components, plastics, wires, metals and other materials used in the production. The Group's and the Company's cost of inventories accounted for at net realisable value amounted to LTL 582 thousand and LTL 260 thousand as at 31 December 2012 (LTL 595 thousand and LTL 385 thousand as at 31 December 2011).

Change in valuation allowance was included in other administrative expenses in the statement of comprehensive income.

As described in Note 23 order to secure the repayment of bank loans, the Group and the Company pledged inventories with the value of not less than LTL 10,500 thousand as at 31 December 2012 and 2011.

15 Trade receivables

	Group		Company	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Trade receivables	36,702	26,306	23,506	14,451
Less: valuation allowance for doubtful trade receivables	(11,598)	(13,115)	(120)	(1,966)
	25,104	13,191	23,386	12,485

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

As at 31 December 2012 100% impairment was accounted for trade receivables of the Group and the Company in gross values of LTL 11,598 thousand and LTL 120 thousand respectively (as at 31 December 2011 – LTL 13,115 thousand and LTL 1,966 thousand respectively). Change in valuation allowance for doubtful trade receivables was accounted for within administrative expenses.

The Group's trade receivables from Western countries and former and current CIS countries amounting to LTL 7,244 thousand as at 31 December 2012 (LTL 4,157 thousand as at 31 December 2011) were insured by credit insurance Atradius Sweden Kreditförsäkring Lithuanian branch.

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

	Group		Company	
	2012	2011	2012	2011
Balance at the beginning of the period	(13,115)	(13,585)	(1,966)	(2,167)
Charge for the year	(262)	(87)	(120)	(34)
Write-offs of trade receivables	1,996	225	1,960	225
Effect of the change in foreign currency exchange rate	(327)	279	6	(8)
Amounts paid	110	53	-	18
Balance in the end of the period	(11,598)	(13,115)	(120)	(1,966)

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(all amounts are in LTL thousand unless otherwise stated)

15 Trade receivables (cont'd)

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

The ageing analysis of trade receivables as at 31 December 2012 and 2011 is as follows:

Group

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2012	19,754	3,510	657	539	524	120	25,104
2011	9,749	2,218	527	234	286	177	13,191

Company

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2012	18,442	3,403	636	313	521	71	23,386
2011	9,175	2,124	508	231	279	168	12,485

16 Other current assets

	Group		Company	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Prepayments and deferred expenses	804	1,705	866	1,682
VAT receivable	894	535	871	533
Compensations receivable from suppliers	3	60	-	60
Restricted cash	15	15	15	15
Granted loans	7,044	-	7,044	-
Other receivables	1,896	1,811	25	26
Less: valuation allowance for doubtful other receivables	(1,353)	(1,431)	-	-
	9,303	2,695	8,821	2,316

In 2012 the Company has granted loan to related party OOO Polair which repayment term is foreseen in May 2013. Fixed interest rate of 6% is applied for the loan.

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:

	2012	2011
Balance at the beginning of the period	(1,431)	(1,469)
Charge for the year	-	-
Effect of the change in foreign currency exchange rate	(40)	37
Amounts paid	118	1
Balance in the end of the period	(1,353)	(1,431)

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(all amounts are in LTL thousand unless otherwise stated)

17 Cash and cash equivalents

	Group		Company	
	As at 31	As at 31	As at 31	As at 31
	December 2012	December 2011	December 2012	December 2011
Cash at bank	1,612	953	695	889
Cash on hand	4	7	1	4
	1,616	960	696	893

As at 31 December 2012 the accounts of the Group and the Company in foreign currency and LTL up to LTL 15,085 thousand (up to LTL 12,085 thousand in 2011) are pledged as collateral for bank loans (Note 23).

18 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 December 2012 and 2011 the Company was in compliance with this requirement.

19 ReservesLegal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital.

As at 31 December 2012 and 31 December 2011 legal reserve of the Group and the Company was not fully formed yet.

Other reserves

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

On 30 April 2012 the general shareholders' meeting approved the Company's non-restricted reserves that consisted of the following as at 31 December 2012:

Group's: LTL 2,212 thousand for investments and LTL 30 thousand for social needs, and the Company – LTL 2,021 thousand and LTL 30 thousand respectively (as at 31 December 2011 the respective Group's and Company's amounts were LTL 1,159 thousand and LTL 30 thousand).

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.

AB SNAIGĖ**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

(all amounts are in LTL thousand unless otherwise stated)

20 Subsidies

Balance as at 31 December 2010	10,704
Received during the year	-
Balance as at 31 December 2011	10,704
Received during the year	-
Balance as at 31 December 2012	10,704
Accumulated amortisation as at 31 December 2010	9,422
Amortisation during the year	348
Accumulated amortisation as at 31 December 2011	9,770
Amortisation during the year	199
Accumulated amortisation as at 31 December 2012.	9,969
Net book value as at 31 December 2012	735
Net book value as at 31 December 2011	934

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.

21 Warranty provision

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

Changes in warranty provisions were as follows:

	Group		Company	
	2012	2011	2012	2011
As of 1 January	2,058	2,763	2,055	2,618
Additions during the year	1,627	1,734	1,622	1,731
Utilised	(1,379)	(2,437)	(1,376)	(2,294)
Foreign currency exchange effect	-	(2)	-	-
As of 31 December	2,306	2,058	2,301	2,055

Warranty provisions are accounted for as at 31 December as:

	Group	Company
	2012	2012
- non-current	783	783
- current	1,523	1,518
	2011	2011
- non-current	685	685
- current	1,373	1,370

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(all amounts are in LTL thousand unless otherwise stated)

22 Non-current employee benefits

As at 31 December 2012 the expenses of the one-time payments for leaving employees at a retirement age amounted to LTL 57 thousand (LTL 35 thousand as at 31 December 2011). This amount is recorded in administrative expenses caption in the Group's and the Company's statement of comprehensive income and non-current employee benefit caption in the statement of financial position.

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

	As at 31 December 2012	As at 31 December 2011
Discount rate	4.45%	5.66%
Rate of employee turnover	16.37%	15%
Annual salary increase	3%	3%

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

23 Borrowings

	Group		Company	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Non-current borrowings				
Non-current borrowings with fixed interest rate	9,667	6,543	9,667	6,543
Non-current borrowings with variable interest rate	11,769	899	11,769	899
Convertible bonds**	-	7,300	-	7,300
	<u>21,436</u>	<u>14,742</u>	<u>21,436</u>	<u>14,742</u>
Current borrowings				
Convertible bonds**	7,300	-	7,300	-
Ordinary bonds*	-	853	-	853
Current borrowings with fixed interest rate	1,299	5,777	1,176	5,777
Current borrowings with variable interest rate	4,498	9,305	4,422	9,173
	<u>13,097</u>	<u>15,935</u>	<u>12,898</u>	<u>15,803</u>
	<u>34,533</u>	<u>30,677</u>	<u>34,334</u>	<u>30,545</u>

* The Company was obliged to redeem 416 units of bonds and pay accrued interest on the 20th day of each month during the validity period. On 15 June 2012 the Company redeemed the remaining 432 units of bonds in accordance with the agreement.

** On 18 June 2011 the Company issued 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. Interest is paid quarterly.

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. The bonds are accounted for at amortised cost under the current liabilities caption and accrued interest amounting to LTL 282 thousand as of 31 December 2012 was accounted for under other current liabilities caption (Note 26).

On 18 April 2011 pursuant to the decision of convertible bonds owners 23,386 units of convertible bonds with the par value of EUR 100 (equivalent to LTL 345) each were converted into 8,886,680 ordinary registered shares of the Company with the par value of LTL 1 each and the share capital was increased accordingly (Note 1).

In 2012 the Company's shareholder UAB Vaidana acquired all the bonds of the Company issued in April-May of 2011 (73 thousand units with the value of LTL 100 each). The procedure for the purchase of bonds and payment of interest remains unchanged.

23 Borrowings (cont'd)

Borrowings with variable interest rate bear 6-month VILIBOR + 3.5 to 4.5%, but not less than 7% annual interest rate as at 31 December 2012 (6-month VILIBOR + 3.88%, but not less than 6.1 % annual interest rate as at 31 December 2011). Borrowings with the fixed interest rate bear 6.5% - 9% annual interest rates.

As at 31 December 2012 buildings with the carrying amount of LTL 7,110 thousand (LTL 7,359 thousand as at 31 December 2011), the Group's machinery and equipment with the net book value of LTL 7,574 thousand and the Company's machinery and equipment with the net book value of LTL 7,328 thousand (LTL 5,870 and 5,537 thousand respectively as at 31 December 2011), inventories with the net book value of not less than LTL 10,500 thousand (2011 – LTL 10,500 thousand), cash inflows into the bank accounts up to LTL 15,085 thousand (LTL 12,085 thousand as at 31 December 2011) were pledged to the banks for the loans provided.

In addition LTL 1,000 thousand cash deposit accounted for in other non-current assets was restricted and pledged to banks until May 2015.

UAB Investicijų ir Verslo Garantijos (entity owned by the government of the Republic of Lithuania) guaranteed the long term fixed rate borrowing repayment in total of LTL 5,000 thousand until 24 May 2015.

On 28 March 2012 a credit agreement was signed with AB Šiaulių Bankas for an additional credit of LTL 5,000 thousand with 6 months VILIBOR and 3.5% fixed margin annual interest rate and repayment term from 2015 to 27 March 2017.

On 28 March 2012 agreements were made with AB Šiaulių Bankas regarding:

Amendment to the LTL 8,300 thousand credit repayment schedule establishing a 6.5% annual interest rate. In accordance with this agreement, the loan will be repaid as follows: LTL 300 thousand on 5 September 2012 and the remaining amount of LTL 8,000 over the period from January 2014 to December 2017.

Amendment to the LTL 6,785 thousand credit repayment schedule. In accordance with this agreement, the loan will be repaid over the period from January 2014 to December 2016.

On 22 March an amendment to the credit line agreement was signed with Swedbank AB for a EUR 405 thousand (LTL 1,398 thousand) increase of the credit line and postponement of the repayment term until 31 March 2013.

In 2012 the Company was not in compliance with some non-financial covenants set in the loan agreements with AB Šiaulių Bankas; therefore, it accounted for an accrual of LTL 41 thousand for potential sanctions that is included in other payables in the statement of financial position. In 2013 the loans were refinanced (Note 32). This breach does not influence the original repayment schedule of the loans.

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

	Group		Company	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Borrowings denominated in:				
EUR	3,797	3,250	3,797	3,250
LTL	30,613	27,427	30,537	27,295
RUB	123	-	-	-
	34,533	30,677	34,334	30,545

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

	Group		Company	
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2013	8,599	4,498	8,476	4,422
2014 – 2017	9,667	11,769	9,667	11,769
After 2017	-	-	-	-
	18,266	16,267	18,143	16,191

24 Finance lease obligations

As at 31 December 2012 there were no finance lease obligations at the Company and the Group.

Principal amounts of finance lease payables as of 31 December 2011 were denominated in EUR.

The variable interest rates on the finance lease obligations in EUR vary depending on the 6-month EURIBOR + 1.1% margin.

The Group's and the Company's future minimal lease payments (only the Company's obligations) under the above-mentioned financial lease contracts are equal to LTL 71 thousand payable within 1 year.

The assets leased by the Group and the Company under financial lease contracts consist of machinery and equipment (as at 31 December 2011 – carrying value is LTL 2,123 thousand). Apart from the lease payments, the most significant obligations under lease contracts are property maintenance and insurance. The terms of financial lease are from 3 to 5 years.

25 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 2012 the lease expenses of the Group and the Company amounted to LTL 381 thousand and LTL 307 thousand respectively (in 2011 LTL 316 thousand and LTL 240 thousand respectively).

Planned operating lease payments in 2013 will be LTL 381 thousand and LTL 307 thousand respectively.

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.

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(all amounts are in LTL thousand unless otherwise stated)

26 Other current liabilities

	Group		Company	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Accrued interest on convertible bonds (Note 23)	282	349	282	349
Salaries and related taxes	2,448	2,040	2,133	1,894
Vacation reserve	1,875	1,238	1,592	1,104
Other accrued interest	134	129	128	129
Other taxes payable	260	217	53	36
Other payables and accrued expenses	280	186	190	106
	5,279	4,159	4,378	3,618

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.

27 Basic and diluted profit (loss) per share

	Group	
	2012	2011
Shares issued on 1 January	39,622	30,736
Weighted average number of shares*	-	36,433
Net profit (loss) for the year, attributable to the shareholders of Company	1,019	(5,042)
Basic profit (loss) per share, in LTL	0.03	(0.14)

* Taking into account bonds converted to shares in April 2011.

Convertible bonds are not included into earnings per share calculation as they were anti-dilutive.

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(all amounts are in LTL thousand unless otherwise stated)

28 Financial instrumentsFair value of financial instruments

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

- (a) The carrying amount of current trade and other payables and floating rate borrowings approximates fair value;
- (b) The fair value of trade and other current receivable approximates their carrying amounts;
- (c) The fair value of fixed rate borrowings was calculated by discounting the expected future cash flows at the estimated market interest rate.

The carrying amounts and fair values of the financial assets and financial liabilities as of 31 December 2012 and 2011 were as follows:

Group

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1,616	1,616	960	960
Cash with restricted use (Note 16 and 23)	1,015	1,015	1,015	1,015
Current trade receivables	25,104	25,104	13,191	13,191
Financial liabilities				
Fixed rate borrowings	18,266	18,920	20,473	20,761
Variable rate borrowings	16,267	16,267	10,204	10,204
Financial lease obligations	-	-	71	71
Trade and other payables	21,795	21,795	15,630	15,630

Company

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	696	696	893	893
Cash with restricted use (Note 16 and 23)	1,015	1,015	1,015	1,015
Current trade receivables	23,386	23,386	12,485	12,485
Receivables from subsidiaries	1,942	1,942	1,334	1,334
Financial liabilities				
Fixed rate borrowings	18,143	18,797	20,472	20,761
Variable rate borrowings	16,191	16,191	10,072	10,072
Financial lease obligations	-	-	71	71
Trade and other payables	20,221	20,221	15,696	15,696

29 Capital and risk management

Credit risk

The maximum exposure of the credit as of 31 December 2012 and 2011 comprise the carrying values of receivables, cash and cash equivalents.

Concentration of trading counterparties of the Group and the Company is average. As at 31 December 2012 amounts receivable from the main 10 customers of the Group and the Company accounted for approximately 47.68% (58.64% as at 31 December 2011) of the total Group's and Company'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.

The Group's and the Company's trade receivables amounting to LTL 7,244 thousand as at 31 December 2012 (LTL 4,157 thousand as at 31 December 2011) were insured with credit insurance by Atradius Sweden Lithuanian branch.

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;
- 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 and Company's management believes that its maximum exposure is equal to the trade receivables netted with allowance losses recognized as at the balance sheet date. A significant part of trade receivables is insured (Note 15). The Group and the Company does not guarantee for other parties' liabilities, except those disclosed in Note 30).

Interest rate risk

The part of the Group's and Company's borrowings is with variable rates, related to LIBOR, VILIBOR and EURIBOR, which creates an interest rate risk. As of 31 December 2012 and 2011 the Group and the Company did not use any financial instruments to manage interest rate risk.

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

	Increase/ decrease in basis points	Effect on the Group's profit before tax (LTL thousand)	Effect on the Company's profit before tax (LTL thousand) Company
2012			
LTL	+ 100	(162)	(162)
LTL	- 200	324	324
2011			
LTL	+ 100	(97)	(97)
LTL	- 200	195	195

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(all amounts are in LTL thousand unless otherwise stated)

29 Capital and risk management (cont'd)Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents by using cash flows statements with liquidity forecasting for future periods. The statement comprises predictable cash flows of monetary operations and effective planning of cash investment if it is necessary. The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as of 31 December 2012 were 1.17 and 0.82 respectively (0.82 and 0.46 as of 31 December 2011 respectively). The Company's liquidity and quick ratios as of 31 December 2012 were 1.2 and 0.89 respectively (0.82 and 0.47 as of 31 December 2011, respectively).

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

The table below summarises the maturity profile of the financial liabilities as of 31 December 2012 and 2011 based on contractual undiscounted payments.

Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans, financial lease and borrowings	-	4,971	9,670	25,541	-	40,182
Interest payable	122	-	282	-	-	404
Trade and other payables	7,070	14,300	37	32	-	21,439
Balance as at 31 December 2012	7,192	19,271	9,989	25,573		62,025

Interest bearing loans, financial lease and borrowings	-	4,641	13,096	15,315	-	33,052
Interest payable	296	197	-	-	-	493
Trade and other payables	7,523	7,630	-	-	-	15,153
Balance as at 31 December 2011	7,819	12,468	13,096	15,315		48,698

Company

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans, financial lease and other borrowings	-	4,971	9,471	25,541	-	39,983
Trade and other payables	6,180	13,672	37	32	-	19,921
Interest payable	122	-	282	-	-	404
Balance as at 31 December 2012	6,302	18,643	9,790	25,573	-	60,308
Interest bearing loans and borrowings	-	4,634	12,972	15,315	-	32,921
Trade and other payables	1,760	10,264	263	2,635	-	14,922
Interest payable	296	197	-	-	-	493
Balance as at 31 December 2011	2,056	15,095	13,235	17,950	-	48,336

The Group and the Company seeks to maintain sufficient financing to meet the financial liabilities on time. Additionally, in 2013 the restructuring of maturity terms of some financial obligations and the additional monetary funds to finance the operations of the Company have been implemented successfully (Note 32).

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29 Capital and risk management (cont'd)Foreign exchange risk

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. There were no derivative foreign currency transactions made in 2012 and 2011.

Monetary assets and liabilities of the Group denominated in various currencies as of 31 December 2012 and 2011 were as follows:

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
LTL	4,826	48,949	4,061	40,058
EUR	30,899	12,475	12,368	10,952
USD	2	54	128	435
RUB	1,643	2,292	736	971
Other	6	45	4	10
Total	37,376	63,815	17,297	52,426

Monetary assets and liabilities of the Company denominated in various currencies as of 31 December 2012 and 2011 were as follows:

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
LTL	5,800	48,296	4,683	40,142
EUR	30,789	12,444	12,690	10,899
USD	2	54	128	435
RUB	-	172	-	13
Total	-	38	-	-
LTL	36,591	61,004	17,501	51,489

The following table demonstrates sensitivity to a reasonably possible change in the foreign exchange rates of the Group's and the Company's profit before tax and equity (due to changes in fair value of financial assets and financial liabilities).

	Increase (decrease)	Effect on the Group's profit before tax (LTL thousand)	Effect on the Company's profit before tax (LTL thousand)
LTL/USD exchange rate increase (decrease)			
2012	+ 5%	(3)	(3)
	- 5%	3	3
2011	+ 10%	(15)	(15)
	- 10%	5	5
2012	+ 5%	(15)	(15)
	- 5%	15	15
2011	+ 10%	(31)	(32)
	- 10%	31	32
LTL/RUB exchange rate increase (decrease)			
	+ 5%	(32)	(9)
2012	- 5%	32	9
	+ 10%	(12)	(1)
2011	- 10%	12	1
	+ 5%	(12)	(1)
2012	- 5%	12	1
	+ 10%	(23)	(1)
2011	- 10%	23	1

29 Capital and risk management (cont'd)Capital management

The Group and the Company 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 and the Company 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 and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As described in Note 1, 8,886 thousand ordinary shares with the nominal value of LTL 1 each were issued in 2011 (no changes in 2012).

A Company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 December 2012 and 2011 the Company complied with this requirement. As at 31 December 2012 and 2011 there is no material incompliance cases in the Group, except for the subsidiary Almecha UAB which is in breach of legal requirement regarding equity and share capital ratio. As of the date of financial statements issuance subsidiary UAB Almecha was in line with the requirements. There were no other significant externally imposed capital requirements on the Group and the Company.

30 Commitments and contingencies

On 13 June 2012 the Company signed a peace agreement with the seller Comfit Glass, according to which the seller cancelled interest (LTL 385 thousand), legal interest and legal fees and reduced the total claim amount to LTL 1,806 thousand.

In accordance with this agreement, the seller undertook to sell and the Company undertook to buy products with a 50% discount for LTL 150 thousand and to present non-delivered products. A schedule for the delivery of the products and settlement was signed. As at the date of the approval of the financial statements all products were received.

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

By the suretyship agreement No 2012-02-12 the Company guarantees proper fulfilment of UAB Vaidana financial obligations with all its present and future assets in favour of UAB Šiaulių Bankas in relation to received loan of LTL 4 million with repayment term in April 2014 which fair value as at 31 December 2012 was immaterial.

31 Related party transactions

According to IAS 24 *Related Party Disclosures*, the parties are considered related when one party can unilaterally or jointly control other party or have significant influence over the other party in making financial or operating decisions or operation matters, or when parties are jointly controlled and if the members of management, their relatives or close persons who can unilaterally or jointly control the 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 2012 and 2011 were as follows:

UAB Vaidana (shareholder);
Tetal Global Ltd. (ultimate shareholder);
OAO Polair (related shareholders);
Polair Europe S.R.L (related shareholders);
Polair Europe Limited (related shareholders);
KJK Capital OY (shareholder until December 2011);
Amber Trust II S.C.A. (shareholder until December 2011);
Firebird Avrora Fund. LTD (shareholder until December 2011);
Firebird Republics Fund LTD (shareholder until December 2011).

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 December 2012 and 2011 the Group has not recorded any impairment of receivables from related parties.

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(all amounts are in LTL thousand unless otherwise stated)

31 Related party transactions (cont'd)

Financial and investment transactions with the related parties:

	2012				2011		
	Loans received	Interest expenses	Loans granted	Interest revenue	Loans received	Repayment of loans	Interest expenses
Amber Trust II S.C.A.	-	-	-	-	-	423	142
UAB Vaidana (bonds)	7,300	659	-	-	-	-	-
OAo Polair	-	-	7,044	126	-	-	-
	7,300	659	7,044	126	-	423	142

2012

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

2011

	Purchases	Sales	Receivables	Payables
OAo Polair	-	-	-	-
Amber Trust Management S.A	408	-	-	-
KJK Capital	183	-	-	-
Firebird Aurora Fund. LTD	30	-	-	-
Firebird Republics Fund LTD	69	-	-	-
	690	-	-	-

The Company's transactions carried out with subsidiaries:

	Purchases		Sales	
	2012	2011	2012	2011
OOO Techprominvest	664	2,981	-	3
TOB Snaigė Ukraina	113	161	-	-
UAB Almecha	10,519	8,424	7,884	6,168
OOO Liga-Servis	373	-	-	-
	11,669	11,566	7,884	6,171

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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(all amounts are in LTL thousand unless otherwise stated)

31 Related party transactions (cont'd)

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

	2012	2011
Non-current receivables		
Trade receivables from OOO Techprominvest	458	-
Total non-current receivables	458	-
Current receivables		
Trade receivables from OOO Techprominvest	-	353
Trade receivables from UAB Almecha	1,484	981
Total current receivables	1,484	1,334

The analysis of receivables from subsidiaries and granted loans during the period on 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	
2012 m.	1,865	4	-	24	-	49	1,942
2011 m.	1,017	-	263	54	-	-	1,334

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

	2012	2011
OOO Techprominvest	13	13
TOB Snaigė Ukraina	17	13
OOO Liga-Servis	173	13
UAB Almecha	710	733
	913	772

As at 31 December 2012 the Company had signed guarantee agreements, according to which it guaranteed payments to suppliers for liabilities of the subsidiaries (no guarantee agreements as at 31 December 2011). The amount guaranteed under agreements was LTL 1,4 million, agreements were valid until 31 January 2013. Fair value of guarantee agreements was immaterial as at 31 December 2012.

Remuneration of the management and other payments

Remuneration of the Company's and subsidiaries' management amounted to LTL 1,496 thousand and LTL 455 respectively in 2012 (LTL 1,701 thousand and LTL 309 thousand respectively in 2011). The management of the Company and subsidiaries did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

32 Subsequent events

The Company registered as a taxpayer in the Russian Federation, the city of Moscow, and opened a current account at UniCredit Bank in Moscow. In accordance with the loan agreements signed with UniCredit Bank on 22 February 2013, the Company received:

- a loan of EUR 11.2 million (LTL 38.7 million) for a period of 36 months with the interest rate of EURIBOR plus 5%. The loan is repayable starting from the 13th month at the interest payment date in equal instalments over the entire period of the loan.
- a loan (overdraft) of EUR 1.3 million (LTL 4.5 million) for a period of 18 months with the interest rate of EURIBOR plus 4.25%. The first repayment of the loan is foreseen on 20 September 2013. Later the loan is repayable starting from 27 March 2014 by EUR 217 thousand on the 27th day of each month.

These loans were used to refinance the loans from AB Swedbank and AB Šiaulių Bankas and to replenish the working capital within the Group.

On 18 February 2013 an amendment to the agreements with OAO Polair was signed, in accordance to which the Company undertakes to increase the financing limit from EUR 2.1 million (LTL 7.3 million) to EUR 7 million (LTL 24.2 million). In accordance with this amendment additionally issued loans are subject to a fixed annual interest rate of 6.5% and the final repayment term on 1 March 2017. In March 2013 the Company granted EUR 3.6 million (LTL 12.4 million) loan to the related company OAO Polair in line with increased financing limit.

On 12 April 2013 part of the loans issued to related party OOO Polair (LTL 3,000 thousand, Note 16) was offset with convertible bonds held by shareholder Vaidana UAB at their maturity date (Note 23).