SNAIGĖ

Snaige AB

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we Gediminas Čeika, Managing Director of Snaige, AB and Mindaugas Sologubas, Finance Director of Snaige, AB hereby confirm that, to the best of our knowledge, the not audited Snaige AB interim Consolidated Financial Statements for the three months period ended 31 March 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, correctly reflects the reality and fairly shows issuer's assets, liabilities, financial position, profit or loss and cash flows of Snaige, AB.

Gediminas Čeika	Mindaugas Sologubas
Managing Director	Finance Director

May 27, 2016

AB SNAIGĖ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016 (UNAUDITED)

CONTENTS

I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the three months of 2016.

2. The basic data about the issuer

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

Authorised capital – the Board of the Company proposed the Annual General Meeting of Shareholders, which was held on 30 April 2015, to change the expression of the par value of the Company's shares and the authorized capital in litas into expression in euro, i.e. to determine that the par value of one Company's share is equal to 0.29 euro and to establish that the Company's authorized capital is equal to 11,490,494.55 euro.

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E-mail – snaige@snaige.lt

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

Legal organisation status – legal entity, public limited company

Registered as an enterprise on December 1, 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Statute of AB "Snaige" was registered on May 26, 2015 in Legal Entities of the Republic of Lithuania.

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

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

The mass media – daily paper „Kauno diena".

Statement of comprehensive income

Ref. No.	ITEMS	31 03 2016	31 12 2015
I.	**SALES AND SERVICES**	**7,087,729**	**8,409,599**
I.1	Income of goods and other products sold	683,687	597,995
I.2	Income of refrigerators sold	6,404,042	7,811,604
II.	**COST OF GOODS SOLD AND SERVICES RENDERED**	**(6,029,258)**	**(7,441,892)**
II.1	Net cost of goods and other products sold	(484,495)	(531,622)
II.2	Net cost of refrigerators sold	(5,544,763)	(6,910,270)
III.	**GROSS PROFIT**	**1,058,471**	**967,707**
IV.	**OPERATING EXPENSES**	**(1,201,113)**	**(1,291,614)**
IV.1	Sales expenses	(615,103)	(766,308)
IV.2	General and administrative expenses	(586,010)	(525,306)
V.	**PROFIT (LOSS) FROM OPERATIONS**	**(142,642)**	**(323,907)**
VI.	**OTHER ACTIVITY**	**9,299**	**10,955**
VI.1.	Income	63,605	50,480
VI.2.	Expenses	(54,306)	(39,525)
VII.	**FINANCIAL AND INVESTING ACTIVITIES**	**(53,106)**	**22,910**
VII.1.	Income	136,461	217,995
VII.2.	Expenses	(189,567)	(195,085)
VIII.	**PROFIT (LOSS) FROM ORDINARY ACTIVITIES**	**(186,449)**	**(290,042)**
IX.	EXTRAORDINARY GAIN		
X.	EXTRAORDINARY LOSS		
XI.	**CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES**	**(186,449)**	**(290,042)**
XII.	**TAXES**	**0**	**0**
XII.1	PROFIT TAX		
XIII.	Adjustment of deferred profit tax		
XIV.	Social tax		
XV.	MINORITY INTEREST	56	
XVI.	**NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS)**	**(186,393)**	**(290,042)**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

Statement of financial position

Ref. No.	ASSETS	Notes	31 03 2016	31 12 2015
A.	**Non-current assets**		**17,830,076**	**17,855,129**
I.	**INTANGIBLE ASSETS**	10	**1,626,446**	**1,613,492**
II	**TANGIBLE ASSETS**	11	**6,621,911**	**6,790,886**
II.1.	Land			
II.2.	Buildings		2,240,509	2,276,841
II.3.	Other non-current tangible assets		4,104,029	4,312,791
II.4.	Construction in progress and advance payments		277,373	201,254
III.	**INVESTMENT PROPERTY**			
IV.	**NON-CURRENT FINANCIAL ASSETS**			
IV.1	Deferred taxes assets		3,265	3,265
IV.2	Other non-current assets	12	9,578,454	9,447,486
V.	Amounts receivable after one year			
VI.	**Assets classified as held for sale**			
B.	**Current assets**		**13,824,891**	**17,043,550**
I.	INVENTORY AND CONTRACTS IN PROGRESS	13	5,283,990	4,380,099
I.1.	Inventory		5,283,990	4,380,099
I.2.	Advance payments			
I.3.	Contracts in progress			
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	14	6,909,206	8,228,649
III.	INVESTMENTS AND TERM DEPOSITS			
IV.	CASH AT BANK AND ON HAND	16	998,625	3,763,622
V.	Other current assets	15	633,070	671,180
	Planned to sell non-current assets			
C.	**Accrued income and prepaid expenses**			
	TOTAL ASSETS		**31,654,967**	**34,898,679**

(continued on the next page)

Ref. No.	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 03 2016	31 12 2015
A.	**Capital and reserves**		**8,996,962**	**9,186,682**
I.	SHARE CAPITAL		**11,491,018**	**11,491,018**
I.1.	Authorized (subscribed) share capital		11,491,018	11,491,018
I.2.	Uncalled share capital (-)			
I.3.	Share premium (surplus of nominal value)			
	Own shares (-)			
III.	REVALUATION RESERVE		(51,263)	(47,936)
IV.	RESERVES	18	901,431	901,431
V.	RETAINED EARNING (LOSS)		(3,344,224)	(3,157,831)
	Current Profit (Loss)		(186,393)	444,338
	The previous year Profit (Loss)		(3,157,831)	(3,602,169)
B.	**Minority interest**		**250**	**306**
D.	**Provisions and deferred taxes**		**0**	**0**
I.	PROVISIONS FOR COVERING LIABILITIES AND DEMANDS			
II.	DEFERRED TAXES			
E.	**Accounts payable and liabilities**		**22,657,755**	**25,711,691**
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES		12,397,828	12,431,308
C	**Financing (grants and subsidies)**	19	796,446	829,926
I.1.	Financial debts	21	11,185,656	11,185,656
I.2.	Warranty provisions	20	220,220	220,220
I.3.	Deferred income tax liability			
I.4.	Advances received on contracts in progress			
I.5.	Non-current employee benefits		195,506	195,506
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT		10,259,927	13,280,383
II.1.	Current portion of non-current debts	21	287,500	1,950,000
II.2.	Financial debts			
II.3.	Trade creditors		6,464,194	8,001,236
II.4.	Advances received on contracts in progress		1,789,440	1,568,096
II.5.	Taxes, remuneration and social security payable	24	1,042,039	1,133,372
II.6.	Warranty provisions	20	392,497	371,906
II.7.	Other provisions			
II.8.	Other current liabilities	24	284,257	255,773
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**31,654,967**	**34,898,679**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

Statement of cash flow

Ref. No.		31 03 2016	31 03 2015
I.	**Cash flows from the key operations**		
I.1	Net result before taxes	(186,449)	(290,042)
I.2	Depreciation and amortization expenses	445,059	417,030
I.3	(Amortisation) of grants	(33,480)	(7,086)
I.4	Result from disposal of non-current assets		
I.5	Write-off of non-current assets		
I.6	Write-off of inventories		
I.7	Depreciation of receivables		
I.8	Other provisions		
I.9	Change in provision for guarantee repair	20,591	8,681
I.10	Recovery of devaluation of trade receivables		(53,733)
I.11	Influence of foreign currency exchange rate change	9,695	(87,098)
I.12	Financial income (interest income)	(136,085)	(132,009)
I.13	Financial expenses (interest expenses)	179,496	196,197
I.14	Income tax expense (income)		
	Cash flows from the key operations until decrease (increase) in working capital	**298,827**	**51,940**
II.1	Decrease in receivables and other liabilities	1,468,653	(424,422)
II.2	Decrease in inventories	(903,891)	(294,344)
II.3	Increase in trade and other payables	(1,377,653)	732,151
	Cash flows from the main activities	**(514,064)**	**65,325**
III.1	Interest income		
III.2	Interest expenses	(182,328)	(198,475)
III.3	Income tax paid	(4,818)	
	Net cash flows from the key operations	**(701,210)**	**(133,150)**

IV.	**Cash flows from (to) investing activities**		
IV.1	Acquisition of tangible non-current assets	(198,336)	(17,237)
IV.2	Capitalization of intangible non-current assets	(91,851)	
IV.3	Proceed from disposal of non-current assets		
IV.4	Loans granted	(111,100)	(24,370)
IV.5	Loans regained		
IV.6	Interest received		
	Net cash flows from the investing activities	**(401,287)**	**(41,607)**

(continued on the next page)

III.	**Cash flows from the financial activities**	(1,662,500)	(141,616)
III.1	Cash flows related to the shareholders of the company		
III.1.1	Issue of shares		
III.1.2	Shareholders' contributions for covering losses		
III.1.3	Sale of own shares		
III.1.4	Payment of dividends		
III.2	Cash flows arising from other financing sources		
III.2.1	Grants received		72,624
III.2.1.1	Proceeds from non-current borrowings	120,000	
III.2.1.2	(Repayment) of borrowings	(1,782,500)	(214,240)
III.2.2	Finance lease received		
III.2.2.1	Payments of leasing (finance lease) liabilities		
III.3	Other decreases in the cash flows from financial activities		
III.4.	Redemption of issued securities		
	Net cash flows from the financial activities	**(1,662,500)**	**(141,616)**

IV.	**Cash flows from extraordinary items**		
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
V.	**The influence of exchange rates adjustments on the balance of cash and cash equivalents**		
VI.	**Net increase (decrease) in cash flows**	**(2,764,997)**	**(316,373)**
VII.	**Cash and cash equivalents at the beginning of period**	**3,763,622**	**1,222,254**
VIII.	**Cash and cash equivalents at the end of period**	**998,625**	**905,881**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

Statement of changes in equity

	Paid up authorised capital	Share premium	Own shares (-)	Legal reserves		Other reserves			Retained earnings (losses)	TOTAL	Minority shareholders	TOTAL
				Compulsory	For acquiring own shares	For social needs	For investments	Currency exchange reserve				
Balance as at 31 December 2014	**11,475,439**	**0**		**901,431**	**0**	**0**	**0**	**(36,495)**	**(3,602,241)**	**8,738,134**	**354**	**8,738,488**
Net loss for the 2015 QI									(290,042)	**(290,042)**	**0**	**(290,042)**
Formed reserves										**0**	**0**	**0**
Other changes								(10,568)		**(10,568)**	**0**	**(10,568)**
Balance as at 31 March 2015	**11,475,439**	**0**		**901,431**	**0**	**0**	**0**	**(47,063)**	**(3,892,283)**	**8,437,525**	**354**	**8,437,879**
Net profit for the 2015 QII-IV									734,380	**734,380**	**(48)**	**734,332**
Formed reserves										**0**		**0**
Other changes	15,579							(873)	72	**14,778**		**14,778**
Balance as at 31 December 2015	**11,491,018**	**0**		**901,431**	**0**	**0**	**0**	**(47,936)**	**(3,157,831)**	**9,186,682**	**306**	**9,186,988**
Net loss for the 2016 QI									(186,393)	**(186,393)**	**(56)**	**(186,449)**
Formed reserves										**0**		**0**
Other changes								(3,327)		**(3,327)**		**(3,327)**
Balance as at 31 March 2016	**11,491,018**	**0**		**901,431**	**0**	**0**	**0**	**(51,263)**	**(3,344,224)**	**8,996,962**	**250**	**8,997,212**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

EXPLANATORY NOTES

1 Basic information

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

Pramonės str. 6,
Alytus,
Lithuania.

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

Main shareholders of AB Snaigė as on March 31, 2016 and December 31, 2015 were:

	March 31, 2016		December 31, 2015	
	Number of shares owned	**Share of total capital, %**	**Number of shares owned**	**Share of total capital, %**
VAIDANA UAB	36,096,193*	91.10%	36,096,193*	91.10%
Other shareholders	3,526,202	8.90%	3,526,202	8.90%
Total	**39,622,395**	**100%**	**39,622,395**	**100%**

*Out of this amount UAB Vaidana collateralized 4,584,408 shares to the bank in accordance with collateral agreement to ensure financial liabilities (31 December 2015 - 4,584,408 shares).

All the shares of the Company are ordinary registered intangible shares with the par value of 0.29 euro each and were fully paid as at 31 March 2016 and 31 December 2015.

As at at 31 March 2016 and 31 December 2015 the Company did not hold its own shares.

As at 31 March 2016 UAB Vaidana was ultimately owned by controlling shareholder Tetal Global Ltd. (intermediate shareholders are Furuchi Enterprises Ltd and Hymana Holdings Ltd.).

The Group consisted of AB Snaige and the followings subsidiaries as at 31 March 2016 (hereinafter – "the Group"):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
TOB Snaige Ukraina	Ukraine	99%	696	12,589
UAB Almecha	Lithuania	100%	(34,414)	299,345

As at 31 March 2016, the Board of the Company consist of 5 members including 1 representative of Polair and 4 independent representatives (as at 31 December 2015, the Board consisted of 5 members, 2 representatives of OAO Polair and 3 independent representatives).

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

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

As at 31 March 2016 the number of employees of the Group was 737 (as at 31 December 2015 – 743).

2 Accounting principles

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

2.1. Basis of preparation

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

These financial statements are prepared on the historical cost basis.

2.2. Going concern

The Group's current assets exceeded current liabilities by EUR 3,565 thousand of 31 March 2016 (whereas in the year 2015, December 31st EUR 3,763 thousand).

- liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 1.35 (1.28 in 31 December 2015),
- quick ratio ((total current assets – inventories) / total current liabilities) – 0.83 (in 31 December 2015 0.95),
- the Group earned EUR 186 thousand loss before tax (in 2015 over the same period EUR 290 thousand loss before tax),
- commitment ratios: the ratio of debt/asset was 0.72 (whereas in the year 2015, December 31st 0.73).

These financial statements for the 31 March 2016 have been prepared based on the assumption that the Group will be able to continue as a going concern for at least 12 months. The going concern is based on the following assumptions:

- in order to finance the working capital the Group is planning to perform successful sales of finished goods and the continuation of cooperation only with trustful partners. Trade payables are planned to be decreased using free operational cash flows.

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

2.3. Presentation currency

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

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

The functional currency of a foreign entity TOB Snaige Ukraina is Ukrainian hryvnia (UAH). As at the reporting date, the assets and liabilities of this subsidiary are / were translated into the presentation currency of AB Snaigė (EUR) at the rate of exchange at the statement of financial position date and their items of the statement of profit or loss and other comprehensive income are translated at the average monthly exchange rates for the reporting period. The exchange differences arising on the translation are stated in other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in the shareholders' equity caption relating to that particular foreign operation is transferred to profit or loss.

On 1 January 2015 the national currency or the Republic of Lithuania litas was replaced by the euro. The currency translation was done at the exchange rates approved by the Bank of Lithuania, i.e. 3.4528.

The applicable exchange rates in relation to euro as at the 31 March 2016 and 31 December 2015 were as follows:

	31 March 2016	**31 December 2015**
UAH	29.75963	26.2236
USD	1.1324	1.0926

2.4. Principles of consolidation

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

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

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

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

2.5. Intangible assets, except for goodwill

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

<u>Research and development</u>

Research costs are expensed as incurred. Development expenditure on individual projects is recognised as an intangible asset when the Group and the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, their intention to complete and their ability to use or sell the asset so that the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.
Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

<u>Licenses</u>

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

<u>Software</u>

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised over a period not exceeding 3 years.
Costs incurred in order to restore or maintain the future economic benefits that the Group and the Company expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

2.6. Tangible non-current assets

Property, plant and equipment are assets that are controlled by the Group and the Company, which are expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably measured. Property, plant and equipment is stated at cost, excluding the costs of

day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of such assets when that cost is incurred if the asset recognition criteria are met. Replaced parts are written off.
The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the statement of comprehensive income, whenever estimated.

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

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

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

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

2.7. Non-current assets held for sale

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

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

2.8. Inventories

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

2.9. Receivables and loans granted

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

2.10. Cash and cash equivalents

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

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

2.11. Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised as at 31 March 2016 and 31 December 2015.

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

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

2.12. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into. Subsequent to initial recognition and measurement, outstanding derivatives are carried in the statement of financial position at the fair value. Fair value is determined using the discounted cash flow method applying the effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. The Group had no derivative contracts outstanding as at 31 March 2016 and 31 December 2015.

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

2.13. Factoring

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

2.14. Financial lease and operating lease

Finance lease – the Group as lessee

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

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

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

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

Operating lease – the Group as lessee

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

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

2.15. Grants and subsidies

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

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

2.16. Provisions

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

2.17. Non-current employee benefits

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

2.18. Revenue recognition

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

2.19. Impairment of assets

<u>Financial assets</u>

Financial assets are reviewed for impairment at each reporting date.

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

Other assets

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

2.20. Subsequent events

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

2.21. Offsetting and comparative figures

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

3 Segment information

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

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

Group	Total segment sales revenue		Inter-segment sales		Sales revenue		Total assets by its location *	
	2016	2015	2016	2015	2016	2015	2016	2015
Russia	47	107	-		47	107	9,706	9,375
Ukraine	583	501	-	-	583	501	698	458
Western Europe	3,086	4,663	-	-	3,086	4,663	1,979	3,022
Central Europe	1,607	1,979	-	-	1,607	1.979	1,025	1,296
Lithuania	990	1,560	(39)	(773)	951	787	17,309	15,822
Other CIS countries	596	153	-	-	596	153	847	1.283
Other Baltic states	218	220	-	-	218	220	91	78
Other countries	-	-	-	-	-	-	-	-
Total	**7,127**	**9,183**	**(39)**	**(773)**	**7,088**	**8,410**	**31,655**	**31,334**

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

As at 31 March 2016 the sales to the five largest buyers comprised 45.52 % of total sales, including: the first buyer 16.06%, the second buyer 10.43 %, the third buyer 9.35 %, the fourth buyer 5.03 %, the fifth buyer 4.65%, (as at 31 March 2015 – 55.48 %, including: the first buyer 14.92 %, the second buyer 13.11 %, the third buyer 9.9 %, the fourth buyer 9.17%, the fifth buyer 8.38%).

4 Cost of sales

	31 03 2016	31 03 2015
Raw materials	4,163,216	5,341,260
Salaries and wages	608,495	689,339
Depreciation and amortisation	291,961	330,529
Other	965,586	1,080,764
Total:	**6,029,258**	**7,441,892**

5 Other income

	31 03 2016	31 03 2015
Income from transportation services	48,743	31,882
Income from sale of other services	-	-
Income from rent of premises	3,926	3,932
Gain on disposal of property, plant and equipment	-	-
Income from rent of equipment	23	23
Other	10,913	14,643
Total:	**63,605**	**50,480**

6 Operating expenses

	31 03 2016	31 03 2015
Selling expenses	615,103	766,308
General and administrative expenses	586,010	525,306
	1,201,113	**1,291,614**

7 Other operating expenses

	31 03 2016	31 03 2015
Transportation expenses	44,282	24,302
Expenses from rent of equipment	-	-
Gain on disposal of property, plant and equipment	-	-
Other	10,024	15,223
	54,306	**39,525**

8 Financial income

	31 03 2016	31 03 2015
Foreign currency exchange gain	220	85,859
Interest income and other	136,241	132,136
	136,461	**217,995**

9 Financial expenses

	31 03 2016	31 03 2015
Interest expenses	179,496	196,197
Loss of foreign currency exchange, net	10,064	-
Realized loss on foreign currency derivatives	-	-
Loss of foreign currency translation transactions	-	(1,112)
Other	7	-
	189,567	**195,085**

10 Intangible assets

	Balance sheet value	
	31 03 2016	**31 12 2015**
Development costs	1,418,968	1,484,650
Software, license	99,192	92,132
Other intangible assets	108,286	36,710
Total:	**1,626,446**	**1,613,492**

Non-current intangible assets depreciation expenses are included under operating expenses in profit or loss.

Over 2016 three months, the Group has accumulated EUR 79 thousand (2015 - EUR 72 thousand) of intangible assets depreciation.

Part of non-current intangible assets of the Group with the acquisition value of EUR 3,569 thousand as at 31 March 2016 was fully amortised (EUR 3,567 thousand as at 31 December 2015) but was still in use.

11 Non-current tangible assets

	Balance sheet value	
	31 03 2016	**31 12 2015**
Land and buildings	2,240,509	2,276,841
Machinery and equipment	3,475,979	3,444,727
Vehicles and other property	628,050	868,064
Construction in progress and prepayments	277,373	201,254
Total:	**6,621,911**	**6,790,886**

The depreciation charge of the Group's property, plant and equipment and investment property for the first quarter 2016 amounts to EUR 366 thousand (EUR 345 thousand for the first quarter 2015). The amount of EUR 343 thousand for 2016 (EUR 321 thousand for 2015) was included into production costs. The remaining amount of EUR 23 thousand (EUR 24 thousand for 2015) was included into administration expenses in the Group's profit or loss.

As at 31 March 2016 buildings of the Group and the Company with the carrying amount of EUR 2,048 thousand, (as at 31 December 2015 – EUR 2,077 thousand respectively), the Group's and the Company's machinery and equipment with the carrying amount of EUR 1,622 thousand (as at 31 December 2015 – EUR 1,834 thousand respectively) were pledged to bank as a collateral for the loans (Note 21).

12 Loans granted

	31 03 2016	31 12 2015
Hymana Holdings Ltd.	9,578,454	9,447,486
Loan to UAB Vaidana	450,576	339,476
Loans receivable	**10,029,030**	**9,786,962**
Including:		
Non-current borrowings	9,578,454	9,447,486
Current borrowings	450,576	339,476
Total	**10,029,030**	**9,786,962**

On 24 November 2015, a rights transfer agreement was signed with the Group's and the Company's intermediate shareholder Hymana Holdings Ltd., which controls 91.1% of the Company's shares through intermediaries. Based on the agreement, the intermediate shareholder took over the loans granted and interest calculated to related companies:

- - Loan of EUR 6,775 thousand and interest of EUR 1,022 thousand from OAO Polair;
- - Loan of EUR 1,500 thousand and interest on EUR 97 thousand from ZAO Zavod Sovitalprodmash.

The loans taken over are subject to annual interest related to 1-month EURIBOR + 6.5%, and the latest loan maturity is set on 1 June 2018. Based on the Company's management, the loans taken over are not impaired and shall be repaid in compliance with contractual terms.

As at 31 March 2016 the Company and the Group have a loan granted to their shareholder UAB Vaidana of EUR 451 thousand. The loan is subject to 1-month EURIBOR + 6.5% annual interest, the loan matures on 31 December 2016.

13 Inventories

	31 03 2016	31 12 2015
Raw materials, spare parts and production in progress	3,267,311	2,737,390
Finished goods	1,972,436	1,541,613
Other	44,243	101,096
Total inventories, net	**5,283,990**	**4,380,099**

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

As at 31 March 2016 the Group and Company has no legal restrictions on inventories.

14 Trade receivables

	31 03 2016	31 12 2015
Receivables	7,940,262	9,229,393
Less: impairment allowance for doubtful receivables	(1,031,056)	(1,000,744)
	6,909,206	**8,228,649**

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

As at 31 March 2016 100% impairment was accounted trade receivables of the Group in gross values of EUR 1,031 thousand (as at 31 December 2015 – EUR 1,001 thousand). Change in impairment allowance for receivables was accounted for within administrative expenses.

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

Trade receivables from the Group in the amount of EUR 3,412 thousand as at 31 March 2016 (EUR 4,517 thousand as at 31 December 2015) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch. Trade receivables from Ukraine, Moldova, Russia and other CIS countries are not insured.

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

	31 03 2016	**31 12 2015**
Balance at the beginning of the period	(1,000,744)	(1,016,744)
Charge for the year	(31,974)	(60,022)
Write-offs of trade receivables	-	-
Effect of the change in foreign currency exchange rate	1,662	18,669
Amounts paid	-	57,353
Balance in the end of the period	**(1,031,056)**	**(1,000,744)**

The receivables are written-off when it becomes obvious that they will not be recovered.

The analysis of trade receivables as of 31 March 2016 and 31 December 2015 is as follows:

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30 – 60 days**	**60 – 90 days**	**90 – 120 days**	**More than 120 days**	**Total**
2016	5,295,117	859,820	147,613	139,943	109,800	356,912	**6,909,206**
2015	6,194,705	1,030,025	359,279	21,249	138,735	484,656	**8,228,649**

As of 31 March 2016 the Group has signed factoring agreement with recourse, therefore no limitations on disposable assets been present.

15 Other current assets

	31 03 2016	**31 12 2015**
Prepayments and deferred expenses	57,306	51,256
VAT receivable	83,501	150,635
Compensations receivable from suppliers	-	-
Restricted cash	4,344	4,344
Granted loans	450,576	339,476
Other receivables	37,343	125,469
	633,070	**671,180**

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

	31 03 2016	**31 12 2015**
Balance at the beginning of the period	-	-
Charge for the year	-	-
Effect of the change in foreign currency exchange rate	-	-
Amounts paid	-	-
Write off	-	-
Balance in the end of the period	-	-

16 Cash and cash equivalents

	31 03 2016	**31 12 2015**
Cash at bank	996,064	3,762,073
Cash on hand	2,561	1,549
	998,625	**3,763,622**

17 Share capital

According to the Law on Companies of the Republic of Lithuania the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As at 31 March 2016 the Company was in compliance with this requirement

18 Reserves

Legal reserve

The Company's legal reserve is compulsory under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As at 31 March 2016 the legal reserve has been fully formed yet.

As of 31 March 2016 the legal reserve amounted to EUR 901 thousand.

Other reserves

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

Foreign currency translation reserve

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

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

19 Grants

Balance as at 31 December 2013	**3,100,058**
Received during the period	12,261
Balance as at 31 December 2014	3,112,319
Received during the period	704,850
Balance as at 31 December 2015	3,817,169
Received during the period	-
Balance as at 31 March 2016	**3,817,169**
Accumulated amortisation as at 31 December 2013	**2,913,685**
Amortisation during the period	25,424
Accumulated amortisation as at 31 December 2014	2,939,109
Amortisation during the period	48,134
Accumulated amortisation as at 31 December 2015	2,987,243
Amortisation during the period	33,480
Accumulated amortisation as at 31 March 2016	**3,020,723**
Carrying amount as at 31 March 2016	**796,446**
Carrying amount as at 31 December 2015	**829,926**

The grants 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 greenhouse gases in the manufacturing of domestic refrigerators and freezers, also, for increase in efficiency by investing into the production of commercial refrigerators and infrastructure development via investments into a research centre of new products.

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

20 Warranty provision

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

Changes in warranty provisions were as follows:

	31 03 2016	**31 12 2015**
As at 1 January	592,126	660,820
Additions durig the year (Note 6)	44,324	231,918
Utilised	(23,733)	(300,612)
Foreign currency exchange effect	-	-
	612,717	**592,126**

Warranty provisions are accounted for:	**31 03 2016**
- non- current	220,220
- current	392,497
	31 12 2015
non- current	220,220
current	371,906

21 Borrowings

	31 03 2016	**31 12 2015**
Non-current borrowings		
Non-current borrowings with fixed interest rate	-	-
Non-current borrowings with variable interest rate	11,185,656	11,185,656
Ordinary bonds	-	-
Interest on bonds	-	-
	11,185,656	**11,185,656**
Current borrowings		
Convertible bonds	-	-
Ordinary bonds	-	-
Current borrowings with fixed interest rate	-	-
Long-term loans of the current year	287,500	1,950,000
	287,500	**1,950,000**
Total	**11,473,156**	**13,135,656**

The main information on individual borrowings is disclosed below:

	Type	**Maturity**	**As at March 2016**	**As at December 2015**
Borrowing 1	Loan	22/04/2017	11,185,656	11,185,656
Borrowing 2	Credit line	22/12/2016	287,500	1,950,000
			11,473,156	**13,135,656**

The loan bear 1-month EURIBOR + 6.25 annual interest rate and credit line bears 1-month EURIBOR + 5.25 annual interest rate as at 31 March 2016 (as at 31 December 2015 1-month EURIBOR + 6.25 annual interest rate for the loan and credit line 1-month EURIBOR + 5.25 annual interest rate).

As of 31 March 2016 the Group's and Company's buildings with the carrying amount of EUR 2,048 thousand (EUR 2,077 thousand as at 31 December 2015), the Group's and Company's machinery and equipment with the carrying amount of EUR 1,622 thousand (EUR 1,834 thousand as at December 2015) were pledged to the banks for the loans and guarantee provided.

Based on the terms of the loan agreements, the Company has to comply with certain financial and non-financial covenants, such as: EBITDA to financial liabilities ratio, calculated on the basis of the consolidated results of Polair group, which, according to a separate agreement with the bank, was not calculated as at 31 December 2015, written permission from the Bank to perform purchase or disposal transactions when the assets acquired or disposed exceed 25% of all the Company's assets.

As at 31 March 2016, the Company complied with the non-financial and financial covenants. Starting from 5 February 2016, based on the amendments to loan agreements, the ratio is calculated on the basis of the consolidated results of Snaigė group instead of those of Polair Group.

Based on the amendments to loan agreements made on 5 February 2016, the Company also committed to provide an additional collateral to the bank, no later than by 16 May 2016, in the form of assets owned by the Company amounting to EUR 1,500 thousand or, instead of additional collateral, to repay the bank not less than EUR 1,000 thousand of the loan and/or credit line before their respective maturity. As at the date of the additional agreement, the Company also committed to repay EUR 1,500 thousand of the loan or credit limit before their repayment term from the amounts scheduled to be repaid in 2016. The Company fulfilled this obligation.

Borrowings in national currency:

	31 03 2016	31 12 2015
Borrowings denominated in:		
EUR	11,473,156	13,135,656
USD		-
	11,473,156	**13,135,656**

Repayment schedule for borrowings:

	Fixed interest rate	Variable interest rate
2016	-	287,500
2017 - 2018	-	11,185,656
	-	**11,473,156**

22 Financial leasing

The Group has not financial lease payables on 31 March, 2016.

23 Operating lease

The Group have concluded several contracts of operaing lease of land and premises. The terms of lease do not include restrictions of the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. In 2016 the lease expenses of the Group amounted to EUR 17 thousand (in 2015 EUR 18 thousand respectively).

Planned operaiting lease expenses of the Group in 2016 will be EUR 69 thousand.

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

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

24 Other current liabilities

	31 03 2016	31 12 2015
Salaries and related taxes	720,577	714,418
Vacation reserve	321,462	418,954
Accrued interest	18,498	21,330
Other taxes payable	94,173	104,904
Other payables and accrued expenses	171,586	129,539
	1,326,296	**1,389,145**

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.

25 Basic and diluted profit (loss) per share

	31 03 2016	31 12 2015
Shares issued 1 January	39,622,395	39,622,395
Weighted average number of shares	-	-
Net result for the year, attributable to the parent company	(186,449)	(290,042)
Basic profit (loss) per share, in EUR	**(0,005)**	**(0,007)**

26 Risk and capital management

The Group and the Company have exposure to the following risks: credit risk, liquidity risk and market risk. This note presents information about the Group's and the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework. The Group's and Company's risk management policies are established to identify and analyze the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's and the Company's activities. The Group and the Company aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

<u>Credit risk</u>

As at 31 March 2016 and 31 December 2015, the maximum exposure to credit risk is represented by the carrying amount of each financial asset, consequently, the Group's and the Company's management considers that its maximum exposure is reflected by the amount of loans receivable from related parties, trade and other receivables, net of impairment allowance, and the amount of cash and cash equivalents recognised at the date of the statement of financial position. Credit risk or risk that a counterparty will not fulfil its obligations, is controlled by credit terms and monitoring procedures, using services of external credit insurance agencies.

As at 31 March 2016 and 31 December 2015, the credit risk (in EUR thousand) was related to:

	31 03 2016	31 12 2015
Loans with interest receivable from related parties	10,029	9,787
Trade and other receivables	6,909	6,796
Cash and cash equivalents	999	3,764
	17,937	**20,347**

As at 31 March 2016 and as at December 2015 the main part of the loans granted consist of the loan granted to intermediate shareholder HYMANA HOLDINGS.

The concentration of the Group's trade partners is high. The largest credit risk related to trade receivables according to clients as at 31 March 2016 and 31 December 2015 (in EUR thousand):

	2016	**%**	**2015**	**%**
Client 1	1,433	21	1,140	14
Client 2	823	12	1,123	14
Client 3	740	11	964	12
Client 4	473	7	579	7
Client 5	330	5	560	7
Client 6	289	4	300	4
Client 7	234	3	299	4
Other clients	3,618	37	4,265	38
Impairment	(1,031)		(1,001)	
	6,909	**100**	**8,229**	**100**

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

	31 03 2016	**31 12 2015**
Central Europe	2,457	3,138
Ukraine	660	610
Lithuania	747	529
Western Europe	1,979	2,803
Other CIS countries	847	936
Other Baltic States	91	84
Russia	128	129
	6,909	**8,229**

Central Europe comprises Poland, the Czech Republic, Bulgaria; Western Europe comprises France, Germany, Norway, Portugal; other CIS countries include Uzbekistan, Moldova, and Azerbaijan.

The Group's and the Company's management believes that the maximum risk equals to trade receivables, less recognised impairment losses at the reporting date. The Group and the Company do not provide guarantees for obligations of other parties, except for those disclosed in Note 27

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

Trade receivables from the Group in the amount of EUR 3,412 thousand as at 31 March 2016 (EUR 4,517 thousand as at 31 December 2015) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch. Trade receivables from Ukraine, Moldova, Russia and other CIS countries were not insured.

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

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

- the client is late with settlement for 60 and more days, receivable amount is not covered by insurance and it does not come from subsidiaries;
- factorised clients late with settlement for 30 and more days;
- client is unable to fulfil the obligations assumed;
- reluctant to communicate with the seller;

- turnover of management is observed;
- reorganisation process is observed;
- information about tax penalties, judicial operation and restrictions of the use of assets is observed;
- bankruptcy case;
- inconsistency and variation in payments;
- other criteria.

Interest rate risk

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

As at 31 March 2016 and 31 December 2015 the Group did not use any financial instruments to hedge against interest rate risk.

Liquidity risk

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

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

Foreign exchange risk

The Group significantly reduced income earned in USD.
Most of income is earned in euro by the Group.

Capital management

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

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

The Company is obliged to keep its equity not lower than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. As at 31 March 2016 the Group and the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Group.

27 Commitments and contingencies

UAB Vaidana and AB Šiaulių Bankas has signed a financial guarantee agreement, in accordance to witch UAB Vaidana collateralized 4,584 thousand held share of AB Snaigė thus transferring the non-pecuniary right of the shareholders retaining the right to dividens.

By the surety 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 EUR 1,113 thousand with repayment term postponed until 27 March 2017 (the initial repayment term was 27 March 2015).

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

28 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 during 2016 and 2015 were as follows:
UAB Vaidana (shareholder);
Furuchi Enterprises Ltd. (intermediary company between the shareholder and the ultimate shareholder);
Hymana Holdings Ltd. (intermediary company between the shareholder and the ultimate shareholder);
Tetal Global Ltd. (ultimate shareholder);
OAO Polair (company controlled by ultimate shareholders);
OOO Torgovyj Dom Polair (company controlled by ultimate shareholders);
ZAO Polair Nedvižimost (company controlled by ultimate shareholders);
Area Polair (company controlled by ultimate shareholders);
Polair Europe S.R.L (company controlled by ultimate shareholders);
Polair Europe Limited (company controlled by ultimate shareholders);
ZAO Rada (company controlled by ultimate shareholders);
ZAO Zavod Sovitalprodmaš (company controlled by ultimate shareholders).

The Group has a policy to conduct related party transactions on commercial terms and conditions. Outstanding balances at the year-end are unsecured, interest-free, except the loan granted. As at 31 March 2016 and 31 December 2015 the Group has not formed any impairment allowances for doubtful debts, related to receivables from related parties. Doubtful receivables are tested each year by inspecting the financial position of the related party and assessing the market in which the related party operates.

Financial and investment transactions with the related parties (in EUR thousand):

	31 March 2016				**31 December 2015**			
	Loans received	**Interest expenses**	**Loans granted**	**Interest income**	**Loans recived**	**Interest expenses**	**Loans granted**	**Interest income**
ZAO „Zavod Sovitalprodmaš	-	-	-	-	-	-	-	71
OAO Polair								364
HYMANA HOLDINGS	-	-	-	131	-	-	8,275	54
UAB Vaidana	-	-	111	5	-	-	157	14
	-	**-**	**111**	**136**	**-**	**-**	**8,432**	**503**

31 03 2016	**Purchases**	**Sales**	**Receivables**	**Payables**
OAO Polair (refrigerators)	124	-	-	124
OOO Torgovyj Dom Polair	23	-		23
	147	**-**	**-**	**147**

31 12 2015	**Purchases**	**Sales**	**Receivables**	**Payables**
OAO Polair (refrigerators)	912	-	-	176
	912	**-**	**-**	**176**

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

	31 03 2016		31 12 2015	
	Purchases	**Sales**	**Purchases**	**Sales**
UAB Almecha	30	30	1,272	1,092
TOB Snaigė Ukraina	3	-	16	-
	33	**30**	**1,288**	**1,092**

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

The carrying amount of loans and receivables from subsidiaries (in EUR thousand):

	31 03 2016	**31 12 2015**
Non-current receivables		
Trade receivables from UAB Almecha	-	-
Total non-current receivables	**-**	**-**
Current receivables		
Trade receivables from UAB Almecha	24	18
Total current receivables	**24**	**18**

The analysis of receivables from subsidiaries and granted loans during the period on 31 March 2016 and 2015:

	Receivables from subsidiaries and granted loans neither past due nor impaired	**Receivables from subsidiaries and granted loans past due but not impaired**					
		Less than 30 days	**30 – 60 days**	**60 – 90 days**	**90 – 120 days**	**More than 120 days**	**Total**
2016	23,722	-	-	-	-	-	**23,722**
2015	18,164	-	-	-	-	-	**18,164**

Payables to subsidiaries as of 31 March 2016 and 31 December 2015 (included under the trade payables caption in the Company's statement of financial position) (in EUR thousand):

	31 03 2016	**31 12 2015**
TOB Snaigė Ukraina	-	2
UAB Almecha	61	139
Total	**61**	**141**

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

Remuneration of the management and other payments

Remuneration of the Company's and subsidiaries' management amounted to EUR 90 thousand and EUR 7 thousand, respectively, in 2016 (EUR 118 thousand and EUR 7 thousand in 2015, respectively). The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

29 Subsequent events

The General Meeting of shareholders of Snaige AB was held on 29 April 2016 and approved:

- The Company's and group financial statements for the year 2015
- The distribution of profit of Snaigė, AB. All Company's net profit was allocated for the earlier year losses coverage.
- The reserve foreseen by law EUR 885,477
- KPMG Baltics, UAB as the auditor for 2016 auditing purposes of annual financial statements
- One member of Board was revoked from the Board members of the Company. The new board member was not elected to Snaige, AB Board.

The Company had entered into surety agreements with OAO Petrokomerc Bank based on the agreements, the Company assumed joint and several liability for the loans of OAO Polair amounting to EUR 10,209 thousand as at 31 December 2015. In 2015 The Company received a copy of a claim from PAO FK Otkritie stating that PAO FK Otkritie took over the claim rights of OAO Petrokomerc and requires the Moscow Arbitration Court to transfer the obligation to fulfil the liabilities under surety agreements of OAO Polair to the Company. As these surety agreements were terminated on 5 February 2016 with no further liabilities or consequences to the Company and the Group, Moscow Arbitration Court on 12 April 2016 rejected the PAO FK Otkritie a claim as groundless.