

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 twelve months period ended 31 December 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
Managing Director



Mindaugas Sologubas
Finance Director

February 28, 2017

AB SNAIGĖ

***CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE
MONTHS PERIOD ENDED 31 DECEMBER 2016
(UNAUDITED)***

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I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the twelve 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 –one Company's share is equal to 0.30 euro and to establish that the Company's authorized capital is equal to 11,886,718.50 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 December 20, 2016 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”.

Consolidated Income Statement

Ref. No.	ITEMS	01 01 2016 31 12 2016	01 10 2016 31 12 2016	01 01 2015 31 12 2015	01 10 2015 31 12 2015
I.	SALES AND SERVICES	39,816,531	8,320,941	45,362,558	10,704,080
I.1	Income of goods and other products sold	3,811,408	683,789	5,302,256	1,442,671
I.2	Income of refrigerators sold	36,005,123	7,637,152	40,060,302	9,261,409
II.	COST OF GOODS SOLD AND SERVICES RENDERED	(32,461,048)	(7,140,878)	(38,249,808)	(9,303,033)
II.1	Net cost of goods and other products sold	(2,570,539)	(594,539)	(3,778,536)	(1,359,326)
II.2	Net cost of refrigerators sold	(29,890,509)	(6,546,339)	(34,471,272)	(7,943,707)
III.	GROSS PROFIT	7,355,483	1,180,063	7,112,750	1,401,047
IV.	OPERATING EXPENSES	(5,669,456)	(1,352,468)	(6,211,574)	(1,509,267)
IV.1	Sales expenses	(2,382,314)	266,074	(3,354,080)	(328,869)
IV.2	General and administrative expenses	(3,287,142)	(1,618,542)	(2,857,494)	(1,180,398)
V.	PROFIT (LOSS) FROM OPERATIONS	1,686,027	(172,405)	901,176	(108,220)
VI.	OTHER ACTIVITY	21,573	3,296	38,218	(4,329)
VI.1	Income	206,679	46,265	224,199	56,187
VI.2	Expenses	(185,106)	(42,969)	(185,981)	(60,516)
VII.	FINANCIAL AND INVESTING ACTIVITIES	(132,773)	(16,850)	(240,035)	(85,265)
VII.1	Income	546,207	137,929	590,029	120,902
VII.2	Expenses	(678,980)	(154,779)	(830,064)	(206,167)
VIII.	PROFIT (LOSS) FROM ORDINARY ACTIVITIES	1,574,827	(185,959)	699,359	(197,814)
IX.	EXTRAORDINARY GAIN				
X.	EXTRAORDINARY LOSS				
XI.	CURRENT ACCOUNTING PERIOD PROFIT (LOSS) BEFORE TAXES	1,574,827	(185,959)	699,359	(197,814)
XII.	TAXES	(368,032)	(368,032)	(254,546)	(254,546)
XII.1	PROFIT TAX	(368,032)	(368,032)	(103,306)	(103,306)
XIII.	Adjustment of deferred profit tax			(151,240)	(151,240)
XIV.	Social tax				
XV.	MINORITY INTEREST	50	(3)	48	
XVI.	NET CURRENT ACCOUNTING PERIOD PROFIT (LOSS)	1,206,845	(553,994)	444,861	(452,360)

Managing Director

Gediminas Čeika

Financial Director

Mindaugas Sologubas

Consolidated Statement of Financial Position

Ref. No.	ASSETS	Notes	As at 31 December 2016	As at 31 December 2015
A.	Non-current assets		30,037,204	17,855,129
I.	INTANGIBLE ASSETS	10	1,636,795	1,613,492
II	TANGIBLE ASSETS	11	18,430,674	6,790,886
II.1.	Land			
II.2.	Buildings		5,394,415	2,276,841
II.3.	Other non-current tangible assets		13,026,903	4,312,791
II.4.	Construction in progress and advance payments		9,356	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	9,966,470	9,447,486
V.	Amounts receivable after one year			
VI.	Assets classified as held for sale			
B.	Current assets		13,841,269	17,043,550
I.	INVENTORY AND CONTRACTS IN PROGRESS	13	4,579,457	4,380,099
I.1.	Inventory		4,579,457	4,380,099
I.2.	Advance payments			
I.3.	Contracts in progress			
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	14	5,356,234	8,228,649
III.	INVESTMENTS AND TERM DEPOSITS			
IV.	CASH AT BANK AND ON HAND	16	2,617,338	3,763,622
V.	Other current assets	15	1,288,240	671,180
	Planned to sell non-current assets			
C.	Accrued income and prepaid expenses			
	TOTAL ASSETS		43,878,473	34,898,679

(continued on the next page)

Ref. No.	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	As at 31 December 2016	As at 31 December 2015
A.	Capital and reserves		21,274,236	9,186,682
I.	SHARE CAPITAL		11,887,242	11,491,018
I.1.	Authorized (subscribed) share capital		11,887,242	11,491,018
I.2.	Uncalled share capital (-)			
I.3.	Share premium (surplus of nominal value)			
	Own shares (-)			
III.	Foreign currency translation reserve		(50,109)	(47,936)
IV.	Legal reserve	18	901,431	901,431
	Non-current assets revaluation reserve		7,191,207	
V.	RETAINED EARNINGS (LOSS)		1,344,465	(3,157,831)
B.	Minority interest		256	306
D.	Provisions and deferred taxes		0	0
I.	PROVISIONS FOR COVERING LIABILITIES AND DEMANDS			
II.	DEFERRED TAXES			
E.	Accounts payable and liabilities		22,603,981	25,711,691
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES		13,042,702	1,245,652
C	Financing (grants and subsidies)	19	702,686	829,926
I.1.	Financial debts	21	9,951,238	
I.2.	Warranty provisions	20	180,688	220,220
I.3.	Deferred income tax liability		1,898,333	
I.4.	Advances received on contracts in progress			
I.5.	Non-current employee benefits		309,757	195,506
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT		9,561,279	24,466,039
II.1.	Current portion of non-current debts	21	1,322,560	13,135,656
II.2.	Financial debts			
II.3.	Trade creditors		6,045,378	8,001,236
II.4.	Advances received on contracts in progress		189,605	1,568,096
II.5.	Taxes, remuneration and social security payable	24	1,189,573	1,133,372
II.6.	Warranty provisions	20	318,040	371,906
II.7.	Other provisions			
II.8.	Other current liabilities	24	496,123	255,773
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		43,878,473	34,898,679

Managing Director

Gediminas Čeika

Financial Director

Mindaugas Sologubas

Consolidated Statement of Cash Flow

Ref. No.		31 12 2016	31 12 2015
I.	Cash flows from the key operations		
I.1	Net result after taxes	1,206,845	444,861
I.2	Depreciation and amortization expenses	1,862,697	1,784,316
I.3	(Amortisation) of grants	(127,240)	(48,134)
I.4	Result from disposal of non-current assets		
I.5	Write-off of non-current assets	354,503	7
I.6	Write-off of inventories		
I.7	Depreciation of receivables		
I.8	Other provisions	114,251	
I.9	Change in provision for guarantee repair	(93,398)	(68,694)
I.10	Recovery of devaluation of trade receivables	114,320	
I.11	Influence of foreign currency exchange rate change	1,847	(64,784)
I.12	Financial income (interest income)	(545,726)	(502,952)
I.13	Financial expenses (interest expenses)	676,652	808,294
I.14	Income tax expense (income)	367,986	254,546
	Cash flows from the key operations until decrease (increase) in working capital	3,932,737	2,607,460
II.1	Decrease in receivables and other liabilities	2,505,270	(254,628)
II.2	Decrease in inventories	(266,017)	(598,290)
II.3	Increase in trade and other payables	(3,037,800)	3,586,326
	Cash flows from the main activities	3,134,190	5,340,868
III.1	Interest income		
III.2	Interest paid	(681,491)	(807,640)
III.3	Income tax paid	(143,587)	(4,818)
	Net cash flows from the key operations	2,309,112	4,528,410
IV.	Cash flows from (to) investing activities		
IV.1	Acquisition of tangible non-current assets	(916,975)	(1,273,978)
IV.2	Capitalization of intangible non-current assets	(349,613)	(408,443)
IV.3	Proceed from disposal of non-current assets	200	,
IV.4	Loans granted	(327,150)	(157,580)
IV.5	Loans regained		
IV.6	Interest received		
	Net cash flows from the investing activities	(1,593,538)	(1,840,001)

(continued on the next page)

III.	Cash flows from the financial activities	(1,861,858)	(147,041)
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		704,850
III.2.1.1	Proceeds from non-current borrowings		
III.2.1.2	(Repayment) of borrowings	(1,950,000)	(851,891)
III.2.2	Finance lease received	112,113	
III.2.2.1	Payments of leasing (finance lease) liabilities	(23,971)	
III.3	Other decreases in the cash flows from financial activities		
III.4.	Redemption of issued securities		
	Net cash flows from the financial activities	(1,861,858)	(147,041)

IV.	Cash flows from extraordinary items		
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
V.	The influence of exchange rates adjustments on the balance of cash and cash equivalents		
VI.	Net increase (decrease) in cash flows	(1,146,284)	2,541,368
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	2,617,338	3,763,622

Managing Director

Gediminas Čeika

Financial Director

Mindaugas Sologubas

AB SNAIGĖ, company code 249664610, Pramonės str. 6, Alytus Lithuania
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2016
(all amounts are in EUR unless otherwise stated)

Consolidated Statement of Changes in Equity

	Paid up authorised capital	Share premium	Own shares (-)	Legal reserves		For social needs	Other reserves			Retained earnings (losses)	TOTAL	Minority shareholders	TOTAL
				Compulsory	For acquiring own shares		Other	Currency exchange reserve	Revaluation reserve				
Balance as at 1 January 2015	11,475,439	0	0	901,431	0	0	0	(36,495)		(3,602,241)	8,738,133	354	8,738,487
Net profit for the 2015										444,338	444,338	(48)	444,290
Other changes	15,579							(11,441)		72	4,210		4,210
Balance as at 31 December 2015	11,491,018	0	0					(47,936)		(3,157,831)	9,186,682	306	9,186,988
Net profit for the 2016										1,206,845	1,206,845	(50)	1,206,795
Increase of authorised capital	3,566,016								(3,566,016)		0		0
Non-current assets revaluation									10,864,035		10,864,035		10,864,035
Other changes								(2,173)	18,849	(2)	16,674		16,674
Cover of losses	(3,169,792)									3,169,792	0		0
Other comprehensive income									(125,661)	125,661	0		0
Balance as at 31 December 2016	11,887,242	0	0	901,431	0	0	0	(50,109)	7,191,207	1,344,465	21,274,236	256	21,274,492

Managing Director

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Financial Director

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EXPLANATORY NOTES

1 Basic information

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

Pramonės str. 6,
Alytus,
Lithuania.

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

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

	December 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 0.30 euro each and were fully paid as at 31 December 2016 and 31 December 2015.

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

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

The Group consisted of AB Snaigė and the followings subsidiaries as at 31 December 2016 (hereinafter – “the Group”):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders’ equity
TOB Snaigė Ukraina	Ukraine	99%	219	12.698
UAB Almecha	Lithuania	100%	178.496	512.255

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

TOB Snaigė 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 in 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 December 2016 the number of employees of the Group was 719 (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 4,280 thousand of 31 December 2016 (whereas in the year 2015, December 31st current liabilities exceeded current assets EUR 7,422 thousand).

- liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 1.45 (0,7 in 31 December 2015),
- quick ratio ((total current assets – inventories) / total current liabilities) – 0,97 (in 31 December 2015 0.52),
- the Group earned EUR 1,575 thousand profit before tax (in 2015 over the same period EUR 699 thousand profit before tax),
- commitment ratios: the ratio of debt/asset was 0.52 (whereas in the year 2015, December 31st 0.74).

These financial statements for the 31 December 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 of 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 December 2016 and 31 December 2015 were as follows:

	31 December 2016	31 December 2015
UAH	28.4474	26.2236
USD	1.0453	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.

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

2.5. Intangible assets, except for goodwill

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

Research and development

Research costs are expensed as incurred. Development expenditure on individual projects is recognised as an intangible asset when the Group and the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, their intention to complete and their ability to use or sell the asset so that the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

Licenses

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

Software

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

Costs incurred in order to restore or maintain the future economic benefits that the Group and the Company expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

2.6. Tangible non-current assets

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

replacing part of such assets when that cost is incurred if the asset recognition criteria are met. Replaced parts are written off.

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

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

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

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

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

2.7. Non-current assets held for sale

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

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

2.8. Inventories

Inventories are valued at the lower of cost or net realisable value, after 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 December 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 December 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

Financial assets

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 (EUR thousand):

Group	Total segment sales revenue		Inter-segment sales		Sales revenue	
	2016	2015	2016	2015	2016	2015
Russia	419	588	-	-	419	588
Ukraine	7,540	5,004	-	-	7,540	5,004
Western Europe	13,855	19,370	-	-	13,855	19,370
Central Europe	8,888	11,443	-	-	8,888	11,443
Lithuania	5,903	6,561	(278)	(2,295)	5,625	4,266
Other CIS countries	2,258	3,398	-	-	2,258	3,398
Other Baltic states	1,231	1,255	-	-	1,231	1,255
Other countries	1	39	-	-	1	39
Total	40,095	47,658	(278)	(2,295)	39,817	45,363

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Grupė	Segment assets		Segment liabilities		Depreciation of property, plant and equipment and amortisation of intangible assets		Acquisition of property, plant and equipment and intangible assets	
	2016 m.	2015 m.	2016 m.	2015 m.	2016 m.	2015 m.	2016 m.	2015 m.
Russia	383	9,576	11,208	13,313	-	-	-	-
Ukraine	1,132	622	118	20	2	2	-	-
Western Europe	1,788	2,803	1,178	3,141	-	-	-	-
Central Europe	1,190	3,138	1,466	1,882	-	-	-	-
Lithuania	29,243	17,739	8,127	7,016	1,861	1,782	1,291	1,848
Other CIS countries	122	936	12	90	-	-	-	-
Other Baltic states	36	84	224	249	-	-	-	-
Other countries	9,984	-	271	-	-	-	-	-
Total	43,878	34,898	22,604	25,711	1,863	1,784	1,291	1,848

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

As at 31 December 2016 the sales to the five largest buyers comprised 33.91 % of total sales, including: the first buyer 10.07%, the second buyer 8.31%, the third buyer 7.10%, the fourth buyer 4.96%, the fifth buyer 3.47%, (as at 2015 – 43.81 %, including: the first buyer 13.07%, the second buyer 12.77%, the third buyer 8.66%, the fourth buyer 4.84%, the fifth buyer 4.47%).

4 Cost of sales (in EUR thousand)

	31 12 2016	31 12 2015
Raw materials	23,240	27,637
Salaries and wages	3,432	3,946
Depreciation and amortisation	1,319	1,275
Other	4,470	5,392
Total:	32,461	38,250

5 Other income

	31 12 2016	31 12 2015
Income from transportation services	153,388	146,898
Income from sale of other services	-	-
Income from rent of premises	12,889	13,287
Gain on disposal of property, plant and equipment	200	2,079
Income from rent of equipment	323	297
Other	39,879	61,638
Total:	206,679	224,199

6 Operating expenses

	31 12 2016	31 12 2015
Selling expenses	2,382,314	3,354,080
General and administrative expenses	3,287,142	2,857,494
	5,669,456	6,211,574

7 Other operating expenses

	31 12 2016	31 12 2015
Transportation expenses	152,404	139,988
Expenses from rent of equipment	-	-
Gain on disposal of property, plant and equipment	-	-
Other	32,702	45,993
	185,106	185,981

8 Financial income

	31 12 2016	31 12 2015
Foreign currency exchange gain	-	87,047
Interest income and other	546,207	502,982
	546,207	590,029

9 Financial expenses

	31 12 2016	31 12 2015
Interest expenses	676,652	808,294
Loss of foreign currency exchange, net	554	-
Realized loss on foreign currency derivatives	-	-
Loss of foreign currency translation transactions	1,766	6,714
Other	8	15,056
	678,980	830,064

10 Intangible assets

	Balance sheet value	
	31 12 2016	31 12 2015
Development costs	1,502,914	1,484,650
Software, license	95,508	92,132
Other intangible assets	38,373	36,710
Total:	1,636,795	1,613,492

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

Over 2016 the Group has accumulated EUR 320 thousand (2015 - EUR 370 thousand) of intangible assets depreciation. Part of non-current intangible assets of the Group with the acquisition value of EUR 3,803 thousand as at 31 December 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 12 2016	31 12 2015
Land and buildings	5,394,415	2,276,841
Machinery and equipment	11,170,973	3,660,626
Vehicles and other property	1,855,930	652,165
Construction in progress and prepayments	9,356	201,254
Total:	18,430,674	6,790,886

Group's non-current tangible assets are stated in the balance sheet at their market value. Company assets were valued using comparative, income and expenses methods. Total market value of company's non-current tangible assets (as evaluated at 31-08-2016) was 18 097 000 Eur.

The long-term tangible assets value increased as follows:

	Balance sheet value 31 08 2016	
	From the statistical asset's value	From the revalued asset's value
Land and buildings	2,179,955	5,455,362
Machinery and equipment	2,918,484	10,822,050
Vehicles	6,246	47,360
Other plant, devices, tools and equipment	281,255	958,682
Other tangible assets	255,320	813,546
Total	5,641,260	18,097,000

After evaluating perspective intensity of assets usage and forecasted production renewals, new remaining terms of depreciatipon and amortizations were stated.

Useful life terms of Non-current material assets, in years:

	Statistical	Remanining useful life terms at the revaluation date	Remanining useful life terms, stated after revaluation
Land and buildings	49	22	26
Machinery and equipment	6	1	8
Vehicles	6	1	4
Other plant, devices, tools and equipment	5	0,5	5
Other tangible assets	5	0,5	8

New remaining terms of depreciatipon and amortizations are use from 01-10-2016.

The depreciation charge of the Group's property, plant and equipment and investment property for 2016 amounts to EUR 1,543 thousand (EUR 1,414 thousand for 2015). After the assessment of amortization of grants, the amount of EUR 1,321 thousand for 2016 (EUR 1,272 thousand for 2015) was included into production costs. The remaining amount of EUR 105 thousand (EUR 94 thousand for 2015) was included into administration expenses in the Group's profit or loss.

As at 31 December 2016 buildings of the Group and the Company with the carrying amount of EUR 5,171 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 10,538 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 12 2016	31 12 2015
Hymana Holdings Ltd.	9,966,470	9,447,486
Loan to UAB Vaidana	666,626	339,476
Loans receivable	10,633,096	9,786,962
Including:		
Non-current borrowings	9,966,470	9,447,486
Current borrowings	666,626	339,476
Total	10,633,096	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 of EUR 97 thousand from ZAO Zavod Sovitalprod mash.

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 December 2016 the Company and the Group have a loan granted to their shareholder UAB Vaidana of EUR 667 thousand. The loan is subject to 1-month EURIBOR + 6.5% annual interest, the loan matures on 31 December 2017.

13 Inventories

	31 12 2016	31 12 2015
Raw materials, spare parts and production in progress	3,309,750	2,737,390
Finished goods	1,166,435	1,541,613
Other	103,272	101,096
Total inventories, net	4,579,457	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 December 2016 the Group and Company has no legal restrictions on inventories.

14 Trade receivables

	31 12 2016	31 12 2015
Receivables	6,417,138	9,229,393
Less: impairment allowance for doubtful receivables	(1,060,904)	(1,000,744)
	5,356,234	8,228,649

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

As at 31 December 2016 100% impairment was accounted trade receivables of the Group in gross values of EUR 1,060 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.

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Trade receivables from the Group in the amount of EUR 2,935 thousand as at 31 December 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 12 2016	31 12 2015
Balance at the beginning of the period	(1,000,744)	(1,016,744)
Charge for the year	(81,102)	(60,022)
Write-offs of trade receivables	-	-
Effect of the change in foreign currency exchange rate	(12,499)	18,669
Amounts paid	33,441	57,353
Balance in the end of the period	(1,060,904)	(1,000,744)

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

The analysis of trade receivables net off impairment losses, delays as of 31 December 2016 and 31 December 2015 is as follows:

	Trade receivables past due but not impaired						Total
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2016	4,509,904	731,190	87,797	12,062	8,540	6,741	5,356,234
2015	6,194,705	1,030,025	359,279	21,249	138,735	484,656	8,228,649

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

15 Other current assets

	31 12 2016	31 12 2015
Prepayments and deferred expenses	341,261	51,256
VAT receivable	132,456	150,635
Compensations receivable from suppliers	-	-
Restricted cash	4,344	4,344
Granted loans	666,626	339,476
Other receivables	143,553	125,469
	1,288,240	671,180

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

	31 12 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 12 2016	31 12 2015
Cash at bank	2,615,242	3,762,073
Cash on hand	2,096	1,549
	2,617,338	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 December 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 December 2016 the legal reserve has been fully formed yet.

As of 31 December 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 December 2016	3,817,169

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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	127,240
Accumulated amortisation as at 31 December 2016	3,114,483
Carrying amount as at 31 December 2016	702,686
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 12 2016	31 12 2015
As at 1 January	592,126	660,820
Additions during the year	670,422	231,918
Utilised	(262,046)	(300,612)
Foreign currency exchange effect	-	
Write-off	(501,774)	-
	498,728	592,126

Warranty provisions are accounted for:

	31 12 2016
- non-current	180,688
- current	318,040
	31 12 2015
- non-current	220,220
- current	371,906

21 Borrowings

	31 12 2016	31 12 2015
Non-current borrowings		
Non-current borrowings with fixed interest rate	-	-
Non-current borrowings with variable interest rate	9,883,656	-
Long-term liabilities of leasing companies	67,582	-
	9,951,238	-
Current borrowings		
Current borrowings with fixed interest rate	-	-
Long-term loans of the current year	1,302,000	13,135,656
Current liabilities of leasing companies	20,560	-
	1,322,560	13,135,656
Total	11,273,798	13,135,656

The main information on individual borrowings is disclosed below:

	Type	Maturity	As at December 31 2016	As at December 31 2015
Borrowing 1	Loan	22/04/2017	11,185,656	11,185,656
Borrowing 2	Credit line	22/12/2016	-	1,950,000
Leasing 1		26/03/2021	48,826	-
Leasing 2		26/05/2021	20,352	-
Leasing 3		26/08 2021	18,964	-
			11,273,798	13,135,656

The loan bear 1-month EURIBOR + 5.75 annual interest rate as at 31 December 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 December 2016 the Group's and Company's buildings with the carrying amount of EUR 5,171 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 10,538 thousand (EUR 1,834 thousand as at December 2015) were pledged to the banks for the loans.

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, 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 December 2016, the Company complied with the non-financial and financial covenants.

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. The Company additionally pledged assets EUR 1,707 to the bank.

Borrowings in national currency:

	31 12 2016	31 12 2015
Borrowings denominated in:		
EUR	11,273,798	13,135,656
USD	-	-
	11,273,798	13,135,656

Repayment schedule for borrowings:

	Fixed interest rate	Variable interest rate
2017	-	1,302,000
2018 - 2018	-	9,883,656
	-	11,185,656

22 Financial leasing

Interest rates for financial leasing are fixed at 3,5 % and 3,9 %.

Financial lease payments in future are for dates December 31, 2016 and December 31, 2015 m. as follows:

	31 12 2016	31 12 2015
2017	23,460	-
2018 - 2021	72,012	-
Financial lease liabilities total	95,472	-
Interest	(7,330)	-
Financial lease liabilities current value	88,142	-

Financial lease obligations are accounted as:

- non- current	20,560	-
- current	67,582	-

Assets under financial lease are vehicles and machinery. Term of lease – 5 years.

Book value of leased assets:

	31 12 2016	31 12 2015
Machinery and equipment	145,989	-

23 Operating lease

The Group have 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 2016 the lease expenses of the Group amounted to EUR 67 thousand (in 2015 EUR 69 thousand respectively).

Planned operating lease expenses of the Group in 2017 will be EUR 68 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 12 2016	31 12 2015
Salaries and related taxes	802,035	714,418
Vacation reserve	387,537	418,954
Accrued interest	16,491	21,330
Other taxes payable	391,307	104,904
Other payables and accrued expenses	88,326	129,539
	1,685,696	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 12 2016	31 12 2015
Shares issued 1 January	39,622,395	39,622,395
Net profit (loss) for the year, attributable to the shareholders of company	1,206,845	444,861
Basic profit (loss) per share, in EUR	0.03	0.01

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.

Credit risk

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

	31 12 2016	31 12 2015
Loans with interest receivable from related parties	10,633	9,786
Trade and other receivables	5,356	8,229
Cash and cash equivalents	2,617	3,764
	18,606	21,779

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As at 31 December 2016 and as at 31 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 December 2016 and 31 December 2015 (in EUR thousand):

	2016	%	2015	%
Client 1	719	11	1,140	14
Client 2	413	8	1,123	14
Client 3	396	6	964	12
Client 4	336	5	579	7
Client 5	287	4	560	7
Client 6	263	4	300	4
Client 7	205	3	299	4
Other clients	3,797	59	4,265	38
Impairment	(1,060)		(1,001)	
	5,356	100	8,229	100

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

	31 12 2016	31 12 2015
Central Europe	1,190	3,138
Ukraine	1,121	610
Lithuania	972	529
Western Europe	1,788	2,803
Other CIS countries	122	936
Other Baltic States	32	84
Russia	131	129
Other	-	-
	5,356	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 2,935 thousand as at 31 December 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 December 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 December 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 dividends.

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 AB Šiaulių Bankas in relation to received loan of EUR 1,113 thousand with repayment term is 27 March 2017. During year 2016, UAB "Vaidana" effected partial repayments of credit to AB "Šiaulių Bankas" on time, as well as other conditions of contract were not breached.

In 2013 the Company had a heating power purchase agreement; based on the agreement, the Company is obliged, for the 10-year period, to purchase 6,000 Kwh of heating power each year. If the Company fails to purchase the agreed quantity of power or in case of agreement termination, the fine from EUR 579 thousand in the first year of the agreement to EUR 58 thousand in the tenth year of the agreement shall be imposed. As at 31 December 2016 and 2015, the Company complied with its contractual liabilities.

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.

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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);
 Tetral Global Ltd. (ultimate shareholder);
 OAO Polair (company controlled by ultimate shareholders);
 OOO Torgovjy Dom Polair (company controlled by ultimate shareholders);
 ZAO Polair Nedvizimost (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 December 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 December 2016				31 December 2015			
	Loans received	Interest expenses	Loans granted	Interest income	Loans received	Interest expenses	Loans granted	Interest income
ZAO „Zavod Sovitalprodmaš	-	-	-	-	-	-	-	71
OAO Polair	-	-	-	-	-	-	-	364
HYMANA HOLDINGS	-	-	-	573	-	-	8,275	54
UAB Vaidana	-	-	327	27	-	-	157	14
	-	-	327	600	-	-	8,432	503

On 24 November 2015, a rights transfer agreement was signed with an intermediate shareholder of the Group and the Company Hymana Holdings Ltd. Based on this agreement, the intermediate shareholder took over the loans granted and interest calculated to related companies (Note 14).

31 12 2016	Purchases	Sales	Receivables	Payables
OAO Polair (refrigerators)	124	-	-	-
OOO Torgovjy Dom Polair	871	-	239	-
	995	-	239	-

31 12 2015

	Purchases	Sales	Receivables	Payables
OA0 Polair (refrigerators)	912	-	-	176
	912	-	-	176

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

	<u>Purchases</u>		<u>Sales</u>	
	2016	2015	2016	2015
UAB Almecha	252	1,272	102	1,092
TOB Snaigė Ukraina	13	16	-	-
	265	1,288	102	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 12 2016	31 12 2015
on-current receivables		
trade receivables from UAB Almecha	-	-
total non-current receivables	-	-
Current receivables		
Trade receivables from UAB Almecha	29	18
Total current receivables	29	18

The analysis of receivables from subsidiaries and granted loans during the period on 31 December 2016 and 2015 (in EUR thousand):

	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	
2016	29	-	-	-	-	-	29
2015	18	-	-	-	-	-	18

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

	31 12 2016	31 12 2015
TOB Snaigė Ukraina	3	2
UAB Almecha	129	139
Total	132	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 435 thousand and EUR 40 thousand, respectively, in 2016 (EUR 367 thousand and EUR 30 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

As it was instructed by Bank of Lithuania Supervisory board decision, dated 03-02-2017, the Company retrospectively changed comparative information about financial liabilities at 31-12-2015, namely long term financial liabilities were re-classified to current liabilities.

Taking into account that creditor Unicredit bank did not apply any actions against Company, and Company fulfilled all obligations precisely and timely, on the 31-12-2016 credit from Unicredit bank is classified in long term and current liabilities according to contracted terms.