AB SNAIGĖ

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders of AB Snaigė

Qualified Opinion

We have audited the accompanying separate financial statements of AB Snaigė ("the Company") and the accompanying consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 7 to 62 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2016,
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group, respectively, as at 31 December 2016, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Qualified Opinion

As disclosed in Note 14, the Company and the Group have loans granted to the parent and controlling party carried at EUR 10,633 thousand as at 31 December 2016 (EUR 9,786 thousand as at 31 December 2015). The management, based on the assumptions provided in Note 31, did not determine the impairment for the loans receivable from related parties. The loans are unsecured. Furthermore, as described in Note 32, in April 2017 the Company and the Group agreed to increase the loan receivable from the related party by additional EUR 833 thousand. Due to the fact that the financial information of the related parties provided to us was not audited, we were not able to obtain sufficient appropriate audit evidence regarding the recoverability of these loans receivable. Consequently, we were unable to determine whether any adjustments might be necessary to the amounts shown in the separate and the consolidated financial statements for loans receivable and equity as at 31 December 2016 and as at 31 December 2015 and net profit for the current and the prior year. Our audit opinion on the prior year separate and consolidated financial statements was also modified in this respect accordingly.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements* section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Company code: 111494971
VAT code: LT114949716

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matter described below to be the key audit matter to be communicated in our report.

Revaluation of property plant and equipment (Consolidated and separate financial statements)

Key audit matter	***Our response***
The carrying amount of property, plant and equipment in the consolidated and separate financial statements as at 31 December 2016: EUR 16,535 thousand and EUR 16,325 thousand respectively. *We refer to the financial statements: Note 2.6 and 2.10 (accounting policy), Note 13 (financial disclosures).* Property, plant and equipment (thereafter "PPE") constitute the major amount of the Group's and the Company's total assets. The Group and the Company changed the accounting policy for PPE and from 1 October 2016 the property, plant and equipment are accounted for at revalued amounts. The fair value of PPE is determined based on the independent valuation report. The independent valuer applied market approach or depreciated replacement cost method for items of PPE where comparable market data was not available. In addition, management tested reasonableness of overall valuation of PPE as determined by the independent valuer by comparing it to amounts determined with a discounted cash flow model for the entire cash generating unit which includes PPE. Furthermore, concurrently with the revaluation of PPE the Group and the Company revised the remaining useful life of depreciable items of PPE. We identified revaluation of PPE as focus area of our audit because of the significance of the amounts involved, the judgments required in selection of appropriate valuation methods, determination of fair values as well as estimation of useful life. Accordingly, we have identified this area as a key audit matter.	Our audit procedures performed included: • assessing compliance with applicable accounting standards; • assessing professional qualifications, competence and objectivity of the independent valuer; • involving our internal valuation specialists who assisted us at: o assessing the appropriateness of the methodology applied by the independent valuer by comparing it to methodologies commonly used in valuations of similar assets, o assessing the appropriateness of the comparable data used in the market approach by comparing it to external market data and our knowledge of the industry, o assessing the appropriateness of the input data and assumptions used in applying depreciated replacement cost method by comparing it to external data on current purchase prices of similar assets or to external data on historical price changes relevant to machinery and equipment as published by the department of statistics; • involving our valuation specialists who assisted us at: o challenging the key assumptions used in the discounted cash flow model by comparing production, sales volumes and profit margins to historical results and to external industry data, comparing the forecasted growth rates, the discount rate to the ones used in the industry,

- considering sensitivity of the discounted cash flow model to changes in key assumptions to understand the impact of such changes on levels of headroom; the key assumptions included production and sales volumes, profit margins, forecasted growth rate and discount rate;
- evaluating the budgeting process (upon which forecasts are based) by comparing the actual results for the year with original forecasts, taking these observations into consideration into the sensitivity analysis performed;
- checking mathematical accuracy of the discounted cash flow model;
- challenging management assumption of remaining useful life of items of PPE by comparing it to internal historical data and also to useful life determined by the independent valuer in applying depreciated replacement cost method;
- considering adequacy of disclosure in the Group's consolidated and the Company's separate financial statements in respect to the revaluation and revised useful life of PPE.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the separate and the consolidated financial statements and our auditor's report thereon.

Our opinion on the separate and the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the recoverability of loans receivable from the direct and indirect shareholders as at 31 December 2016. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

Management is responsible for the preparation of these separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the separate and the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and the consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company/the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and the consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Domantas Dabulis.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Rūta Kupinienė
Certified Auditor

Vilnius, the Republic of Lithuania
25 April 2017

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and separate statement of profit or loss and other comprehensive income

		Group		Company	
	Notes	2016	2015	2016	2015
Sales	3	39,817	45,363	38,437	44,363
Cost of sales	4	(32,461)	(38,250)	(31,720)	(37,376)
Gross profit		**7,356**	**7,113**	**6,717**	**6,987**
Selling and distribution expenses	5	(2,383)	(3,354)	(2,277)	(3,399)
General and administrative expenses	6	(3,287)	(2,858)	(2,953)	(2,660)
Other income	7	207	224	294	300
Other expenses	8	(185)	(186)	(239)	(228)
Operating profit (loss)		**1,708**	**939**	**1,542**	**1,000**
Finance income	9	546	590	546	584
Finance costs	10	(679)	(830)	(676)	(827)
Profit (loss) before income tax		**1,575**	**699**	**1,412**	**757**
Income tax	11	(368)	(254)	(324)	(249)
Net profit (loss)		**1,207**	**445**	**1,088**	**508**
Other comprehensive income					
Items that will never be reclassified to profit or loss		**9,242**	**-**	**9,438**	**-**
Revaluation of property, plant and equipment		10,885	-	11,081	-
Related tax		(1,643)	-	(1,643)	-
Items that are or may be reclassified to profit or loss		**(3)**	**(11)**	-	-
Exchange differences on translation of foreign operations		(3)	(11)	-	-
Total other comprehensive income, net of tax		9,239	(11)	9,438	-
Total comprehensive income, net of tax		**10,446**	**434**	**10,526**	**508**

(continued on the next page)

The notes on pages 15–62 are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and separate statement of profit or loss and other comprehensive income (continued)

	Notes	Group		Company	
		2016	2015	2016	2015
Net profit (loss) attributable to:					
The shareholders of the Company		1,207	434	1,088	508
Non-controlling interest		-	-		
		1,207	**434**	**1,088**	**508**
Total comprehensive income, net of tax, attributable to:					
The shareholders of the Company		10,446	434	10,526	508
Non-controlling interest		-	-		
		10,446	**434**	**10,526**	**508**
Profit (loss) per share					
Basic and diluted profit (loss) per share	27	0.03	0.01	0.03	0.01

The notes on pages 15–62 are an integral part of these financial statements.

General Director	Gediminas Čeika		3 April 2017
Financial Director	Mindaugas Sologubas		3 April 2017

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and separate statement of financial position

		Group			Company		
	Notes	As at 31 December 2016	As at 31 December 2015 (restated)	As at 1 January 2015	As at 31 December 2016	As at 31 December 2015 (restated)	As at 1 January 2015
ASSETS							
Non-current assets							
Intangible assets	12	1,637	1,613	1,592	1,620	1,608	1,591
Property, plant and equipment	13	16,535	6,791	6,776	16,325	6,451	6,366
Investments into subsidiaries	1	-	-	-	424	424	424
Deferred income tax asset	11	-	3	171	-	-	162
Non-current loans to related companies	14	9,966	9,447	9,010	9,966	9,447	9,010
Total non-current assets		**28,138**	**17,854**	**17,549**	**28,335**	**17,930**	**17,553**
Current assets							
Inventories	15	4,579	4,380	5,214	4,506	4,282	5,074
Trade receivables	16	5,356	8,229	6,473	5,252	6,778	6,708
Current loans to related companies	14	667	339	182	667	339	182
Prepayments		341	51	213	333	49	205
Other amounts receivable	17	281	281	188	275	265	188
Cash and cash equivalents	18	2,617	3,764	1,222	2,280	3,385	1,179
Total current assets		**13,841**	**17,044**	**13,492**	**13,313**	**15,098**	**13,536**
Total assets		**41,979**	**34,898**	**31,041**	**41,648**	**33,028**	**31,089**

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The notes on pages 15–62 are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and separate statement of financial position (cont'd)

		Group			Company		
	Notes	As at 31 December 2016	As at 31 December 2015 (restated)	As at 1 January 2015	As at 31 December 2016	As at 31 December 2015 (restated)	As at 1 January 2015
EQUITY AND LIABILITIES							
Equity							
Share capital	1, 19	11,887	11,490	11,475	11,887	11,490	11,475
Legal reserve	20	901	901	901	885	885	885
Revaluation reserve of property, plant and equipment		5,550	-	-	5,746	-	-
Foreign currency translation reserve	20	(50)	(47)	(36)	-	-	-
Retained earnings (loss)		1,345	(3,157)	(3,602)	1,051	(3,332)	(3,840)
Equity attributable to equity holders of the Company		**19,633**	**9,187**	**8,738**	**19,569**	**9,043**	**8,520**
Non-controlling interest		-	-	-	-	-	-
Total equity		**19,633**	**9,187**	**8,738**	**19,569**	**9,043**	**8,520**
Liabilities							
Non-current liabilities							
Grants	21	703	830	173	703	830	173
Warranty provision	22	181	220	228	154	220	228
Deferred income tax liability	11	1,640	-	-	1,643	-	-
Non-current borrowings	24	9,951	-	10,501	9,884	-	10,501
Non-current employee benefits	23	310	196	154	299	196	154
Total non-current liabilities		**12,785**	**1,246**	**11,056**	**12,683**	**1,246**	**11,056**
Current liabilities							
Current borrowings, current portion of non-current borrowings	24	1,323	13,136	3,486	1,302	13,136	3,486
Trade payables		6,045	8,001	6,415	6,148	7,734	6,793
Prepayments received		190	1,568	172	168	196	160
Warranty provision	22	318	372	433	249	371	385
Other current liabilities	26	1,685	1,388	741	1,529	1,302	689
Total current liabilities		**9,561**	**24,465**	**11,247**	**9,396**	**22,739**	**11,513**
Total liabilities		**22,346**	**25,711**	**22,303**	**22,079**	**23,985**	**22,569**
Total equity and liabilities		**41,979**	**34,898**	**31,041**	**41,648**	**33,028**	**31,089**

The notes on pages 15–62 are an integral part of these financial statements.

General Director	Gediminas Čeika		3 April 2017
Financial Director	Mindaugas Sologubas		3 April 2017

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of changes in equity

		Attributable to equity holders of the Company							
	Notes	Share capital	Legal reserve	Revaluation reserve	Foreign currency translation reserve	Retained earnings (loss)	Total	Non-controlling interest	Total equity
Balance as at 1 January 2015		**11,475**	**901**	**-**	**(36)**	**(3,602)**	**8,738**	**-**	**8,738**
Net profit (loss) for the year		-	-	-	-	445	445	-	445
Other comprehensive income (expenses)		-	-	-	(11)	-	(11)	-	(11)
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**445**	**434**	**-**	**434**
Adjustment related to euro adoption under Lithuanian legislation		15	-	-	-	-	15	-	15
Balance as at 31 December 2015		**11,490**	**901**	**-**	**(47)**	**(3,157)**	**9,187**	**-**	**9,187**
Net profit (loss) for the year		-	-	-	-	1,207	1,207	-	1,207
Other comprehensive income (expenses)	13	-	-	9,115	(3)	127	9,239	-	9,239
Total comprehensive income (expenses)		**-**	**-**	**9,115**	**(3)**	**1,334**	**10,446**	**-**	**10,446**
Share capital increase	19	3,565	-	(3,565)	-	-	-	-	-
Share capital decrease	19	(3,168)	-	-	-	3,168	-	-	-
Balance as at 31 December 2016		**11,887**	**901**	**5,550**	**(50)**	**1,345**	**19,633**	**-**	**19,633**

The notes on pages 15–62 are an integral part of these financial statements.

General Director	Gediminas Čeika		3 April 2017
Financial Director	Mindaugas Sologubas		3 April 2017

(all amounts are in EUR thousand unless otherwise stated)

Separate statement of changes in equity

	Notes	Share capital	Legal reserve	Revaluation reserve	Retained earnings (loss)	Total equity
Balance as at 1 January 2015		**11,475**	**885**	**-**	**(3,840)**	**8,520**
Net profit (loss) for the year		-	-	-	508	508
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**508**	**508**
Adjustment related to euro adoption under Lithuanian legislation		15	-	-	-	15
Balance as at 31 December 2015		**11,490**	**885**	**-**	**(3,332)**	**9,043**
Net profit for the year		-	-	-	1,088	1,088
Other comprehensive income	13	-	-	9,311	127	9,438
Total comprehensive income		**-**	**-**	**9,311**	**1,215**	**10,526**
Share capital increase	19	3,565	-	(3,565)	-	-
Share capital decrease	19	(3,168)	-	-	3,168	-
Balance as at 31 December 2016		**11,887**	**885**	**5,746**	**1,051**	**19,569**

The notes on pages 15–62 are an integral part of these financial statements.

General Director	Gediminas Čeika		3 April 2017
Financial Director	Mindaugas Sologubas		3 April 2017

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and separate statement of cash flows

	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Cash flows from (to) operating activities					
Net result for the year		1,207	445	1,088	508
Adjustments for non-cash items:					
Depreciation and amortisation	12, 13	1,863	1,784	1,759,	1,695
(Amortisation) of grants	21	(127)	(48)	(127)	(48)
Result from disposal of non-current assets	7	-	-	-	-
Income tax expense (income)	11	368	254	324	249
Write-off of non-current assets		355	26	355	23
Write-down of inventories		-	-	-	-
Impairment allowance for trade receivables and inventories		114	51	98	63
Change in provisions	22	21	(69)	(72)	(22)
Interest (income)	9	(546)	(503)	(546)	(503)
Interest expenses	10	677	808	674	808
Elimination of other non-cash items		2	(40)	2	(43)
		3,934	2,708	3,555	2,730
Changes in working capital:					
(Increase) decrease in inventories		(266)	767	(278)	725
(Increase) decrease in trade and other receivables		2,505	(1,644)	1,213	40
Increase (decrease) in trade and other payables		(3,143)	3,507	(1,729)	1,452
Advance income tax returned (paid)		(40)	(5)	(40)	(5)
Net cash flows from operating activities		**2,990**	**5,333**	**2,721**	**4,942**
Cash flows from (to) investing activities					
(Acquisition) of property, plant and equipment	13	(917)	(1,272)	(537)	(1,224)
(Acquisition) of intangible assets	12	(350)	(408)	(334)	(401)
Proceeds from disposal of non-current assets		-	-	-	-
Interest received		-	-	-	-
Loans granted		(327)	(157)	(327)	(157)
Net cash flows from investing activities		**(1,594)**	**(1,837)**	**(1,198)**	**(1,782)**

(continued on the next page)

The notes on pages 15–62 are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and separate statement of cash flows (cont'd)

		Group		Company	
		2016	2015	2016	2015
Cash flows from (to) financing activities					
Proceeds from non-current borrowings		112	-	-	-
Interest (paid)		(681)	(808)	(678)	(808)
(Repayment) of borrowings		(1,974)	(851)	(1,950)	(851)
Grants received		-	705	-	705
Net cash flows from (to) financing activities		**(2,543)**	**(954)**	**(2,628)**	**(954)**
Net increase (decrease) in cash and cash equivalents		**(1,147)**	**2,542**	**(1,105)**	**2,206**
Effect of currency exchange rate on the balance of cash		-	-	-	-
Cash and cash equivalents at the beginning of the year		**3,764**	**1,222**	**3,385**	**1,179**
Cash and cash equivalents at the end of the year	18	**2,617**	**3,764**	**2,280**	**3,385**

The notes on pages 15–62 are an integral part of these financial statements.

General Director	Gediminas Čeika		3 April 2017
Financial Director	Mindaugas Sologubas		3 April 2017

Notes to the financial statements

1 General information

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

Pramonės Str. 6,
Alytus,
Lithuania.

The Company is engaged in production of refrigerators and refrigerating equipment. The Company was registered on 1 April 1963. The Company's shares are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius stock exchange. As at 31 December 2016 and 2015 the shareholders of the Company were:

	2016		2015	
	Number of shares held (in thousand units)	**Ownership share**	**Number of shares held (in thousand units)**	**Ownership share**
UAB Vaidana	36,096*	91.10%	36,096*	91.10%
Other shareholders	3,526	8.90%	3,526	8.90%
Total	**39,622**	**100%**	**39,622**	**100%**

*Out of this amount UAB Vaidana collateralized 4,584 thousand shares to the bank in accordance with collateral agreement to ensure its financial liabilities (2015: 4,584 thousand shares) (Note 29).

All the shares of the Company are ordinary shares with the par value of EUR 0.30 each and were fully paid as at 31 December 2016 and 2015 (Note 19). As at 31 December 2016 and 2015 the Company did not hold its own shares.

As at 31 December 2016, the Board of the Company consists of 4 members including 1 representative of OAO Polair and 3 other members (in 2015, it consisted of 5 members: 2 representatives of OAO Polair and 3 other members).

As at 31 December 2016 UAB Vaidana was ultimately owned by controlling shareholder Tetal Global Ltd. (intermediate shareholder is Hymana Holdings Ltd.).

The Group consists of AB Snaigė and the following subsidiaries as at 31 December 2016 (hereinafter "the Group"):

Company	Country	Cost of investment (EUR thousand)	Percentage of the shares held by the Group	Profit (loss) for the reporting year (EUR thousand)	Shareholders' equity (EUR thousand)
TOB Snaige Ukraina	Ukraine	26	99%	-	13
UAB Almecha	Lithuania	398	100%	178	512
Total		**424**			

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.

1 General information (cont'd)

The Group consisted of AB Snaigė and the following subsidiaries as at 31 December 2015 (hereinafter "the Group"):

Company	Country	Cost of investment (EUR thousand)	Percentage of the shares held by the Group	Profit (loss) for the reporting year (EUR thousand)	Shareholders' equity (EUR thousand)
TOB Snaige Ukraina	Ukraine	26	99%	4	28
UAB Almecha	Lithuania	398	100%	(29)	334
Total		**424**			

As at 31 December 2016 the number of employees of the Group was 719 and the number of employees at the Company was 654 (as at 31 December 2015 – 743 and 675 respectively).

The Group's and the Company's management authorised these financial statements on 3 April 2017. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for 2016 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 are separate Company's and consolidated AB Snaigė Group financial statements. These financial statements are prepared on the historical cost basis, except of property, plant and equipment, which are accounted at revalued amounts from 30 September 2016.

In the cash flow statement, the Group and the Company present the acquisitions of property, plant and equipment by adjusting them by liabilities for property, plant and equipment at the beginning and at the end of the period.

(all amounts are in EUR thousand unless otherwise stated)

2 Accounting principles (cont'd)

2.2. Reclassification

The Group and the Company made reclassification of non-current borrowings as at 31 December 2015 following the request of regulator, as disclosed in Note 31. The reclassification had neither impact on the Group's and Company's statement of profit and loss and other comprehensive income nor on the Group's and the Company's statement of cash flows. The reclassification impact on the Group's and the Company's statement of the financial position was as follows:

		Group			Company		
	Notes	**As at 31 December 2015**	**Restatement**	**As at 31 December 2015 (restated)**	**As at 1 January 2015**	**Restatement**	**As at 1 January 2015 (restated)**
ASSETS							
Total non-current assets		**17,854**	**-**	**17,854**	**17,553**	**-**	**17,553**
Total current assets		**17,044**	**-**	**17,044**	**13,536**	**-**	**13,536**
Total assets		**34,898**	**-**	**34,898**	**31,089**	**-**	**31,089**
EQUITY AND LIABILITIES							
Total equity		**9,187**	**-**	**9,187**	**8,520**	**-**	**8,520**
Liabilities							
Non-current liabilities							
Grants		830	-	830	173	-	173
Warranty provision		220	-	220	228	-	228
Deferred income tax liability		-	-	-	-	-	-
Non-current borrowings	24	11,186	(11,186)	-	10,501	-	10,501
Non-current employee benefits		196	-	196	154	-	154
Total non-current liabilities		**12,432**	**(11,186)**	**1,246**	**11,056**	**-**	**11,056**
Current liabilities							
Current borrowings, current portion of non-current borrowings	24	1,950	11,186	13,136	3,486	-	3,486
Trade payables		8,001	-	8,001	6,793	-	6,793
Prepayments received		1,568	-	1,568	160	-	160
Warranty provision		372	-	372	385	-	385
Other current liabilities		1,388	-	1,388	689	-	689
Total current liabilities		**13,279**	**11,186**	**24,465**	**11,513**	**-**	**11,513**
Total liabilities		**25,711**	**-**	**25,711**	**22,569**	**-**	**22,569**
Total equity and liabilities		**34,898**	**-**	**34,898**	**31,089**	**-**	**31,089**

2 Accounting principles (cont'd)

2.3. Change in accounting policy

The Group and the Company have consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated and separate financial statements, except of the changes listed below.

Starting from 1 October 2016 the Group and the Company changed the accounting policy for property, plant and equipment. Until that date the property, plant and equipment were stated at cost, less accumulated depreciation and accumulated impairment losses. Since 1 October 2016 the property, plant and equipment are accounted at revalued amounts. The impact from the change in accounting policy is presented in Note 13.

The Group and the Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016.

The following new standards and amendments with the effective date of 1 January 2016 did not have any impact on these consolidated and separate financial statements:

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Annual Improvements to IFRSs - various standards;
- Investments Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

Standards and interpretations to published standards that are not yet effective

The following new Standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2016 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) IFRS 9 Financial Instruments (2014) (Effective for annual periods beginning on or after 1 January 2018, to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

2 Accounting principles (cont'd)

2.3. Change in accounting policy (cont'd)

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Group and the Company do not expect IFRS 9 (2014) to have material impact on the financial statements. The classification and measurement of the Group's and Company's financial instruments are not expected to change under IFRS 9 because of the nature of the Group's and Company's operations and the types of financial instruments that they hold. However, the Group and the Company believe that impairment losses are likely to increase and become more volatile for assets in the scope of expected credit loss impairment model. The Group and the Company have not yet finalised the impairment methodologies that they will apply under IFRS 9.

(ii) IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Group's and the Company's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Group's and the Company's financial statements. The timing and measurement of the Group's and the Company's revenues are not expected to change under IFRS 15 because of the nature of the Group's and the Company's operations and the types of revenues they earn.

(iii) IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.) This pronouncement is not yet endorsed by the EU.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

2 Accounting principles (cont'd)

2.3. Change in accounting policy (cont'd)

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The Group and the Company do not expect that the new Standard, when initially applied, will have material impact on the financial statements because the Group and the Company have no substantial operating lease contracts.

(iv) Annual Improvements to IFRSs

Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 Disclosure of Interest in Other Entities are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 Investments in Associates and Joint Ventures are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. Earlier application is permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Group and the Company.

2.4. Going concern

These financial statements for the year 2016 have been prepared based on the assumption that the Group and the Company will be able to continue as a going concern for a period of not less than 1 year.

2.5. 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. 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 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. The performance results of the subsidiaries the control of which is lost are presented in the consolidated financial statements only for the period when control belonged to the Group.

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

	31 December 2016	31 December 2015
RUB	63.2555	79.7540
UAH	28.4474	26.2236
USD	1.0453	1.0926

All amounts in these financial statements are in EUR thousand unless otherwise stated.

2 Accounting principles (cont'd)

2.6. Use of estimates in the preparation of financial statements

The preparation of the financial statements in accordance with IFRS, as adopted by the European Union, requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of the estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are reviewed if they affect only this period, or in the period in which the estimates are reviewed and any future periods if they affect both the review and future periods.

The significant areas of estimation used in the preparation of these financial statements relate to the fair value of property, plant and equipment, estimated useful life time of the property, plant and equipment, recoverability of loans provided to the shareholder and provisions related to guarantees and warrantees.

Fair value of the property, plant and equipment

Fair value of property, plant and equipment was determined by independent valuators, and management used this valuation as sufficient basis for asset revaluation. The significant unobservable inputs used in the fair value determination are disclosed in Note 13.

Useful life of property, plant and equipment

The main assumptions when evaluating useful life of property, plant and equipment are: the intensity of use and tear of property, plant and equipment. Technical staff evaluated property, plant and equipment and indicated expected time of further usage, and new, longer depreciation terms were applied together with assets revaluation.

Recoverability of loans from shareholders

The management developed estimation of recoverable amount of the loans receivable based on estimated future cash flows. Estimation of the future cash flows from repayment of the loans is based on forecasted dividend flows from the Company. In forecasting future dividend available the Management made assumptions regarding level of EBITDA to be achieved in forthcoming years and cash flows available for dividend after repayment of the loan to the bank. As described in Note 31, the management believes that that no impairment is necessary.

Provisions

Recognition of provisions requires estimate of the probable outflow of economic benefits and defining the best estimate of the expenditure required to settle the present obligation at the end of reporting period. The Group and the Company estimate at the end of the reporting period if they have the present obligation from the past event, that should be registered as a liability as at the end of reporting period.

Warrantees

The provision for warrantees related mainly to production sold in 2015 and 2016, warrantee is provided for 2 years. The provision has been estimated based on the historical warrantee data associated with products.

Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.7. 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.

2 Accounting principles (cont'd)

2.7. Principles of consolidation (cont'd)

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.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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

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

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least once a year or more frequently if events or changes in circumstances indicate possible impairment of its carrying amount. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2 Accounting principles (cont'd)

2.8. Investments in subsidiaries

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

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

Profit (loss) from disposal of investments is accounted for in profit or loss under financing activities.

2.9. 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).

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

<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. It is amortised over the period of expected future benefit. Amortization periods from 1 to 8 years are applied. During the period of development, the asset is tested for impairment annually.

<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.

The Company and the Group have no intangible assets with indefinite useful lifetime.

(all amounts are in EUR thousand unless otherwise stated)

2 Accounting principles (cont'd)

2.10. Property, plant and equipment, investment property

Property, plant and equipment are shown at revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which is determined using fair value at the date of statement of financial position. The fair value of the property, plant and equipment is determined by appraisals undertaken by certified independent valuators. Any accumulated depreciation and impairment losses at the date of revaluation were eliminated against the gross carrying amount of the asset, instead the historical acquisition cost was increased by the surplus of the revaluation.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. The revaluation reserve for property, plant and equipment is being reduced each period by the difference between depreciation based on the revalued carrying amount of the asset and that based on its original cost, which is transferred directly to retained earnings.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against revaluation reserve in equity; all other decreases are charged to the profit or loss. Revaluation increases that offset previous decreases charged to the profit or loss are recognised in the profit or loss.

Each year the difference between depreciation based on the revaluated carrying amount of the asset charged to the profit or loss, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings net of deferred income tax.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is computed on a straight-line basis over the following estimated useful lives from 1 October 2016:

Buildings and structures (incl. investment property)	15–73 years,
Machinery and equipment	5–63 years,
Vehicles	4–20 years,
Other property, plant and equipment	3–30 years.

Weighted average useful lives from 1 October 2016 are as follows:

Buildings and structures (incl. investment property)	55 years,
Machinery and equipment	21 years,
Vehicles	16 years,
Other property, plant and equipment	12 years.

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

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of property, plant and equipment and are recognised within other income or other expenses in the statement of comprehensive income. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

Borrowing costs that are directly attributable to the acquisition, construction or production of non-current assets are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised in 2016 and 2015.

2 Accounting principles (cont'd)

2.11. 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.

2.12. 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.

2.13. Financial assets

According to IAS 39 "*Financial Instruments: Recognition and Measurement*" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. Financial assets are initially recognised at acquisition cost which is equal to the fair value of the consideration paid, including (except for financial assets at fair value through profit or loss) any transaction costs.

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

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

The Group and the Company did not have financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets as at 31 December 2016 and 2015.

<u>Loans and receivables</u>

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

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

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

2 Accounting principles (cont'd)

2.14. Financial liabilities

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

The Group has no financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including loans) are carried at amortised cost using the effective interest method in subsequent periods.

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

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

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

2.15. Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

2 Accounting principles (cont'd)

2.16. Finance lease and operating lease

Finance lease – the Group and the Company as lessee

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases.

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

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

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

Operating lease – the Group and the Company as lessee

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

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

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

2.17. 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 profit or loss, 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. 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 Accounting principles (cont'd)

2.18. Provisions

Provisions are recognised when the Group and the Company have 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 date of the statement of financial positions and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expenses.

2.19. 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. Employee 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 employee 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 employee benefits. Actuarial gains and losses are recognised in other comprehensive income.

The past service costs are recognised as an expense on a straight-line basis in profit or loss immediately after the assessment of such liability. Any gains or losses appearing as a result of curtailment and/or settlement are recognised as incurred.

2.20. Income tax

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

In Lithuania in 2016 and 2015 income tax rate is 15%.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. From 2014 tax losses utilised shall not exceed 70 percent of the taxable profit of a taxable period according to Lithuanian laws.

The standard income tax rate in Ukraine in 2016 and 2015 was 18%.

Tax losses in Ukraine can be carried forward for 10 consecutive years.

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

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

2 Accounting principles (cont'd)

2.21. Revenue recognition

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

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed; usually the transfer occurs when the product is delivered to the customer's warehouse.

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

Long-term contract revenue includes the initial amount agreed in the contract plus any variations in contract work and other payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a long-term contract can be estimated reliably, contract revenue and expenses are recognized in proportion to the stage of completion of the contract. The stage of completion is assessed by proportion of actual cost incurred and the budgeted cost of a long-term contract.

When the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

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

2.22. 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 and the Company will not collect all amounts due according to the contractual terms of loans or receivables, impairment or losses of bad debts are recognised in profit or loss. 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 profit or loss. 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.

<u>Other assets</u>

Other assets, except for goodwill, deferred tax and inventories, 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 profit or loss. 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 in profit or loss as the impairment loss.

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

2.23. Contingencies

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

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

2 Accounting principles (cont'd)

2.24. Subsequent events

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

2.25. 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.

2.26. Segments

An operating segment is a component of the Group and the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by management of the Group and the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.27. Earnings per share

The Group and the Company present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, such as convertible notes and share options granted to employees.

The Group and the Company have no dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share.

2.28. Fair value measurement

A number of the Group's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Company have access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group and the Company use market observable data as far as possible. Fair values are categorised within different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the described methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability (Note 28 – Financial instruments).

(all amounts are in EUR thousand unless otherwise stated)

3 Sales

The Group

The Group's sole business segment identified for the management purposes is the production of refrigerators and specialised equipment.

	Group		Company	
	2016	**2015**	**2016**	**2015**
Refrigerators and related equipment	39,100	43,930	38,437	44,363
Construction of specialised equipment	717	1,433	-	-
	39,817	**45,363**	**38,437**	**44,363**

The Group's and the Company's management analyses only sales information per country.

Information with respect to the Group's sales is presented below:

	Total sales revenue		Inter-group 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**

Transactions between the group companies are made on commercial terms and conditions. Inter-group sales are eliminated on consolidation.

The Company

Information with respect to the Company's sales is presented below:

	Sales	
	2016	**2015**
Russia	419	588
Ukraine	7,540	5,004
Western Europe	13,846	19,360
Central Europe	8,140	10,010
Lithuania	5,011	4,713
Other CIS countries	2,259	3,398
Other Baltic states	1,222	1,250
Other countries	-	40
	38,437	**44,363**

(all amounts are in EUR thousand unless otherwise stated)

4 Cost of sales

	Group		Company	
	2016	**2015**	**2016**	**2015**
Raw materials	23,240	27,637	22,710	27,000
Salaries and wages	3,432	3,946	3,354	3,554
Depreciation and amortisation	1,321	1,272	1,266	1,263
Other indirect costs	4,468	5,395	4,390	5,559
	32,461	**38,250**	**31,720**	**37,376**

5 Selling and distribution expenses

	Group		Company	
	2016	**2015**	**2016**	**2015**
Transportation	1,327	1,999	1,326	1,999
Salaries and social security	475	443	461	435
Market research, sales promotion and commissions to third parties	152	292	161	306
Warranty service expenses	84	222	(14)	222
Advertising, marketing	226	201	224	198
Certification expenses	69	72	69	72
Insurance	49	63	49	63
Business trips	27	30	27	30
Rent of warehouses and storage expenses	15	16	15	16
Other	(41)	16	(41)	58
	2,383	**3,354**	**2,277**	**3,399**

6 General and administrative expenses

	Group		Company	
	2016	**2015**	**2016**	**2015**
Salaries and social security	1,529	1,444	1,388	1,343
Depreciation and amortisation	415	464	366	408
Rent of premises and maintenance	82	105	79	103
Insurance	69	89	67	88
Taxes, other than income tax	68	73	68	72
Bank services	36	64	34	62
Advisory	26	53	26	53
Security	37	34	37	33
Non-current employee benefits (Note 23)	114	42	103	42
Business trips	24	23	18	20
Change in impairment allowance for receivables (Note 16)	59	(16)	44	(4)
Write down of inventories (Note 15)	67	67	54	67
Impairment of property, plant and equipment	325	-	325	-
Other	436	416	344	373
	3,287	**2,858**	**2,953**	**2,660**

Change of impairment allowance for receivables in 2016 is mainly related to overdue receivables from clients in Russia and Ukraine (Note 16).

Impairment of property, plant and equipment is related to the revaluation of non-current assets made on 30 September 2016 during which some items of property, plant and equipment were identified as impaired. For more information see Note 13.

(all amounts are in EUR thousand unless otherwise stated)

7 Other income

	Group		Company	
	2016	**2015**	**2016**	**2015**
Income from transportation services	153	147	153	146
Income from sale of other services	40	59	102	111
Income from rent of premises	13	13	37	40
Gain on disposal of property, plant and equipment	-	2	-	-
Other	1	3	2	3
	207	**224**	**294**	**300**

8 Other expenses

	Group		Company	
	2016	**2015**	**2016**	**2015**
Transportation expenses	152	140	152	139
Other services	33	46	85	80
Other	-	-	2	9
	185	**186**	**239**	**228**

9 Finance income

	Group		Company	
	2016	**2015**	**2016**	**2015**
Interest income from loans	546	503	546	503
Foreign currency exchange gain	-	78	-	77
Other income	-	9	-	4
	546	**590**	**546**	**584**

10 Finance costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
Interest expenses	677	808	674	808
Loss of foreign currency translation transactions	2	7	2	4
Other expenses	-	15	-	15
	679	**830**	**676**	**827**

(all amounts are in EUR thousand unless otherwise stated)

11 Income tax

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Components of the income tax (expense) income				
Current income tax for the reporting year	(368)	(86)	(324)	(87)
Deferred income tax income (expenses)	-	(168)	-	(162)
Income tax income (expenses) recorded in profit or loss from continuing operations	**(368)**	**(254)**	**(324)**	**(249)**

	As at 31 December 2016	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
Deferred income tax asset				
Impairment of property, plant and equipment	49	3	49	-
Impairment allowance for receivables and write-down of inventories	3	9	19	9
Warranty provisions	75	89	61	89
Accrued liabilities	79	57	76	57
Other	47	79	45	79
Deferred income tax asset	**253**	**237**	**250**	**234**
Less: not recognised part	-	-	-	-
Deferred income tax asset, net	**253**	**237**	**250**	**234**
Deferred income tax liability				
Capitalised development costs	(236)	(234)	(236)	(234)
Revaluation of property, plant and equipment	(1,657)	-	(1,657)	-
Deferred income tax liability	**(1,893)**	**(234)**	**(1,893)**	**(234)**
Deferred income tax, net	**(1,640)**	**3**	**(1,643)**	**-**
Presented in the statement of financial position:				
Deferred income tax asset	**-**	**3**	**-**	**-**
Deferred income tax liability	**(1,640)**	**-**	**(1,643)**	**-**

Deferred income tax asset is recognised in the amount, which is expected to be realized in the foreseeable future. The deferred tax is not recognised with respect to the deductible temporary differences, such as impairment of trade receivable, as the Group and the Company do not expect to collect the required documentation for the tax deduction.

(all amounts are in EUR thousand unless otherwise stated)

11 Income tax (cont'd)

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

Group	**2016**		**2015**	
Profit (loss) before tax		**1,575**		**699**
Income tax income (expenses) computed using the effective tax rate	15%	(236)	15%	(105)
Non-deductible expenses	7.4%	(115)	21.5%	(151)
Non-taxable income	(0.1%)	1	(0.2%)	2
Change in previously unrecognised deductible temporary differences	(1%)	(18)	-	-
Effect of not recognised tax losses	0%	-	0%	-
Income tax income (expenses) recorded in profit or loss	**23.3%**	**(368)**	**36.3%**	**(254)**

Company	**2016**		**2015**	
Profit (loss) before tax		**1,412**		***757***
Income tax income (expenses) computed using the effective tax rate	15%	(212)	15%	(114)
Non-deductible expenses	7.8%	(116)	18.1%	(137)
Non-taxable income	(0.1%)	1	(0.2%)	2
Change in previously unrecognised deductible temporary differences	0.2%	3	-	-
Effect of not recognised tax losses	0%	-	0%	-
Income tax income (expenses) recorded in profit or loss	**22.9%**	**(324)**	**32.9%**	**(249)**

(all amounts are in EUR thousand unless otherwise stated)

12 Intangible assets

Group

	Development cost	Software, licenses	Total
Cost:			
Balance as at 1 January 2016	5,336	677	6,013
Additions	306	61	367
Disposals and write-offs	(45)	(1)	(46)
Balance as at 31 December 2016	5,597	737	6,334
Amortisation:			
Balance as at 1 January 2016	3,815	585	4,400
Charge for the year	263	57	320
Disposals and write-offs	(22)	(1)	(23)
Balance as at 31 December 2016	4,056	641	4,697
Carrying amount as at 31 December 2016	**1,541**	**96**	**1,637**
Carrying amount as at 1 January 2016	**1,521**	**92**	**1,613**

	Development cost	Software, licenses	Total
Cost:			
Balance as at 1 January 2015	5,013	609	5,622
Additions	340	68	408
Disposals and write-offs	(17)	-	(17)
Balance as at 31 December 2015	5,336	677	6,013
Amortisation:			
Balance as at 1 January 2015	3,482	548	4,030
Charge for the year	333	37	370
Disposals and write-offs	-	-	-
Balance as at 31 December 2015	3,815	585	4,400
Carrying amount as at 31 December 2015	**1,521**	**92**	**1,613**
Carrying amount as at 1 January 2015	**1,531**	**61**	**1,592**

Total amount of amortisation expenses is included into administrative expenses in profit or loss.

(all amounts are in EUR thousand unless otherwise stated)

12 Intangible assets (cont'd)

Company

	Development cost	Software, licenses	Total
Cost:			
Balance as at 1 January 2016	5,295	562	5,857
Additions	306	45	351
Disposals and write-offs	(45)	(1)	(46)
Balance as at 31 December 2016	5,556	606	6,162
Amortisation:			
Balance as at 1 January 2016	3,774	475	4,249
Charge for the year	263	52	315
Disposals and write-offs	(21)	(1)	(22)
Balance as at 31 December 2016	4,016	526	4,542
Carrying amount as at 31 December 2016	**1,540**	**80**	**1,620**
Carrying amount as at 1 January 2016	**1,521**	**87**	**1,608**

	Development cost	Software, licenses	Total
Cost:			
Balance as at 1 January 2015	4,972	501	5,473
Additions	340	61	401
Disposals and write-offs	(17)	-	(17)
Balance as at 31 December 2015	5,295	562	5,857
Amortisation:			
Balance as at 1 January 2015	3,441	441	3,882
Charge for the year	333	34	367
Disposals and write-offs	-	-	-
Balance as at 31 December 2015	3,774	475	4,249
Carrying amount as at 31 December 2015	**1,521**	**87**	**1,608**
Carrying amount as at 1 January 2015	**1,531**	**60**	**1,591**

Total amount of amortisation expenses is included into administrative expenses in profit or loss. Part of the intangible non-current assets of the Company, the acquisition cost of which is EUR 3,789 thousand, was full amortised as at 31 December 2016 (EUR 3,553 thousand as at 31 December 2015) but still in use.

(all amounts are in EUR thousand unless otherwise stated)

13 Property, plant and equipment and investment property

Group

	Land, buildings and structures	Machinery and equipment	Vehicles and other	Construction in progress and prepayments	Total
Revalued amount:					
Balance as at 1 January 2016	4,159	34,406	5,100	201	43,866
Additions	-	561	171	-	732
Disposals and write-offs	-	(23)	-	-	(23)
Reclassifications	-	214	(22)	(192)	-
Effect of change in foreign currency exchange rate	-	-	(1)	-	(1)
Elimination of accumulated depreciation	(1,979)	(32,133)	(4,584)	-	(38,696)
Revaluation	3,275	6,529	1,277	-	11,081
Balance as at 31 December 2016	5,455	9,554	1,941	9	16,959
Accumulated depreciation:					
Balance as at 1 January 2016	1,882	30,745	4,448	-	37,075
Charge for the year	97	867	155	-	1,119
Disposals and write-offs	-	(19)	-	-	(19)
Impairment loss	-	521	-	-	521
Reclassifications	-	19	(19)	-	-
Elimination of accumulated depreciation	(1,979)	(32,133)	(4,584)	-	(38,696)
Depreciation after revaluation	61	277	86	-	424
Effect of change in foreign currency exchange rate	-	-	-	-	-
Balance as at 31 December 2016	61	277	86	-	424
Carrying amount as at 31 December 2016	**5,394**	**9,277**	**1,855**	**9**	**16,535**
Carrying amount as at 1 January 2016	**2,277**	**3,661**	**652**	**201**	**6,791**

(all amounts are in EUR thousand unless otherwise stated)

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

	Land, buildings and structures	Machinery and equipment	Vehicles and other	Construction in progress and prepayments	Total
Cost:					
Balance as at 1 January 2015	4,149	33,400	5,001	207	42,757
Additions	10	1,282	148	-	1,440
Disposals and write-offs	-	(274)	(45)	(6)	(325)
Reclassifications	-	-	-	-	-
Effect of change in foreign currency exchange rate	-	(2)	(4)	-	(6)
Balance as at 31 December 2015	4,159	34,406	5,100	201	43,866
Accumulated depreciation:					
Balance as at 1 January 2015	1,738	29,964	4,279	-	35,981
Charge for the year	144	1,056	214	-	1,414
Disposals and write-offs	-	(274)	(42)	-	(316)
Reclassifications	-	-	-	-	-
Effect of change in foreign currency exchange rate	-	(1)	(3)	-	(4)
Balance as at 31 December 2015	1,882	30,745	4,448	-	37,075
Carrying amount as at 31 December 2015	**2,277**	**3,661**	**652**	**201**	**6,791**
Carrying amount as at 1 January 2015	**2,411**	**3,436**	**722**	**207**	**6,776**

(all amounts are in EUR thousand unless otherwise stated)

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

Company

	Land, buildings and structures	Machinery and equipment	Vehicles and other	Construction in progress and prepayments	Total
Revalued amount:					
Balance as at 1 January 2016	4,252	32,116	4,843	201	41,412
Additions	-	400	166	-	566
Disposal and write off	-	192	-	(192)	-
Reclassification	-	(23)	-	-	(23)
Elimination of accumulated depreciation	(2,072)	(29,853)	(4,362)	-	(36,287)
Revaluation	3,275	6,529	1,277	-	11,081
Balance as at 31 December 2016	5,455	9,361	1,924	9	16,749
Accumulated depreciation:					
Balance as at 1 January 2016	1,975	28,775	4,211	-	34,961
Charge for the year	97	772	151	-	1,020
Disposals and write-offs	-	(19)	-	-	(19)
Impairment loss	-	325	-	-	325
Elimination of the accumulated depreciation	(2,072)	(29,767)	(4,448)	-	(36,287)
Depreciation after revaluation	61	277	86	-	424
Balance as at 31 December 2016	61	277	86	-	424
Carrying amount as at 31 December 2016	**5,394**	**9,084**	**1,838**	**9**	**16,325**
Carrying amount as at 1 January 2016	**2,277**	**3,341**	**632**	**201**	**6,451**

	Land, buildings and structures	Machinery and equipment	Vehicles and other	Construction in progress and prepayments	Total
Cost:					
Balance as at 1 January 2015	4,242	31,109	4,738	207	40,296
Additions	10	1,280	129	-	1,419
Disposals and write-offs	-	(273)	(24)	(6)	(303)
Reclassifications	-	-	-	-	-
Balance as at 31 December 2015	4,252	32,116	4,843	201	41,412
Accumulated depreciation:					
Balance as at 1 January 2015	1,831	28,068	4,031	-	33,930
Charge for the year	144	980	204	-	1,328
Disposals and write-offs	-	(273)	(24)	-	(297)
Reclassifications	-	-	-	-	-
Balance as at 31 December 2015	1,975	28,775	4,211	-	34,961
Carrying amount as at 31 December 2015	**2,277**	**3,341**	**632**	**201**	**6,451**
Carrying amount as at 1 January 2015	**2,411**	**3,041**	**707**	**207**	**6,366**

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

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

The depreciation charge of the Company's property, plant and equipment for 2016 amounts to EUR 1,444 thousand (EUR 1,328 thousand for 2015). The amount of EUR 51 thousand for 2016 (EUR 41 thousand for 2015) was included into administrative expenses in the Company's profit or loss. The remaining amount of depreciation, after having assessed the amortisation of grants amounting to EUR 1,266 thousand (EUR 1,263 thousand in 2015) was included in the production cost.

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 banks as a collateral for the loans (Note 24).

Starting from 30 September 2016 the Group and the Company decided to revaluate the non-current assets, including buildings, structures, machinery and equipment as well as other production equipment. The valuation of non-current assets for financial reporting purposes has been carried out by external, independent valuator, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation of real estate was based on the comparable method by comparing sales prices of similar real estate in Lithuania. The valuation of machinery and equipment and other non-current assets was based on comparable or depreciated replacement cost (DRC) methods.

Building and structures were attributed to Level 3 of fair value hierarchy. Under the Market method the sale transactions or offer examples in respect of the real estate and constructions were observed in the market. The comparable real estate objects were selected due to the similarity with the object being measured with respect to size, nature, location, intended use, condition and other parameters. The valuation of real estate required adjustments to reflect differences between the objects being measured and comparable objects.

Machinery and equipment, vehicles and other assets were also attributed to Level 3 of fair value hierarchy. Part of the machinery was valued based on at least two or three comparable inputs. Comparable inputs selected were similar to the assets subject to valuation. This method was used for the measurement of a part of equipment in respect of which sale or offer market data was available. The remaining part of machinery and equipment were valued by DRC method. The replacement values of these non-current assets were based on their acquisition costs and comparable price changes provided by the Statistics Department. When establishing physical obsolescence it is assumed that the value of property being measured is written off in proportion to the number of years. The assets subject to valuation were classified into categories in respect of which the useful life up to 20 years depending on the group of asset was established based on the expert opinion of the valuer.

The estimated fair value of the buildings and structures amounted to EUR 5,380 thousand and the value of machinery and equipment, vehicles and other assets amounted to EUR 11,017, thousand as at 30 September 2016, based on the methods described above. As individually some items of machinery and equipment were assessed as impaired, the impairment loss of EUR 325 thousand was booked to general and administrative expenses for 2016 year and the revaluation amount of EUR 11,342 thousand was allocated to property, plant and equipment as at 30 September 2016.

(all amounts are in EUR thousand unless otherwise stated)

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Buildings and structures: Total area of buildings – 93 thousand sq. metres Structures valued at replacement costs	- Comparative deals in similar properties suggested price range of 38–58 EUR/m2 - Market price assumed for 1 sq. meter – 58 EUR/m2	Market prices multiplied by the area of buildings
Machinery and equipment, vehicles and other assets	- Comparable market prices of similar equipment - historical cost and comparable price changes provided by the Statistics Department	Fair value was measured as the market value of similar equipment

The increase in value of non-current tangible assets was registered by increasing the acquisition cost of the asset and was accounted as follows as at 30 September 2016:

The Company	**Book value**	**Revalued amounts**	**Revaluation surplus**
Buildings and structures	2,180	5,455	3,275
Machinery and equipment	2,918	9,447	6,529
Vehicles and other assets	552	1,820	1,277
Total	5,650	16,722	11,081

Furthermore, the estimated fair value of PPE was tested for impairment by comparing it to the recoverable amount of PPE determined based on the income method.

The income method model was based on management forecasts for 2016–2020. For 2021–2024 the appraiser assumes an annual production (and sales) growth of 1% and applies cost composition based on its historical analysis. The valuation model includes 9 forecast years as current machinery is not expected to be usable for longer period. The main assumptions used in the model:

- Production volumes increase from 210 thousand units to 312 thousand;
- Price per unit increase from EUR 186 to EUR 217;
- The cost of materials per unit is forecast to decrease from EUR 122 in FY 2015 to EUR 115 in 2016 and then increases by 2% per annum to EUR 135 in 2024;
- CAPEX is forecasted from EUR 1 million in 2017 and EUR 1.3 million in average in following periods;
- WACC of 9.94% is used.

Based on the above described assumptions no impairment loss for the property, plant and equipment was determined.

(all amounts are in EUR thousand unless otherwise stated)

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

Had no revaluation been performed for property, plant and equipment, the net book value of the Group's and the Company's property, plant and equipment would have been as follows as of 31 December 2016:

	Land, buildings and structures	Machinery and equipment	Vehicles and other	Construction in progress and prepayments	Total
The Group					
Carrying amount as at 31 December 2016	**2,168**	**2,421**	**557**	**9**	**5,161**
The Company					
Carrying amount as at 31 December 2016	**2,168**	**2,614**	**574**	**9**	**5,371**

Change in estimates

During 2016, after the revaluation of the property, plant and equipment the Group conducted an operational review of its non-current assets which resulted in changes in the expected useful life time of the non-current assets. As a result, the expected useful lifetime of the equipment was increased, taking into consideration the intensity of use and tear of property plant and equipment. The effect of these changes on actual depreciation expense, compared to depreciation charge as if the change have occurred from the beginning of the year, or if it have not occurred at all, is as follows:

	Group	Company
Depreciation expense for 2016 year after change	1,543	1,444
Depreciation charge for 2016, if no revaluation and no change in useful life time have occurred	1,246	1,147

The useful lifetime of property, plant and equipment in years:

	Estimated useful lifetime before the change	Estimated useful lifetime after the change	The remaining useful lifetime after revaluation
Buildings and structures	49	55	26
Machinery and equipment	6	21	8
Vehicles	6	16	4
Other fixtures, fittings, tools and equipment	5	12	5
Other property, plant and equipment	5	12	8

The new useful lifetimes for assessing depreciation have been applied since 1 October 2016. The major change in useful life time relates to the longer useful lifetime set for the machinery and equipment. During past few years volumes of production were lower and the production equipment was used less intensively than previously estimated. Consequently revision of the remaining useful lives resulted in the longer remaining useful lifetime for the machinery and equipment.

(all amounts are in EUR thousand unless otherwise stated)

14 Loans granted

	Group		Company	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Controlling party	9,966	9,447	9,966	9,447
The parent	667	339	667	339
Controlling companies	**10,633**	**9,786**	**10,633**	**9,786**
Including:				
Non-current borrowings	9,966	9,447	9,966	9,447
Current borrowings	667	339	667	339
Total	**10,633**	**9,786**	**10,633**	**9,786**

On 24 November 2015, a rights transfer agreement was signed with the Group's and the Company's controlling party, which controls 91.1% of the Company's shares through intermediaries. Based on the agreement, the controlling party took over the obligation to repay the loans granted and interest calculated to companies, previously controlled by ultimate shareholders. The loans are subject to annual interest related to 1-month EURIBOR + 6.5%, and the latest loan maturity is set on 1 June 2018. There are no assets pledged or other guarantees issued for the security of loans receivable.

As at 31 December 2016, the Company and the Group have a loan granted to their parent of EUR 667 thousand (EUR 339 thousand in 2015). The loan is subject to 1-month EURIBOR + 6.5% annual interest, the loan matures on 31 December 2017. The loan is not secured. As disclosed in note 32, the loan maturity shall be prolonged until 31 December 2018.

The management assessed the impairment of the loans receivable and considered that no impairment is necessary. The key assumptions are provided in Note 31 regarding the recoverability of loans.

15 Inventories

	Group		Company	
	As at 31 December 2016	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
Raw materials and spare parts and production in progress	3,310	2,737	3,257	2,648
Finished goods	1,166	1,542	1,146	1,533
Goods for resale	103	101	103	101
Total inventories	**4,579**	**4,380**	**4,506**	**4,282**

Raw materials and materials consist of compressors, components, plastics, wires, metals and other materials used in the production. The Group's and the Company's cost of inventories accounted for at net realisable value amounted to EUR 247 thousand and EUR 234 thousand as at 31 December 2016 (EUR 180 thousand and EUR 180 thousand as at 31 December 2015 respectively).

Write-down to net realisable value amounting to EUR 67 thousand (2015: EUR 67 thousand) by the Group and EUR 54 thousand (2015: EUR 67 thousand) by the Company was included in other administrative expenses in profit or loss.

As at 31 December 2016, the Group and the Company have no legal restrictions on inventories. Raw materials included to cost of sales by the Group and the Company amounted to EUR 23,240 thousand and EUR 22,710 thousand respectively.

(all amounts are in EUR thousand unless otherwise stated)

16 Trade receivables

	Group		Company	
	As at 31 December 2016	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
Receivables from not related customers	6,416	7,797	6,247	7,740
Accrued receivables under stage of completion method	-	1,433	-	-
Receivables from related customers	-	-	29	18
Gross receivables	**6,416**	**9,230**	**6,276**	**7,758**
Less: impairment allowance for doubtful receivables	(1,060)	(1,001)	(1,024)	(980)
Net receivables	**5,356**	**8,229**	**5,252**	**6,778**
Including:				
Non-current receivables	-	-	-	-
Current receivables	5,356	8,229	5252	6,778
Total	**5,356**	**8,229**	**5252**	**6,778**

The Group had no long-term contracts in progress as at 31 December 2016. As at 31 December 2015, costs incurred by the Group related to long-term contracts in progress, plus recognized profit and less recognized losses amounted to EUR 1,433 thousand. The project was completed in 2016.

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

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

As at 31 December 2016 100% impairment was accounted for trade receivables of the Group and the Company in gross values of EUR 1,060 thousand and EUR 1,024 thousand respectively (as at 31 December 2015 – EUR 1,001 thousand and EUR 980 thousand respectively). Change in impairment allowance for receivables was accounted for within administrative expenses.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Balance at the beginning of the period	(1,001)	(1,017)	(980)	(984)
Charge for the year	(81)	(60)	(78)	(53)
Write-offs of trade receivables	-	-	-	-
Effect of the change in foreign currency exchange rate	(11)	19	-	-
Amounts paid	33	57	34	57
Balance at the end of the period	**(1,060)**	**(1,001)**	**(1,024)**	**(980)**

The receivables are written-off when it becomes obvious that they will not be recovered. The impairment allowance for receivables of the Group and the Company in 2016 and 2015 was stated under administrative expenses.

(all amounts are in EUR thousand unless otherwise stated)

17 Other amounts receivable

	Group		Company	
	As at 31 December 2016	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
VAT receivable	132	151	127	151
Restricted cash	4	4	4	4
Other receivables	145	126	144	110
Less: impairment allowance for doubtful other receivables	-	-	-	-
	281	**281**	**275**	**265**
Including:				
Non-current receivables	-	-	-	-
Current receivables	281	281	275	265
Total	**281**	**281**	**275**	**265**

18 Cash and cash equivalents

	Group		Company	
	As at 31 December 2016	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
Cash at bank	2,615	3,762	2,278	3,384
Cash on hand	2	2	2	1
	2,617	**3,764**	**2,280**	**3,385**

As at 31 December 2016 and 2015 no restrictions were imposed on the Group's and the Company's cash.

19 Share capital and share premium

The share capital was divided into 39,622 thousand ordinary registered shares with the par value of EUR 0.29 each as at 31 December 2015. During 2015 the share capital was increased by EUR 3,565 thousand by increasing the par value of the share up to EUR 0.38. The authorised capital was increased from revaluation reserve. On 20 December 2016, the capital reduction of EUR 3,168 thousand was registered by reducing the par value to EUR 0.30. The only purpose of the reduction was to cover accumulated losses in the statement of the financial position.

The share capital was divided into 39,622 thousand ordinary registered shares with the par value of EUR 0.30 each as at 31 December 2016.

On 1 January 2015 the Republic of Lithuania joined the euro zone and the Lithuanian national currency litas was replaced by the euro. As a result, the Company's share capital was recalculated.

All shares of the Company are fully paid. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital as at 31 December 2016 and 2015.

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 and 2015 the Company was in compliance with this requirement.

(all amounts are in EUR thousand unless otherwise stated)

20 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. The Group's legal reserve is formed from the legal reserve of the Company and the subsidiaries.

As at 31 December 2016 and 31 December 2015 the legal reserve of the Group and the Company has not been fully formed yet.

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.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment, net of deferred tax, as disclosed in Note 13.

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.

21 Grants

Group and Company

Balance as at 31 December 2014	3,112
Received during the period	705
Balance as at 31 December 2015	3,817
Received during the period	-
Balance as at 31 December 2016	3,817
Accumulated amortisation as at 31 December 2014	2,939
Amortisation during the period	48
Accumulated amortisation as at 31 December 2015	2,987
Amortisation during the period	127
Accumulated amortisation as at 31 December 2016	3,114
Net carrying amount as at 31 December 2016	**703**
Net carrying amount as at 31 December 2015	**830**

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.

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.

(all amounts are in EUR thousand unless otherwise stated)

22 Warranty provision

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

Changes in warranty provisions were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
As at 1 January	592	661	591	613
Additions during the year	548	232	273	231
Utilised	(641)	(301)	(461)	(253)
Foreign currency exchange effect	-	-	-	-
As at 31 December	499	592	403	591
Including:				
Non-current	181	220	154	220
Current	318	372	249	371
Total	**499**	**592**	**403**	**591**

23 Non-current employee benefits

As at 31 December 2016, the expenses of the one-time payments for leaving employees at a retirement age amounted to EUR 5 thousand (EUR 5 thousand as at 31 December 2015).

	Group	Company
31 December 2013	**127**	**127**
Used in 2014	(21)	(21)
Accumulated in 2014	48	48
31 December 2014	**154**	**154**
Used in 2015	(5)	(5)
Accumulated in 2015	47	47
31 December 2015	**196**	**196**
Used in 2016	(5)	(5)
Accumulated in 2016	119	108
31 December 2016	**310**	**299**

Actuarial gains and losses in 2016 and 2015 were insignificant; therefore, they were not separated and presented in other comprehensive income.

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

	As at 31 December 2016	As at 31 December 2015
Discount rate	4.45%	4.45%
Rate of employee turnover	13%	14.83%
Annual salary increase	3%	3%

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

(all amounts are in EUR thousand unless otherwise stated)

24 Borrowings

	Group		Company	
	As at 31 December 2016	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
Non-current borrowings				
Non-current borrowings with variable interest rate	9,884	-	9,884	-
Non-current liabilities to lease companies	67	-	-	-
	9,951	-	9,884	-
Current borrowings				
Current borrowings with variable interest rate	1,302	13,136	1,302	13,136
Current liabilities to lease companies	21	-	-	-
	1,323	13,136	1,302	13,136
	11,274	**13,136**	**11,186**	**13,136**

The loans were reclassified to current liabilities retrospectively as at 31 December 2015, based on the regulatory review performed in 2016, even though the Group and the Company had the waiver from the Bank dated 19 January 2016, confirming that the Company was not in breach of the bank loan covenants as at 31 December 2015 and no consents will be applied to the Company (Note 31).

The main information on individual borrowings is disclosed below:

			Group		Company	
	Type	**Maturity**	**As at 31 December 2016**	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
Borrowing 1	Loan	29/11/2019	11,186	11,187	11,186	11,186
Borrowing 2	Credit line	22/12/2016	1,950	2,800	1,950	2,800
Lease 1		26/03/2021	49	-	-	-
Lease 2		26/05/2021	20	-	-	-
Lease 3		26/08/2021	19	-	-	-
			11,274	**13,136**	**11,186**	**13,136**

The loan bears 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).

As at 31 December 2016 the Group's and the 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 the Company's machinery and equipment with the carrying amount of EUR 10,538 thousand (EUR 1,834 thousand as at 31 December 2015) were pledged to the banks for the loans provided. The value of the property, plant and equipment includes the revaluation.

Based on the terms of the loan agreements, the Company had 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 (Note 31). As at 31 December 2016, the Company complied with all non-financial and financial covenants.

(all amounts are in EUR thousand unless otherwise stated)

24 Borrowings (cont'd)

Borrowings at the end of the year in currencies:

	Group		Company	
	As at 31 December 2016	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
Borrowings denominated in:				
EUR	11,274	13,136	11,186	13,136
	11,274	**13,136**	**11,186**	**13,136**

Contractual repayment schedule for borrowings:

	Group		Company	
	Fixed interest rate	**Variable interest rate**	**Fixed interest rate**	**Variable interest rate**
2017	-	1,323	-	1,302
2018	-	1,417	-	1,398
2019	-	8,506	-	8,486
2020	-	20	-	-
2021	-	8	-	-
	-	**11,274**	**-**	**11,186**

The fixed interest rates of 3.5% and 3.9% were set to liabilities under lease (financial lease) of the Group.

Future lease payments under lease agreements as at 31 December 2016 and 31 December 2015 are as follows:

	As at 31 December 2016	**As at 31 December 2015**
2017	23	-
2018-2021	72	-
Total liabilities under financial leases	**95**	**-**
Interest	(7)	-
Present value of liabilities under financial leases	**88**	**-**

Liabilities under financial leases are accounted for as:	
Current liabilities	21
Non-current liabilities	67

The Group's assets leased under Financial lease agreements comprise machinery and equipment. The leasing period is 5 years.

The carrying amount of the assets acquired under finance lease:

	As at 31 December 2016	**As at 31 December 2015**
Machinery and equipment	146	-

(all amounts are in EUR thousand unless otherwise stated)

25 Operating lease

The Group and the Company 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 and the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2016 the lease expenses of the Group and the Company amounted to EUR 67 thousand and EUR 67 thousand respectively (in 2015, EUR 69 thousand and EUR 68 thousand respectively).

Planned operating lease expenses of the Group and the Company in 2017 will be EUR 68 thousand.

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

Future lease payments of the Group and the Company according to the signed lease agreements are not defined as agreements might be cancelled upon the prior notice of 1 month, except of the land.

26 Other current liabilities

	Group		Company	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Salaries and related taxes	802	714	748	692
Vacation reserve	388	419	338	362
Other taxes payable	391	104	338	103
Other payables and accrued expenses	104	151	105	145
	1,685	**1,388**	**1,529**	**1,302**

Terms and conditions of other payables:
- Other payables are non-interest bearing and have the settlement term up to six months.
- Interest payable is normally settled monthly throughout the financial year.

27 Basic and diluted profit (loss) per share

Calculation of basic and diluted earnings per share is presented below:

	Group		Company	
	2016	2015	2016	2015
Weighted average number of ordinary shares	39,622	39,622	39,622	39,622
Net profit (loss) for the year, attributable to the shareholders of Company	1,207	445	1,088	508
Basic profit (loss) per share, in EUR	**0.03**	**0.01**	**0.03**	**0.01**

The Company has no diluting instruments; therefore, basic and diluted earnings per share are equal.

28 Financial instruments

Overview

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

(all amounts are in EUR thousand unless otherwise stated)

28 Financial instruments (cont'd)

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 analyse 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 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 and debt recovery agencies.

As at 31 December, the credit risk was related to:

	Group		Company	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Loans receivable from related parties	10,633	9,786	10,633	9,786
Trade receivables	5,356	8,229	5,252	6,778
Cash and cash equivalents	2,617	3,764	2,280	3,385
	18,606	**21,779**	**18,165**	**19,949**

As at 31 December 2016, as at 31 December 2015, the main part of the loans granted consists of the loan granted to intermediate shareholder. Recoverability of the loan is described in Note 31.

The concentration of the Group's and the Company's trade partners and the largest credit risk related to trade receivables as at the reporting date are disclosed below:

	Group				Company			
	2016	%	2015	%	2016	%	2015	%
Client 1	719	11	1,140	14	719	12	1,140	16
Client 2	413	8	1,123	14	413	7	1,123	14
Client 3	396	6	964	12	396	6	964	12
Client 4	336	5	579	7	336	5	579	7
Client 5	287	4	560	7	287	5	560	7
Client 6	263	4	300	4	263	4	300	4
Client 7	205	3	299	4	205	3	299	4
Other clients	3,797	59	4,265	38	3,657	58	2,793	36
Impairment	(1,060)		(1,001)		(1,024)		(980)	
Total	**5,356**	**100**	**8,229**	**100**	**5,252**	**100**	**6,778**	**100**

(all amounts are in EUR thousand unless otherwise stated)

28 Financial instruments (cont'd)

Credit risk (cont'd)

Trade receivables according to geographic regions:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Western Europe	1,788	2,803	1,787	2,803
Central Europe	1,190	3,138	1,185	1,705
Ukraine	1,121	610	1,121	610
Lithuania	972	529	874	511
Other CIS countries	122	936	122	936
Other Baltic States	32	84	32	84
Russia	131	129	131	129
	5,356	**8,229**	**5,252**	**6,778**

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

In 2016, 34.8% and 36.02% of sales of the Group and the Company respectively were directed to Western Europe and 18.93% and 19.61% were directed to Ukraine (in 2015, 44.09% and 43.64% of sales respectively). As at 31 December 2016, the Group's and the Company's amounts receivable for items sold in Western Europe and Ukraine, less impairment losses were equal to EUR 1,788 thousand and EUR 1,787 thousand, and EUR 1,121 thousand and EUR 1,121 thousand in Ukraine respectively (as at 31 December 2015, EUR 2,803 thousand and EUR 610 thousand respectively).

Although management considers that it takes all necessary measures under current circumstances to maintain stable business of the Group and the Company, the persistent instability of business environment could unpredictably affect the performance of the Group and the Company and their financial position. As at 31 December 2016, having assessed the risks, the Group and the Company recognised impairment allowance of EUR 1,060 thousand for receivables (as at 31 December 2015 EUR 1,001 thousand). These financial statements reflect the current management's estimate related to the effect of the business environment on the Group's and the Company's activities and financial position. The future business environment might differ from the management's estimates.

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 29.

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.

(all amounts are in EUR thousand unless otherwise stated)

28 Financial instruments (cont'd)

Credit risk (cont'd)

The delay analysis of trade receivables, less impairment losses, as at 31 December 2015 and 2014 is as follows:

Group

		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	4,510	731	88	12	8	7	5,356
2015	6,195	1,030	359	21	139	485	8,229

Company

		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	4,491	686	71	1	-	3	5,252
2015	4,766	1,022	359	21	134	476	6,778

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents by using cash flows statements with liquidity forecasting for future periods. The statement comprises predictable operating cash flows and effective planning of cash utilisation. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets - inventory) / total current liabilities) ratios as at 31 December 2016 were 1.45 and 0.97 respectively (0.70 and 0.52 as at 31 December 2015 respectively).

The Company's liquidity and quick ratios as at 31 December 2016 were 1.42 and 0.94 respectively (0.66 and 0.48 as at 31 December 2015, respectively).

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

The table below summarises the maturity profile of the financial liabilities as at 31 December 2016 and 2015 based on contractual undiscounted payments.

(all amounts are in EUR thousand unless otherwise stated)

28 Financial instruments (cont'd)

Liquidity risk (cont'd)

Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing loans and borrowings	-	308	1,618	11,253	-	13,179	11,274
Trade and other payables	2,556	3,489	-	-	-	6,045	6,045
Guarantees issued (Note 29)	874	-	-	-	-	874	-
Balance as at 31 December 2016	**3,430**	**4,955**	**1,618**	**11,253**	**-**	**20,098**	**17,319**
Interest bearing loans and borrowings	14,155	-	-	-	-	14,155	13,136
Trade and other payables	3,221	4,780	-	-	-	8,001	8,001
Guarantees issued (Note 29)	11,367	-	-	-	-	11,367	-
Balance as at 31 December 2015	**28,743**	**4,780**	**-**	**-**	**-**	**33,523**	**21,137**

Company

	On demand	Less than 3 months	4 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing loans and borrowings	-	300	1,604	11,088	-	12,992	11,186
Trade and other payables	2,552	3,596	-	-	-	6,148	6,148
Guarantees issued (Note 29)	1,158	-	-	-	-	1,158	-
Balance as at 31 December 2016	**3,710**	**3,896**	**1,604**	**11,088**	**-**	**20,298**	**17,334**
Interest bearing loans and borrowings	14,155	-	-	-	-	14,155	13,136
Trade and other payables	2,816	4,918	-	-	-	7,734	7,734
Guarantees issued (Note 29)	11,367	-	-	-	-	11,367	-
Balance as at 31 December 2015	**28,338**	**4,918**	**-**	**-**	**-**	**33,256**	**20,870**

The presentation of interest bearing loans and borrowing as at 31 December 2015 were restated by the Group and the Company due to regulator requirements. The loans were presented as payable on demand.

The interest payments on variable interest rate loans in the table above are calculated based on the average market interest rates at the period end, and these amounts may change as market interest rates change. The guarantees granted as at 31 December 2016 are disclosed in more detailed in Note 29.

(all amounts are in EUR thousand unless otherwise stated)

28 Financial instruments (cont'd)

Interest rate risk

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

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

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

	Increase/decrease in basis points	Group Effect on the profit before income tax	Company Effect on the profit before income tax
2016			
EUR	+ 100	(112)	(112)
EUR	- 100	112	112
2015			
EUR	+ 100	(131)	(131)
EUR	- 100	131	131

Foreign exchange risk

Following the adoption of the euro on 1 January 2015, foreign exchange risk decreased because most of income is earned in euro by the Group and the Company. There were no derivative foreign currency transactions made in 2016 and 2015.

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2016 and 2015 were as follows:

	2016		2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	18,551	17,319	19,871	21,137
USD	56	-	473	-
Other	-	-	2	-
Total	**18,607**	**17,319**	**20,346**	**21,137**

Monetary assets and liabilities of the Company denominated in various currencies as at 31 December 2016 and 2015 were as follows:

	2016		2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	18,109	17,333	19,517	20,870
USD	55	-	432	-
Other	-	-	-	-
Total	**18,164**	**17,333**	**19,949**	**20,870**

28 Financial instruments (cont'd)

Capital management

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

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

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 and 2015 the Group and the Company complied with this requirement.

Fair value of financial instruments

The carrying amounts of the main Group's and the Company's financial assets and liabilities not stated at fair value, i.e. non-current and current receivable loans, trade and other receivables, trade and other payables, non-current and current borrowings, approximate their fair values.

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

- The carrying amount of current borrowings, trade and other receivables, current borrowings and current trade payables approximates their fair value;
- The fair value of non-current receivables and non-current payables is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

29 Commitments and contingencies

UAB Vaidana and AB Šiaulių Bankas have signed a financial guarantee agreement, in accordance to which UAB Vaidana collateralized 4,584 thousand held shares of AB Snaigė, but retained the right to dividends.

By the surety agreement No 2012-02-12 the Company guaranteed proper fulfilment of UAB Vaidana financial obligations in favour of UAB Šiaulių Bankas in relation to loan payable of EUR 874 thousand as at 31 December 2016 (2015: EUR 1,158 thousand). The initial term of repayment was 27 March 2015; however, UAB Vaidana extended the repayment term until 27 March 2017. During the contract period UAB Vaidana fulfilled all its liabilities to AB Šiaulių Bankas, including instalment payment in line with the agreed schedule.

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 (31 December 2014: EUR 11,838 thousand). On 5 February 2016, the surety agreements were terminated by mutual agreement with Altair Group, which took over the sureties from the bank, without imposing any future obligations and consequences to the Company and the Group. For further information see Note 31.

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. Management of the Company is not aware of any circumstances which would cause calculation of additional significant tax liabilities.

(all amounts are in EUR thousand unless otherwise stated)

30 Related party transactions

According to IAS 24 *Related Party Disclosures*, the parties are considered related when one party can unilaterally or jointly control other party or have significant influence over the other party in making financial or operating decisions or operation matters, or when parties are jointly controlled and if the members of management, their relatives or close persons who can unilaterally or jointly control the Company or the Group or have influence on it. To determine whether the parties are related the assessment is based on the nature of relation rather than the form.

The controlling parties of the Group during 2016 and 2015 were as follows:

UAB Vaidana (the parent);
Hymana Holdings Ltd. (controlling party);
Tetal Global Ltd. (controlling party).

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 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 over the year:

	2016				**2015**			
	Loans received	**Interest expenses**	**Loans granted**	**Interest income**	**Loans received**	**Interest expenses**	**Loans granted**	**Interest income**
Companies, controlled by ultimate shareholders	-	-	-	-	-	-	-	435
Controlling parties	-	-	327	600	-	-	8,432	68
	-	**-**	**327**	**600**	**-**	**-**	**8,432**	**503**

2016

	Purchases	**Sales**	**Receivables**	**Payables**
Companies, controlled by ultimate shareholders	871	-	239	-
Controlling parties	-	-	10,633	-
Total	**871**	**-**	**10,872**	**-**

2015

	Purchases	**Sales**	**Receivables**	**Payables**
Companies, controlled by ultimate shareholders	912	-	-	176
Controlling parties	-	-	9,786	-
Total	**912**	**-**	**9,786**	**176**

(all amounts are in EUR thousand unless otherwise stated)

30 Related party transactions (cont'd)

The Company's transactions carried out with subsidiaries:

	Purchases		Sales	
	2016	**2015**	**2016**	**2015**
Subsidiaries	**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 as at 31 December in the statement of financial position:

	2016	**2015**
Non-current receivables		
Subsidiaries	-	-
Total non-current receivables	**-**	**-**
Current receivables		
Subsidiaries	29	18
Total current receivables	**29**	**18**

The delay analysis of receivables from subsidiaries and granted loans during the period as at 31 December:

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

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

	2016	**2015**
Subsidiaries	**132**	**141**

<u>Remuneration of the management and other payments</u>

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 respectively in 2015). The management of the Company and subsidiaries did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

31 Regulatory oversight actions regarding Company's and Group's compliance with IFRS

Snaigė received Decision No. 241-15 ("the Decision") of 30 January 2017 from the Supervision Service of the Bank of Lithuania stating:

1. To warn AB Snaigė for violating Article 22 of the Law on Securities.
2. To oblige AB Snaigė to make retrospective corrections to comply with requirements of IAS 1 Presentation of Financial Statements, articles 25, 26 and 74, and IAS 39 Financial Instruments: Recognition and Measurement, article 63, when preparing financial statement for 2016 and prospectively assess financial statements following the requirements of IAS 1, articles 25 and 26.
3. To oblige AB Snaigė to immediately publish a material event regarding the above Decision.

Following the requirement of the Decision AB Snaigė announced material event on 9 February 2017.

Article 22 of the Law on Securities sets out requirements for the annual information including audited annual financial statements and representation of the management confirming that annual financial statements are prepared in accordance with applicable accounting policies and provide fair view of entity's assets, liabilities, financial position, profit or losses and cash flows.

The Bank of Lithuania, as per their view, outlined 3 issues of inaccuracy and non-compliance with IFRS:

i. IAS 1 Presentation of Financial Statements. The Bank of Lithuania claimed that the Company did not follow IAS 1 article 74 which states: "When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least twelve months after that date." Following the view of the Bank of Lithuania current liabilities of the Company and the Group should have been increased and non-current liabilities should have been decreased by EUR 11.2 million as at 31 December 2015.

ii. IAS 39 Financial Instruments: Recognition and Measurement. The Bank of Lithuania claimed that the Company did not follow IAS 39 article 63 which states: „If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss." The Bank of Lithuania stated that the Company did not calculate the present value of estimated future cash flows from loans receivable from related parties amounting to EUR 9.8 million as at 31 December 2015 which had indications of impairment. Specific impact of this matter could not be determined, however if receivable was impaired total assets and retained earnings of AB Snaigė would be decreased.

iii. IAS 1 Presentation of Financial Statements. The Bank of Lithuania claims that the Company did not follow IAS 1 articles 25 and 26 which states: " When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate. "

31 Regulatory oversight actions regarding Company's and Group's compliance with IFRS (cont'd)

Following the review, the Bank of Lithuania concluded that AB Snaigė was facing the following uncertainties at the end of 2015:
- The Company did comply with requirements of the bank loan agreement and therefore the bank had a right to request repayment of the loan amounting to EUR 11.2 million on demand;
- Receivable from related parties amounting to EUR 9.8 million had indications of impairment and impairment was estimated, fair value of the receivable was not determined;
- Financial surety agreement, based on which the Company was requested in 2015 to settle for the liabilities of OAO Polair amounting to EUR 10.2 million was not assessed, which raised doubts regarding the Company‘s ability to continue as a going concern, however information about possible risk was not disclosed.

Management's assessment and actions

In the financial statements for the year ended 31 December 2016, the Company and the Group has retrospectively reclassified interest bearing liabilities to the bank as at 31 December 2015 from non-current to current liabilities. The management adjusted Note 24 and disclosed the change in Note 2.2.

Additionally the Management reviewed and assessed possible impairment of loans receivable from related parties and continues to believe that no impairment is necessary. The management notes that related parties are direct and indirect holders of 91.1% shares in the Company. The management developed estimation of recoverable amount of the loans receivable based on estimated future cash flows. Estimation of the future cash flows from repayment of the loans is based on forecasted dividend flows from the Company. In forecasting future dividend available the Management made assumptions regarding level of EBITDA to be achieved in forthcoming years and cash flows available for dividend after repayment of the loan to the bank. Based on the budget for 2017 and long term plan covering period up to 2020 forecasted level of EBITDA is expected to grow from EUR 3.9 million in 2017 up to EUR 6.7 million in 2020. EBITDA beyond 2020 were extrapolated using 1% growth rate that reflects the best estimate of the management based on the current situation in the respective industry. The Management assumed that the bank loan will be repaid in timely manner as per terms agreed with bank. The discount rate used was 9.4%, based on PPE valuators research. The discount rate, calculated by Management, was lower (8%), and cost of debt was even below that.

Finally the Management assessed possible uncertainties highlighted by the Bank of Lithuania as at 31 December 2015.

Regarding the situation with the bank loan the Management notes that on 19 January 2016 the Company received a waiver letter from the Bank confirming there were no breaches of the loan agreement as at 31 December 2015 and no consents will be applied to the Company. Furthermore, on 5 February 2016 the Company signed amendments to the loan agreements. Based on the amendments, starting from the date of signing the amendments, debt to EBITDA ratio will be calculated on the basis of the consolidated results of the Group (before, the ratio was calculated based on the consolidated results of Polair group) and testing shall be carried starting from the end of 2016. Following the existing contracts at 31 December 2015 maturity of the Bank loan was set on 22 April 2017. The management continued assessing options for extending the maturity of the Bank loan or refinancing. Prior to issuance of the financial statements for the year ending 31 December 2015 the Company had received proposals from other banks to provide long term financing and therefore had alternative long term financing options available. In November 2016 the Company signed amendments to the loan agreements extending maturity of the Bank loan until December 2019.

With respect to receivable from related parties, the Management notes that following contractual terms with the debtor maturity loan maturity is set on 1 June 2018. The Management did not forecast cash inflows from the loans receivable when preparing budgets prior to the maturity date of the loan. It is view of the Management that cash flows generated from operating activities of the Company are sufficient for meeting liabilities in the orderly manner.

With respect to the surety agreements issue the Management reminds that 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. On 28 October 2015, the claim rights under the mentioned surety agreements were transferred to OOO Finansovo promyshlenaja Kompanija Altair Group and on 15 December 2015 the Moscow Arbitration Court recognized Altair Group as rightful beneficiary under the sureties. Consequently, the claim rights under the surety agreements were in substance void and signing mutual sureties termination agreement with Altair Group on 5 February 2016 without imposing any future obligations and consequences to the Company and the Group confirmed that fact. Completions of the legal proceedings at the Moscow Arbitration Court was a required formality under the Laws of Russian Federation.

Considering the facts described above the Management concludes that there were no significant uncertainties relating to the Company‘s and the Group‘s going concern neither as at 31 December 2015 nor as at 31 December 2016.

(all amounts are in EUR thousand unless otherwise stated)

32 Subsequent events

On 28 March 2017, last payment of UAB Vaidana credit to AB Šiaulių Bankas (amounting to EUR 833 thousand), under which Company's surety was issued (Note 29), was prolonged until 30 April 2017, without any penalties. The credit will be returned in time, as the Company at 3 April 2017 decided to increase the credit line to UAB Vaidana up to EUR 2 million and to prolong maturity to 31 December 2018. In April 2017, Company will receive credit, amounting to EUR 833 thousand, from AB Šiaulių Bankas. The credit shall be paid to the Company only after UAB Vaidana credit has been fully returned; the bank accounts and part of the Company's shares will be pledged against this credit. The credit will have 3 years repayment schedule, including monthly payments. All these actions are expected to be finished by 1 May 2017.

After the end of the financial year until the date of these financial statements there were no other events subsequent to the reporting date that would have a significant effect on the financial statements or require disclosure.

General Director	Gediminas Čeika		3 April 2017
Financial Director	Mindaugas Sologubas		3 April 2017

SNAIGĖ

Consolidated annual report 2016

Confirmation of Responsible persons

The members of the management bodies, employees, head of administration together with the Company's consultants who are responsible for the preparation of 2016 consolidated annual report and consolidated and the Company's financial statements confirm that, according to their knowledge, annual consolidated and the Company's financial statements prepared according to International Financial Reporting Standards, as adopted by the European Union, accurately represent the reality and correctly show the Company's and total consolidated group's assets, liabilities, financial position, profit or loss, and that business development and activities' overview, the Company's and consolidated groups' situation, together with the description of main risks and uncertainties faced are accurately presented in the consolidated annual report.

AB Snaigė Managing Director	**Gediminas Čeika**
AB Snaigė Finance Director	**Mindaugas Sologubas**

Report prepared:	3 April 2017
Place the report prepared:	AB Snaigė, Pramonės str. 6, Alytus

Managing Director Review

Dear All,

According to consolidated data, in 2016 AB Snaigė reached EBITDA of EUR 3.6 million, or an improvement by 28% since 2015.

The consolidated turnover of the Company achieved EUR 39.8 million and dropped by 12.2% (compared to 2015).

The reason why the sales dropped was aggressive strategy pursued by a number of Chinese and Turkish manufacturers on the Western markets. Chinese and Turkish manufacturers in their efforts to take markets in the West have demonstrated a rather desperate behaviour, and offered their products at abnormally low rates. We cannot afford operating at a loss, and this is why we lost some of our sales. I am certain though these losses are but temporary. No-one can afford operating at a loss, not even Chinese.

Despite a drop in turnover, AB Snaigė still generated consolidated net profit of EUR 1.2 million, i.e. more than doubled the profit since 2015.

I believe the company succeeded in improving profits by making a timely turn to other markets. Sales in Ukraine, important market for the company, have increased considerably. According to the surveys by GFK, Snaigė products in Ukraine are popular, so rank third or fourth on the list.

I am also proud of the company's performance in the Baltics, specifically in Lithuania. What makes me happy is seeing us leading sales charts nationwide, coupled with a largest market share in 2016, at 18% of the entire market for refrigerators and freezers (based on the survey conducted by GFK).

In 2016, AB Snaigė exported 88% of its products (to the total of 30 countries). Jordan market was the last we have entered. Numbers-wise, Ukraine (with 21%), Germany (with 15%), and France (with 12%) remain our key export partners.

Our sales in Germany, France, Nordic countries and other quality-sensitive markets demonstrate top quality of products offered by Snaigė and compliance with international standards. I am happy that the quality and advantages offered by our products are valued not only by Lithuanians, but also by French and German consumers spoiled by a wide choice of products.

In 2017, AB Snaigė expects to offer the market a few new models of refrigerators and freezers, to advance sales in recovering markets of Russia and Ukraine. However, the company has both interesting ventures and challenges ahead. A number of raw materials suppliers have announced rising prices for raw materials and other materials already. This will inevitably affect our business, and step-up the competition. However, we are not afraid of difficulties, we are an experienced, proven team, and certainly we will find an appropriate solution.

Managing Director of AB Snaigė,
Gediminas Čeika

Table of Contents

1 GENERAL INFORMATION ABOUT AB SNAIGĖ

1.1 Accounting period of the annual report-prospectus

The annual report-prospectus has been prepared for the year 2016.

1.2 The basic data about the Company

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

Authorised capital as of 31 December 2016 – EUR 11,886,718.50

Address – Pramonės str. 6, LT-62175 Alytus

Phone – (315) 56 206

Fax – (315) 56 207; (315) 56 269

E-mail – snaige@snaige.lt

Internet web-page – http://www.snaige.lt

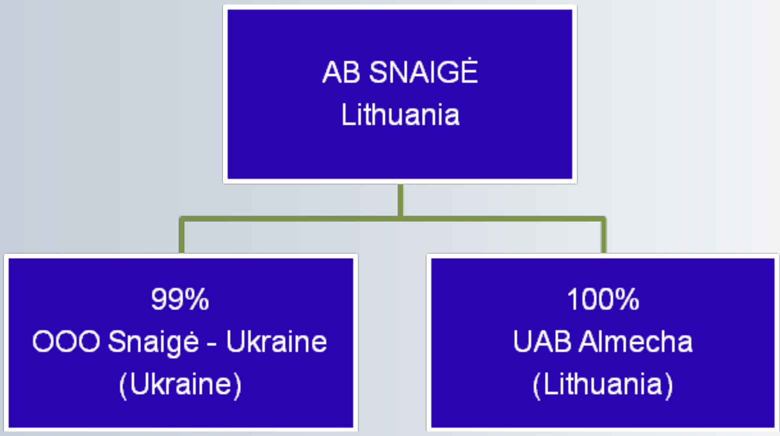
Legal organisation status – legal entity, public limited company

Registered as a Public Enterprise of the Republic of Lithuania on 1 December 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Articles of Association of AB Snaigė were registered on 20 December 2016 in Alytus Department of the Register of Legal Entities of the Republic of Lithuania.

1.3 The type of the Company’s main business activities

The main business activity of the Company is manufacture of refrigerators and freezers and other activities permitted by Lithuanian laws, as indicated in the Articles of Association.

1.4 The Company’s company group structure



1.4.1. The Company’s subsidiaries

The Company’s group consists of the refrigerator manufacturer AB Snaigė based in Alytus and the following subsidiaries:

- UAB Almecha activities: manufacturing of miscellaneous machinery and equipment. The enterprise was registered in November 2006. Address: Pramonės str.6 Alytus, Lithuania.
- OOO Snaigė – Ukraine activities: sales of refrigeration appliances, sales, consulting and services. The enterprise was registered in November 2002. Address: Grushevski str.28-2a/43 Kiev, Ukraine.

1.5. Information about the Company’s offices and affiliates

The Company has no offices and affiliates.

1.6 Short history of the Company's activities

- 1963 –The Company produced the first domestic refrigerators in Lithuania. During the first year the first 25 refrigerators were made;
- 1968 – New plant started its operations;
- 1975 – Over 1 million refrigerators manufactured by this year;
- 1983 – The Company started export to foreign countries;
- 1990 – The Company came under the control of the Republic of Lithuania;
- 1992 – The Company was privatised and registered as a public limited liability company;
- 1995 – The Company was retooled. Use of Freon in the manufacture of refrigerators is discontinued. All the Company's products are manufactured only from ecologically clean materials;
- 1997 – The Company achieved ISO 9001 certification for implementing international quality management standards;
- 2000 –The Company's quality management system was successfully re-certified for ISO 9001;
- 2001 – The Company achieved ISO 14001 certification for implementing an environmental management system;
- 2002 – The Company started to produce refrigerators with R600a environmentally friendly refrigerant. Started A + energy efficiency refrigerator production. “Snaigė” became EU project “Energy +” participant;
- 2003 – A + Grade energy efficiency fridge “Snaigė RF310 LCI” won the contest “Product of the Year” Gold Medal;
- 2004 – The Company opened its new plant in Kaliningrad;
- 2006 – The Company acquired 100% of the capital of the Russian wholesale and retail company Liga-Servis;
- Snaigė has made its 10 millionth refrigerator;
- The Company exported its products to more than 40 countries around the world;
- 2007 – AB Snaigė Alytus plant started serial production of new line models “Snaigė ICE LOGIC”;
- 2007 – Snaigė recognised as the most innovative Lithuanian Company;
- This new line won a national competition “Innovation Prize 2007” award. Refrigerators were assessed in "innovative product" category;
- The Company's environmental management system ISO 14001 successfully re-certificated;
- Refrigerator “Snaigė ICE LOGIC RF34SH” awarded “Product of the Year” gold medal;
- During the year AB Snaigė sold a record number – 653 thousand refrigerators;
- 2008 – “Snaigė ICE LOGICRF31SM” was assessed as the "Product of the Year" and awarded a Gold medal;
- Snaigė was recognized as an innovative Lithuanian company and won an “Innovation Prize 2008” award;
- 2009 – The loss of production caused by devaluation of the rouble conditioned to close the Company's factory in Kaliningrad.
- 2010 – The Company started serial production of A ++ highest energy efficiency refrigerators.
- The Company and Kazakhstan national business corporation SPK Saryarka has established a joint venture Snaigė-Saryarka.
- “Snaigė ICE LOGICRF34” A++ was assessed as the "Product of the Year 2010" and awarded a Gold medal;
- 2011 –“Snaigė ICE LOGIC Glassy RF34SM” was awarded with a Gold medal as “Lithuanian Product of the Year”.
- 2011 – Russian company Polair, indirectly acting through UAB Vaidana acquired 59.86% of all the shares of the Company.
- 2012 – In 2012 through the implementation period of the tender offer, UAB Vaidana bought-up 12,379,525 ordinary registered shares of AB Snaigė with the nominal value of LTL 1 each and on 1June 2012 had 36,096,193 units (91.1%) of the Company's shares.
- For export achievements, AB Snaigė received the Lithuanian Exporter of 2012 Award and got the prize of Association of Lithuanian Chambers of Commerce, Industry and Crafts.
- 2013 – Snaigė won within the category “The Innovative Company” and was awarded with the “Innovation Prize 2013”.
- 2013 – Snaigė ICE LOGIC Glassy “Side by side” refrigerator C 29SM – freezer F 22SM A++ is awarded by a gold medal in annual competition “Lithuanian product of the Year”.
- 2013 – The top energy efficiency class A+++ refrigerator “Snaigė ICE LOG RF34SM” prepared for production.
- 2013 – AB Snaigė participated in the project organized by “Verslo žinios” for small and medium sized businesses “Gazelė 2013” and was recognized as one of the most successful and fastest growing Lithuanian companies.
- 2014 – AB Snaigė refrigerator with NO FROST cooling system developed, meeting the requirements of A++ energy class.
- 2014 – Refrigerator Snaigė NO FROST RF34 awarded by golden medal in annual competition “Lithuanian product of the Year”.

- The Company was recognized as an innovative Lithuanian company and awarded a Lithuanian innovation prize.
- The Company attended an international trade show for home appliances IFA 2015 in Berlin.
- A new combination of C31+F27 fridge-freezer with glass surface doors was designed.
- Two projects, which lasted two years and were partially funded by the European Regional Development Fund, were finished in 2015:

  "Increase of productivity of AB Snaigė by investing into commercial refrigerators production shop", under a measure „Invest LT2";
  „Development of R&D infrastructure of AB Snaigė by investing into a new product research centre", under a measure „Intelektas LT+".
  Implementing them, AB Snaigė renewed its New products Testing Centre and other laboratory equipment, acquired new manufacturing equipment and installations for strengthening of production facilities.
- AB Snaigė coupled with a largest market share in 2016, at 18% of the entire market for refrigerators and freezers in Lithuania (based on the survey conducted by GFK).

1.7 Mission. Vision. Values.

Mission

Our Mission is to develop financially disciplined business that provides consumers with good value and quality products and our shareholders with top-tier returns on their investments.

Vision

To become the most reliable home appliances brand for consumers in the Eastern Europe and the preferred choice for OEM supplier in the Western Europe.

Values

Open minded *Trustworthy* *Teamwork* *Flexibility*

1.8 List of the most important events in 2016

In all the double chamber refrigerator-freezers produced by the Company, an electronic control system was installed.

The Company began trading with one of the largest Czech household appliance retail networks FAST.

The Company's products took part in the three trading partners organized exhibitions in the Czech Republic.

AB Snaigė coupled with a largest market share in 2016, at 18% of the entire market for refrigerators and freezers in Lithuania (based on the survey conducted by GFK).

The Company's export geography widened to include one more country – Jordan.

2. AB SNAIGĖ GOVERNANCE AND MANAGEMENT

2.1 The Company's Management bodies

2.1.1 Management bodies

Management bodies:

- General shareholders meeting;
- The management board is formed of five members and elected for the period of 4 years;
- Head of the Company – Managing Director.

The calling of general shareholder meeting, the competence of the meeting has no differences from the procedures and competences indicated in the Law on Companies of Republic of Lithuania.

The management board is elected and resigned by general shareholders meeting according to the procedures indicated by the Law on Companies. The management board has a right to take decision to issue bonds. The competence of the management board has no other differences from the competences indicated in the Law on Companies. The work procedures of the management board are set by the board's work rules of procedure.

The competence of the head of the Company, his nomination and resignation procedures are not different from those indicated in the Law on Companies.

The Company has the audit committee which is the operating collegial administrative body and which was elected by shareholders in 2009. The audit committee is operating by audit committee's labour regalement. On 14 December 2011 the Extraordinary General Meeting of Shareholders of the Company revoked the audit committee of the Company in corpora. The new audit committee was elected during the ordinary shareholders general meeting held on 30 April 2012 and re-elected on 30 April 2015.

2.1.2 Legal basis of the Company's operations

AB Snaigė uses the Company's articles of association, Law on Companies of the Republic of Lithuania, other legal acts issued by the Republic of Lithuania and European Union as legal guidelines for operations.

2.2 Corporate governance bodies

2.2.1 Information about the members of management bodies with regard to the share of the Company's authorized capital

NAME	Position	Available number of shares, units	Share capital, per cent	Votes, per cent
BOARD				
Aleksey Kovalchuk	AB Snaigė chairman of the board	-	-	-
Svetlana Ardentova	AB Snaigė member of the board	-	-	-
Oleg Tsarkov	AB Snaigė member of the board	-	-	-
Vladislav Sviblov	AB Snaigė member of the board	-	-	-
ADMINISTRATION (Managing Director and Chief Financial Officer)				
Gediminas Čeika	AB Snaigė managing director	-	-	-
Mindaugas Sologubas	AB Snaigė finance director	-	-	-

2.2.2 Information on the management bodies involvement in other companies, institutions and organizations

Participating in other companies activities and interests (31 December 2016):

Name	Name of organisation, position	Share of the capital and votes available in other companies, in percentage
Aleksey Kovalchuk	Does not participate in other Lithuanian companies activities and interests	-
Svetlana Ardentova	Does not participate in other Lithuanian companies activities and interests	-
Oleg Tsarkov	Does not participate in other Lithuanian companies activities and interests	-
Vladislav Sviblov	Does not participate in other Lithuanian companies activities and interests	-
Gediminas Čeika	UAB Almecha chairman of the board	-
Mindaugas Sologubas	UAB Almecha member of the board	-
	Association EPA member of the board	
	UAB Verslo Architektūra Managing Director	100%

2.2.3 Chairman of the board, head of administration and chief financial officer

Name	Education, qualification	Workplaces and positions during the recent 10 years
Aleksey Kovalchuk	Finance Academy of the Government of the Russian Federation, Moscow	Federal Agency for Construction, Housing and Utilities. 2009 – 2013 OAO Polair, General Director. ZAO Polair-Nedvizhimost General Director.
Gediminas Čeika	Vilnius University, economy informatics and automated management systems, engineer-economist qualification	From January 2008 – AB Snaigė Managing Director. 2005 12 – 2008 01 – AB Snaigė Sales Director. 2001 05 – 2005 12 – Kraft Foods Lietuva VIP business clients relationships director for the Baltic states. 2000 11 – 2001 05 – Internship at Kraft Foods company in the Czech Republic. 1997 – 2000 11 – Kraft Foods Lietuva Sales Director for Latvia and Estonia. 1994 – 1997 – Kraft Foods Lietuva Sales Manager for Vilnius region.
Mindaugas Sologubas	Stockholm School of Economics in Riga, Bachelor in Economics and Business Vytautas Magnus University, Master in Finance and Banking	From September 2014 – AB Snaigė Chief Financial Officer. From August 2013 – UAB Verslo Architektūra Managing Director. 2011 10 – 2013 07 – LIGIRS ZAO Managing Director, Nikolaev, Ukraine. 2008 06 – 2011 10 UAB GRANEX Chief Financial Officer. 2006 08 – 2008 06 UAB GLASMA LT Chief Financial Officer.

2.2.4 Information about start date and end date of the office term of each member of the management body

NAME	Start date of the office term	End date of the office term
BOARD		
Aleksey Kovalchuk	14/12/2011	Until 2019 the General Meeting of Shareholders
Svetlana Ardentova	30/04/2013	Until 2019 the General Meeting of Shareholders
Oleg Tsarkov	30/04/2015	Until 2019 the General Meeting of Shareholders
Olga Kuznecova	30/04/2015	Until 29/04/2016
Vladislav Sviblov	30/04/2013	Until 2019 the General Meeting of Shareholders
ADMINISTRATION (Managing Director and Chief Accountant)		
Gediminas Čeika	03/01/2008	Term less agreement
Mindaugas Sologubas	23/09/2014	Term less agreement

2.2.5 Information regarding valid conviction of the members of the management bodies for the offences against property, farming procedure and finance

There is no such information.

2.2.6 Information about benefits and loans granted to governing bodies

No benefits and loans granted to governing bodies in 2016.

2.2.7 Information about the total amounts and average amounts of the salaries, tantiemes and other profit benefits paid by the Company during the reporting period per person

During 2016 no salaries were paid to the board members.

2.2.8 Information about the salaries, tantiemes and other profit benefits paid to the members of the Company's Supervisory Board and the Board sourced from the enterprises where the share of the authorized capital owned by the Company amounts to more than 20 percent

No such payments were made during the accounting period.

2.2.9 Information about loans, warranties and securities of the performance of liabilities granted to the members of the management bodies during the accounting period

No loans, guarantees or securities were issued for the members of managements bodies during the accounting period.

2.2.10 Important agreements, the party of which is the Company and which would take effect, change, or would stop being valid in case the control of the Company changes, also the effect of such agreements, except from the cases when the disclosure of such agreements would result in large damage to the Company

As far as it is known to the Company, there are no such agreements.

2.2.11 The Company's and its management bodies members or employees agreements, describing compensation in case the members or employees resign, or are fired without grounded reason, or if their employment ends because of change of control of the Company

As far as it is known to the Company, there are no such agreements.

2.3 The Company's group's management structure

Gediminas Čeika – managing director.

Kęstutis Urbonavičius – technical and production director.

Mindaugas Sologubas – finance director.

Rūta Petrauskaitė – marketing director.

Darius Belevičius – sales director.

2.4 Procedures of changing the Company's articles of association

The articles of association of the Company can be modified by the decision of general shareholders meeting, with the qualified majority of 2/3, except from the cases described in the Law on Companies.

After the general meeting of the shareholders takes a decision to modify the articles of association, the list of all the modified text in the articles is made and signed by the attorney of the general meeting.

Modified articles and documents confirming the decisions to modify the articles have to be submitted to the register of the enterprises during the period specified by the law.

In other cases, not described by the Company's articles of association the Company follows the Civil Code of the Republic of Lithuania, Law on Companies and other legal acts of the Republic of Lithuania.

3 AB SNAIGĖ AUTHORISED CAPITAL, SHAREHOLDERS, INFROMATION ABOUT SECURITIES

3.1 Issuer's authorized capital

3.1.1 The authorized capital registered in the enterprise register

Name of the securities	Amount of the securities	Nominal value, EUR	Total nominal value, EUR	Share of the authorized capital, in percentage
Ordinary registered shares, ISIN LT0000109274	39,622,395	0.30	11,886,718.50	100

3.1.2 Changes in authorized capital during the last 5 years

Registration of changed authorized capital	The size of the authorized capital before the change	Change	Reason for change	The size of the authorized capital after the change
26/05/2015	39,622,395.00 LTL		Euro introduction	11,490,494.55 EUR
10/11/2016	11,490,494.55 EUR	+ 3,566,015.55	The increase of the authorised capital by increasing nominal value from revaluation reserve	15,056,510.10 EUR
20/12/2016	15,056,510.10 EUR	- 3,169,791.60	The reduction of the authorised capital by reducing nominal value for the purpose of eliminating the loss in the statement of financial position	11,886,718.50 EUR

3.1.3 Information with regard to prospective increase of the authorized capital by converting or trading the issued loans or secondary securities for the shares

There are no issued debts or secondary securities.

3.2 Shareholders

3.2.1 Largest shareholders

95.14 per cent of the authorized capital of the Company is owned by the companies registered in Lithuania and individuals, 4.86 per cent non-residents. As of 31 December 2016, the number of the Company's shareholders comprised 870 (as of 31 December 2015 – 891). The major shareholder of the Company – UAB Vaidana, which controls 91.10% of shares.

The major shareholders who own or control more than 5 percent of the issuer's authorized capital are listed below:

Names (company names, addresses, enterprise register codes) of the shareholders	Amount of the ordinary registered shares available, in pcs.		Share of the authorized capital and votes available, in percentage				
	Total	incl. the ones owned by the shareholder	Total		incl. the ordinary registered shares owned by the shareholder		Total incl. the share of the entities group operating jointly, in percentage
			share of the votes	share of the capital	share of the appointed votes	share of the capital	
UAB Vaidana – Konstitucijos ave.7, Vilnius, Lithuania, code 302473720	36,096,193	36,096,193	91.10	91.10	91.10	91.10	-

3.2.2 Shareholders with special control rights

There are no shareholders with special control rights.

3.2.3 Restrictions of shareholders voting rights

All the shareholders have equal voting rights.

3.2.4 Shareholders agreements, about which the Issuer is informed and due to which the transfer of securities or voting rights can be restricted

The issuer has no information about any shareholder agreements of such type.

3.3 Information about trading of issuer's securities in the regulated markets

3.3.1 Securities included in the trading lists of regulated markets

39,622,395 ordinary registered shares of AB Snaigė are included into the Secondary trading list of the NASDAQ OMX Vilnius Stock Exchange. The total nominal value of the shares is EUR 11,886,718.50. The VP CD (Securities Central Depositary) number is 10927. The nominal value of a share was EUR 0.30.

3.3.2 Trade of the issuer's securities in stock exchanges and other organized markets

Trade of the Company's ordinary registered shares in the securities stock exchange was started on 11 August 1995.

The ordinary registered shares of AB Snaigė have been listed in the Official trading list of NASDAQ OMX Vilnius Stock Exchange since 9 April 1998.

Since 8 May 2009 the Company on its own initiative requested NASDAQ OMX to switch its shares from NASDAQ OMX Vilnius Official listing and add them to the NASDAQ OMX Vilnius Secondary listing.

3.3.2.1 Trade on NASDAQ OMX Vilnius stock exchange

Trade in the Company's shares during 2012–2016 (EUR)

Year	Open price	High price	Low price	Last session price	Average price	Trade volume, pcs	Turnover
2012	0.525	0.600	0.401	0.497	0.526	4,717,209	2,481,237
2013	0.510	0.520	0.407	0.460	0.471	258,117	121,596
2014	0.464	0.498	0.300	0.402	0.397	192,019	76,295
2015	0.402	0.450	0.251	0.301	0.319	91,117	29,069
2016	0.301	0.328	0.200	0.255	0.270	98,471	26,559

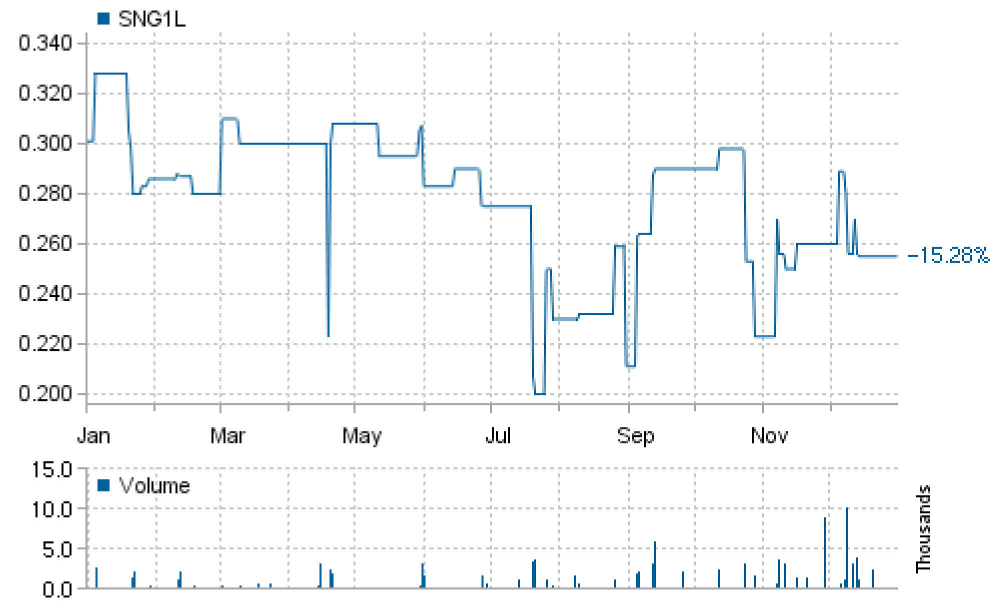
Below you can find the graphs of the Company's shares turnover and prices during last 5 years. The data from AB NASDAQ OMX Vilnius webpage:

http://www.nasdaqbaltic.com/market/?instrument=LT0000109274&list=3&pg=details&tab=historical&currency=0&downloadcsv=0&date=&lang=en&start=01.01.2012&end=31.12.2016

The price of share is in EUR because the trade of shares is in EUR from 22 November 2010.

The price of share during the reporting year (information from AB NASDAQ OMX Vilnius webpage):

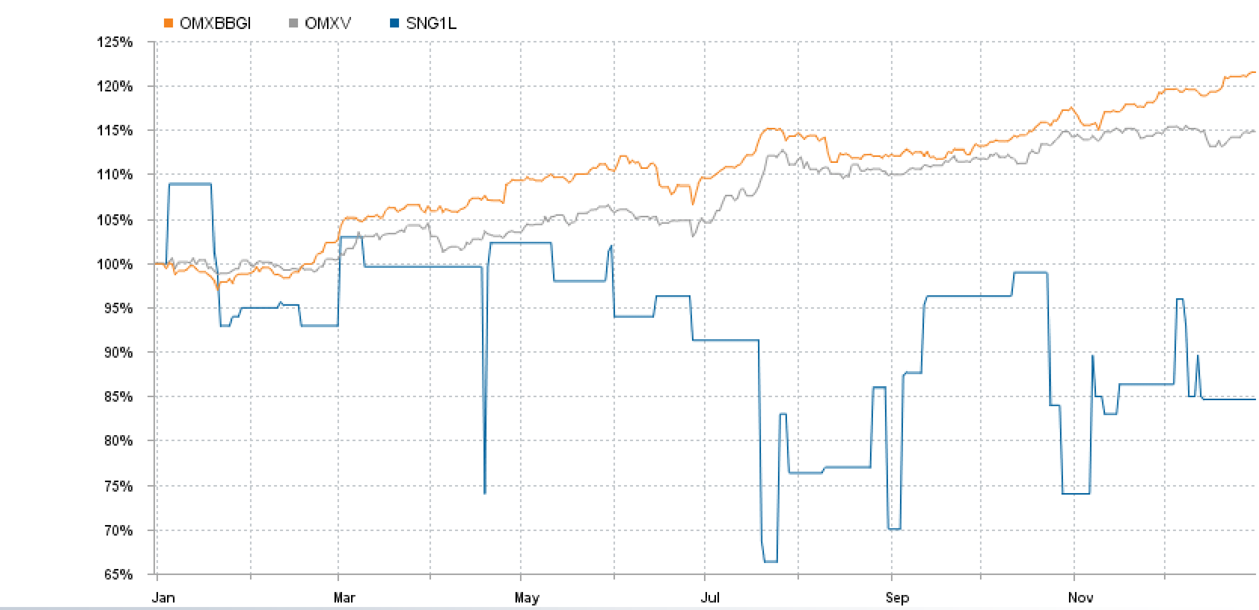
http://www.nasdaqbaltic.com/market/?instrument=LT0000109274&list=3&pg=details&tab=historical&currency=0&downloadcsv=0&date=&lang=en&start=01.01.2016&end=31.12.2016



The share prices graphs of OMX Baltic Benchmark, OMX Vilnius indexes and AB Snaigė for the period from 31 December 2015 until 31 December 2016 are presented below. The information is from AB NASDAQ OMX Vilnius webpage:

http://www.nasdaqbaltic.com/market/?pg=charts&lang=en&idx_main%5B%5D=OMXBBGI&idx_main%5B%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000109274&idx_equity%5B%5D=LT0000109274&period=other&start=31.12.2015&end=31.12.2016

Market indexes



The data of graph:

Index/Equity	31/12/2015	31/12/2016	+/-%
OMX Baltic Benchmark GI	648.32	788.17	21.57
OMX Vilnius	485.99	558.50	14.92
SNG1L	0.301 EUR	0.255 EUR	-15.28

3.3.2.2 Trade on other regulated markets

The securities are not traded on other regulated markets.

3.3.3 Capitalization of securities

The capitalization of AB Snaigė shares and shares listed in AB NASDAQ OMX Vilnius on the last trade dates during the period 2012–2016.

Baltic equity list	2016	2015	2014	2013	2012
Capitalization, million	10.10 EUR	11.93 EUR	15.93 EUR	18.23 EUR	19.69 EUR

3.4 Information about the repurchase of own shares

During 2016 no repurchase of own shares was made. The Company had no own shares at the end of 2016.

3.5 Dividends

The Company does not have an established procedure for allocation of dividends. The General Shareholders' Meeting decides whether to pay dividends. The Company has not paid dividends in the last five years.

3.6 Contracts with public circulation of securities dealers

On 20 May 2013 AB Snaigė entered into a contract with UAB FMĮ Orion securities (A. Tumėno str. 4, Vilnius) on the accounting of the financial instruments issued by the Company and management of private securities accounts.

3.7 Restrictions on transfer of securities

There are no restrictions on the transfer of securities issued.

4 AB SNAIGĖ OPERATING REVIEW

4.1 General rates, describing the Company's business performance, their behaviour

Financial indicators for 2016–2012 are presented jointly.

(consolidated data):

	2016	2015	2014	2013	2012
Turnover (continuing operations), EUR thousand	39,817	45,363	42,117	50,003	41,056
Gross profit (continuing operations), EUR thousand	7,356	7,113	6,328	8,249	6,960
Net profit (loss) from continuing operations, EUR thousand	1,207	445	(754)	1,372	1,354
Net (loss) from discontinued operations, EUR thousand	-	-	-	(3,923)	(1,059)
Net profit (loss), EUR thousand	1,207	445	(754)	(2,552)	295
Average share price, EUR	0.270	0.319	0.397	0.471	0.526

Financial figures	2016	2015	2014	2013
Profit before tax indicator, % (current year profitability of continuing operations)	3.96%	1.54%	-1.55%	2.92%
General mark-up (continuing operations), %	18.47%	15.68%	15.02%	16.50%
EBITDA mark-up (continuing operations), %	8.96%	6.15%	2.94%	7.23%
Solvency ratio, % (general short-term solvency)	144.76%	69.76%	120%	103.07%
Debt to assets ratio, % (general debt ratio)	53.23%	73.64%	71.84%	68.14%
Return on average shareholders' equity (continuing operations), %	6.15%	4.84%	-8.64%	14.42%

Shares indicators	2016	2015	2014	2013
Net profit per share (continuing operations), EUR	0.03	0.01	-0.02	0.03
Net loss per share (discontinued operations), EUR	-	-	-	-0.10
Net profit per share (total), EUR	0.03	0.01	-0.02	-0.06
Average annual share market price, EUR	0.270	0.319	0.397	0.471
EBITDA per share (continuing operations), EUR	0.09	0.07	0.03	0.09
EBITDA multiplier (EBITDA per share / Average annual share market price)	0.33	0.22	0.02	0.06
Total dividends, EUR thousand	-	-	-	-
Dividends per share, EUR	-	-	-	-
Average net book share value (continuing operations), EUR	0.5	0.23	0.22	0.24

4.2 Production

4.2.1 The Company's product portfolio

The Company produces various models of high-quality household refrigerators and freezers. Also, the Company produces fridges for businesses, hotels and restaurants, spare parts for refrigerators, tools and equipment.

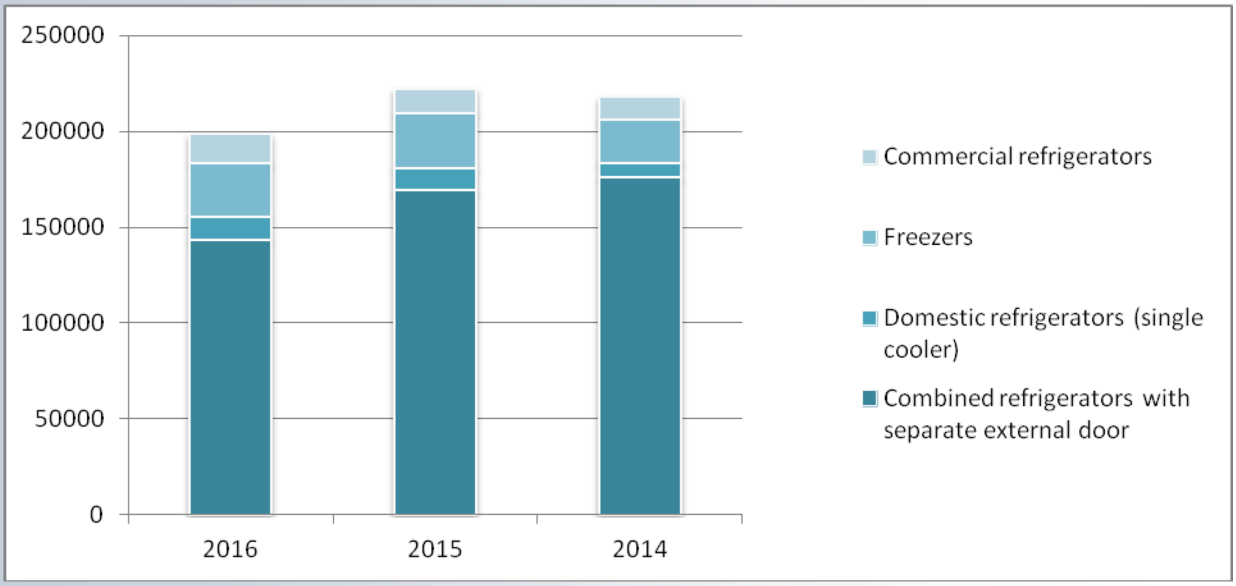
The Company produces various high quality models of household refrigerators, refrigerator-showcases, wine refrigerators, freezers and their spare parts.

The Company's main products – refrigerators. They are classified into four main categories:
• Combined refrigerators with separate external doors;
• Single cooler refrigerators;
• Freezers;
• Commercial refrigerators.

In 2016, the Company mainly produced the combined refrigerators with separate external doors.

The consolidated sales figures for the last three years are as follows:

Type of activities	2016		2015		2014	
	units	%	units	%	units	%
Company's produced refrigerators sold, units	**198,496**	**100**	**222,143**	**100**	**217,654**	**100**
including:						
Combined refrigerators with separate external door	143,413	72.2	169,214	76.2	175,629	80.7
Domestic refrigerators (single cooler)	12,073	6.1	11,119	5.0	7,924	3.6
Freezers	27,482	13.8	28,572	12.9	22,335	10.3
Commercial refrigerators	15,528	7.8	13,238	5.9	11,766	5.4



4.2.2 Termination or reduction of production volume with the critical effect on the Company's performance during the recent 3 economical years

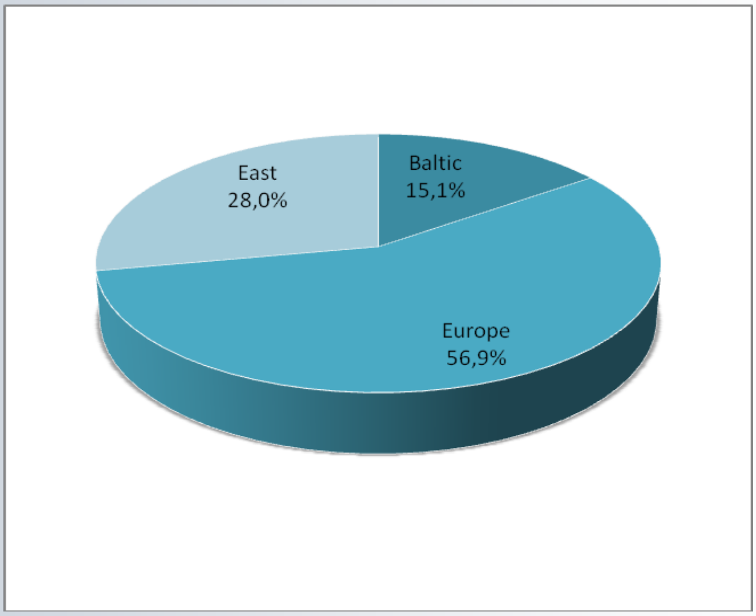
During the recent 3 economical years no termination or reduction of production volumes with a critical effect on the Company's performance occurred.

4.3 Sales

The company divides its sales markets into the following main groups by importance of sales markets and geographic distribution: **Baltic market** (Lithuania, Latvia and Estonia), **Eastern market** (Russia, Ukraine, Moldova, Kazakhstan, Uzbekistan, Tajikistan, Israel, other CIS countries), **European market** (Germany, France, Belgium, the Netherlands, Poland, Portugal, Czech Republic, Norway, other countries of Western and Central Europe).

In 2016 AB Snaigė sold over 198 thousand refrigerators of its own production. Revenues from main production sales reached EUR 36.4 million, which is 11.75 per cent less as compared to the previous year sales. Sales on the European market accounted for the majority of sales revenue (56.9 per cent). Lower figures (28 per cent) were on the Eastern market. Lowest sales revenue (15.1 per cent) was on the Baltic market. Exports accounted for 88.2 per cent of total product sales, i.e. EUR 32.1 million.

Company's sales in 2016 (according to sales revenue):

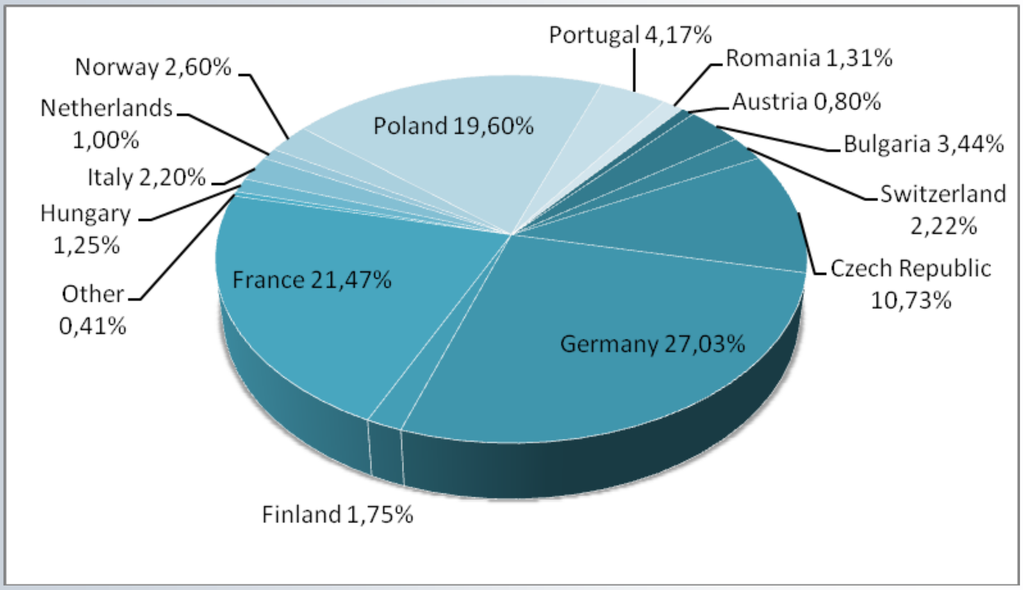


European market

On the European market AB Snaigė sales in 2016 were 112.5 thousand refrigerators and EUR 20.7 million in revenue. This is 26 per cent less in revenue as compared to the previous year. The majority of production was sold and revenue generated on the German market (32.2 thousand pcs; EUR 5.6 million), French market (24.5 thousand pcs; EUR 4.4 million) and Poland market (20.3 thousand pcs; EUR 4.1 million.

The long term partners Severin (Germany), Conforama (France), Orima (Portugal) are continuing successful relations with AB Snaigė.

Sales in the European market in 2016 (according to income):



Eastern market

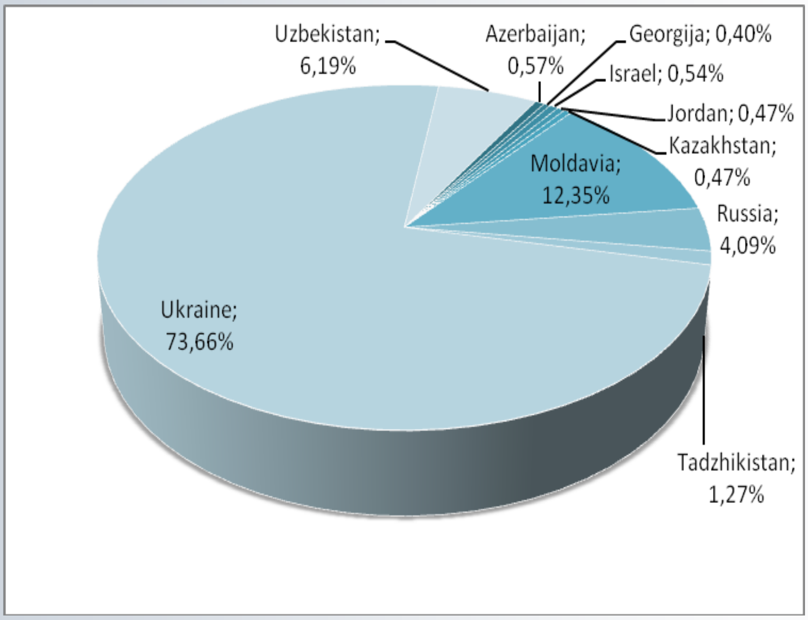
In 2016 the Company sold 57 thousand refrigerators on the Eastern market and earned EUR 10.2 million in sales revenue, i.e. 13.2 per cent more as compared to 2015.

The majority of production was sold and revenue generated to the Ukrainian customers (42.7 thousand pcs; EUR 7.5 million).

In 2016 AB Snaigė continued the development of trade connections with Azerbaijan, Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan. In 2016 the Company sold 4.7 thousand refrigerators and earned EUR 0.9 million in revenue.

In 2016 the Company established trade relations with Jordan.

Sales in the Eastern market in 2016 (according to sales revenue):



Baltic market

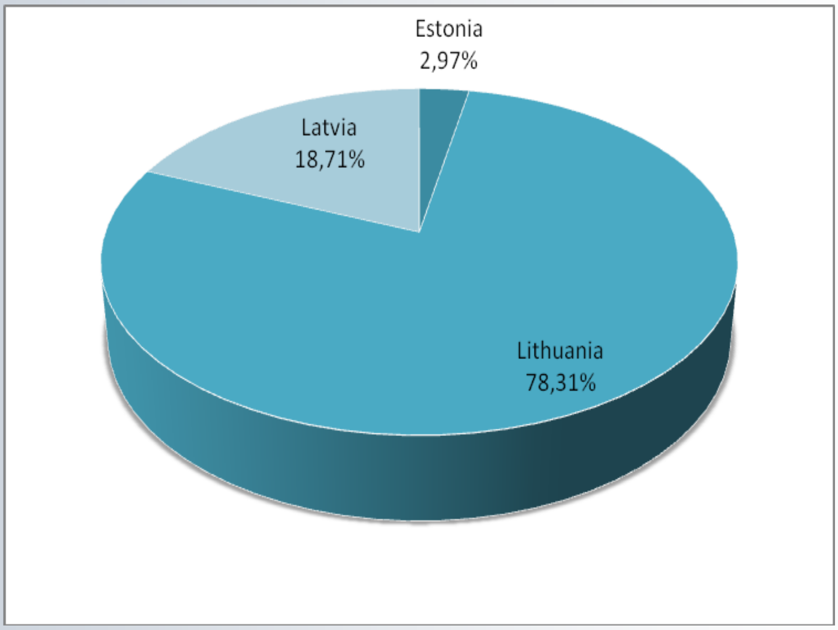
In 2016 AB Snaigė in the Baltic States market sold more than 28.9 thousand refrigerators and its income was EUR 5.5 million. This is 33.2 per cent more in revenue as compared to the previous year. At the same period in Lithuania AB Snaigė sold 22.4 thousand refrigerators and got more than EUR 4.3 million income, i.e. 48.3 per cent more as compared to 2015.

AB Snaigė coupled with a largest market share in 2016, at 18% of the entire market for refrigerators and freezers in Lithuania (based on the survey conducted by GFK).

In 2016 in Latvia AB Snaigė sold about 5.7 thousand refrigerators and its income comprised over EUR 1 million.

At the same period of time in Estonia, AB Snaigė sold 0.9 thousand refrigerators and got more than EUR 0.16 million.

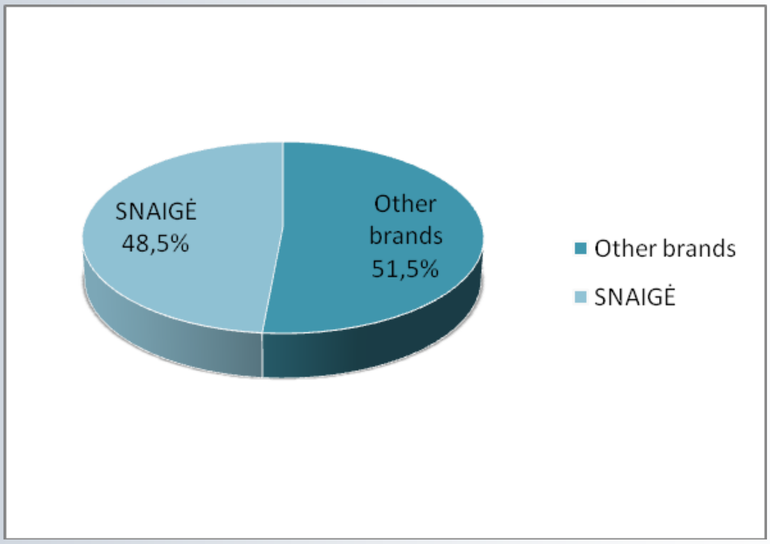
Sales in the Baltic market in 2016 (according to income):



SNAIGĖ brand portfolio

In 2016 the Company sold 48.5 percent of the products with its brand SNAIGĖ. Besides these, the Company produced refrigerators under other brands of trade partners and retail networks: FAR – SABA - CONFORAMA, the largest domestic appliance retail network in France, Amica, Bartscher, Bomman, Essentielt, COOL, KBS, Orima, Combisteel, EXQUISIT, Menumat, Point, ROMO, OK, Whirlpool.

The Company's brand portfolio in 2016 (according to income):



4.4 Supply

The materials and completing parts are supplied to the Company from more than 20 countries worldwide. European manufacturers and suppliers of materials constitute the major part of them.

The strategic suppliers are the following: SECOP s.r.o., ITALIA Wanbao-ACC S.R.L., Jiaxipera compressor Co., Ltd., Donper group, HUAYi Compressor Co., Ltd., Covestro AG, Depsol Technologies SIA, ArcelorMittal Eisenhüttenstadt GmbH, Serwistal, Recubrimientos Plasticos S.A., Sintur Spolka z.o.o, Marcegaglia Poland Sp.z.o.o., Marcegalia IMAT, Robertshaw s.r.o. Danfoss A/S, Lisiplast UAB, Hoda R. Gražio UAB, Profilita UAB, Baltijos polistirenas UAB, Liregus UAB.

The priorities set in the purchase strategy of the Company are high quality assurance and effective logistics, competition between suppliers and continuous search for alternative raw materials. Competition between the suppliers and search for alternative raw materials stimulate continuous improvement of the purchased product. The technical servicing teams of AB Snaigė suppliers closely cooperate with the technicians and engineers of the Company in search for common technical solutions increasing quality and decreasing costs of the products.

4.5 Employees and human resource policy

4.5.1 The Company’s human resource policy

The Company’s success depends not only on its size, image, strategy, but to a large extent on how it treats its employees. All the challenges and changes faced by the Company are related to the employees, so business effectiveness firstly depends on the ability to manage human resources.

The Company’s human resource policy and management is comprised of: human resource planning, employees’ staffing (recruiting, selection, admission, and retention), employees’ development, evaluation, motivation, norms of actions, assurance of occupational safety and social conditions.

While facing changes and new challenges, it is most important for the Company to retain qualified, skilled, motivated personnel, able to implement set tasks and help the Company achieve its strategic goals, with as low costs as possible.

Strategic management of human resources. The aim of the personnel policy is to help the Company to adapt to new requirements of business environment and accomplish strategic goals while increasing administration effectiveness, connecting human resource practice with the Company's common business strategy, evaluating human resources.

Human resource planning. To ensure effective number of employment positions and structure planning, to ensure human resource demand planning, evaluation of planning quality.

Analysis of operations. In order to ensure more effective management of human resources it is necessary to evaluate new operation tasks, to spin off ineffective operations, doubling of functions, to regroup and reassign functions.

Development of the Company. Personnel development is a necessary condition for achieving the Company's strategic goals, as while learning personnel obtains qualification and skills. Changing challenges, environment where the tasks have to be completed, application of new technologies, difficult situation in the labour market indicate that it is necessary to invest into education of personnel, as it motivates, improves work quality, increases loyalty and ensures more effective adaptation to new challenges and conditions.

Evaluation of activities and career. Evaluation of personnel activities – inseparable part of career planning. Potential of a person and areas of improvement can be assessed only by an objective evaluation. The goal of activities evaluation – to align personnel activities with the Company's goals to a maximum extent. The process of activities management is the setting of clear and achievable goals, monitoring of the progress, coordination of employee's goals, correction of set goals, annual evaluation of personnel activities. While planning the career it is important that it is not only directed to the past i.e. results of person's work, but also to the future – his abilities, ability to change, implement more complex tasks – into his potential.

Personnel motivation. During the surveys the majority of employees indicate the insufficient remuneration as the most important factor hindering higher motivation. In current difficult conditions it is necessary to pay more attention to strengthening social motives: encourage personal goals, increase responsibility taken, increase association with a group or a team, form conditions to realize management, self-expression skills.

4.5.2 The employees of the Company in 2014–2016 according to the personnel groups*:

Employees	2016			2015			2014		
	Amount	%	Average salary, EUR	Amount	%	Average salary, EUR	Amount	%	Average salary, EUR
Managers	5	0.8	5,834	5	0.8	5,864	5	0.7	5,828
Specialists	115	17.3	991	116	17.5	968	120	18.0	954
Workers	546	81.9	523	541	81.7	543	543	81.3	520
In total:	**666**	**100**	**649**	**662**	**100**	**660**	**668**	**100**	**640**

4.5.3 The structure of the Company's employees in according to education level*

Education level of the employees	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
University education	111	16.7	111	16.8	112	16.8
Professional high school education	435	65.3	431	65.1	433	64.8
Secondary education	114	17.1	114	17.2	116	17.4
Uncompleted secondary education	6	0.9	6	0.9	7	1.0
Total:	**666**	**100**	**662**	**100**	**668**	**100**

4.5.4 The employees of the Company and its subsidiaries in 2014–2016 according to personnel groups*

Employees	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Managers	7	1.0	7	1.0	7	0.9
Specialists	130	17.8	133	18.1	138	18.4
Workers	594	81.2	593	80.9	603	80.6
Total:	**731**	**100**	**733**	**100**	**748**	**100**

*Average yearly data

4.6 Investment policy

4.6.1 Subsidiary companies' names, head office addresses, type of activities, the authorised capital, share of the authorized capital unpaid by the Company, net profit (loss), ratio of short-term liabilities and current assets, ratio of total liabilities and total assets

	SNAIGĖ – UKRAINE	ALMECHA
Registration date, head-office address	Registration date: November, 2002. Address: Gruševskio str. 28-2a/43, Kiev, Ukraine	Registration date: November, 2006. Address: Pramonės str. 6, Alytus, Lithuania
Type of activities	Sales and marketing services	Production of other equipment and machinery
Share of the authorized capital available to AB Snaigė, %	99	100
Authorized capital (EUR)	5,840	398,978
Share of the authorized capital unpaid by the Company	Fully paid	Fully paid
2016 profit (loss) (EUR thousand)	-	178

4.6.2 Major investment projects amounting to more than 10 percent of the issuer's authorized capital, which have been implemented during recent financial (economical) years: types, volumes and financing sources of investments, and geographical allocation thereof

The total amount spent for implementation of investment programs INP 2016 in 2016 was EUR 1,108.50 thousand.

EUR 339.40 thousand was spent for the development of new products and for preparation of their production. The following new products were developed and launched within the year:

1. Series RF SG refrigerators with min. electronics: RF 27/31/32/34/35/36/39;
2. Refrigerators RF34NE, RF36NE;
3. RF39 with "0" section and RF39 with SK ventilator;
4. RF36NG and RF34NG with SK ventilator;
5. Electronic control for C31 cooler.

One of the biggest amounts of investments in 2016 – EUR 331.31 thousand (including implementation of the remaining equipment from TPI) were allocated for the development of technologies, mastering of specifically important and effective new technological projects, improvement of work places. The most significant projects realized:

1. Reconstruction of the area on the 2-nd floor of production building with the aim to adapt it for the partial assembling of PPU foamed cabinets and for their transportation and intermediary storage. Customization of the circular and roller conveyers was also performed there;
2. Production of wire shelves in metal stamping shop;
3. Equipment of work place for grinding of metal profiles (improvement of glass doors production process);
4. Installation of 5 scissor-lifts and refrigerator's rotation table at the I-st conveyer assembling line, before the testing station, with the purpose of work optimization and in order to refuse of the manual work.

EUR 20.14 thousand was invested into the mastering of effective electricity and heat saving means: the air heating equipment was installed in metal treatment and surface coating shop, some worn out energetic devices were replaced by the new ones.

EUR 284.20 thousand was spent for the technical support of production, purchase of new equipment, tools and instruments, and for replacement of worn out ones, within the year. The following was purchased:

1. Extrusion head for the plastic sheet production line;
2. Electric loader „Paradis“;
3. 6 units of dies-doublers for production of metal parts;
4. 4 units of injection moulds-doublers for production of plastic parts;
5. Additional thermoforming mould for refrigerator CD290, etc.

In order to increase the production capacity of AB Snaigė, in 2016 EUR 70.57 thousand was spent for the purchase of the equipment needed: 4 units of the additional door foaming moulds for RF refrigerators, cabinet foaming plug for RF31 model, powder paint hopper and the other necessary equipment to the colour painting booth.

For the improvement of the logistics and service installations, EUR 10.60 thousand was spent. A mobile hydraulic ramp MR6 and the additional racks in warehouses 4001 and 4010 were bought and installed.

EUR 52.28 thousand was used for upgrading of the Company’s computers, printers and software. The main projects introduced: internal optical network, new Windows Server software. Also, some computers and printers were updated.

4.7 Environment protection

4.7.1 Environmental policy

The Company's environmental vision is organic products, clean technology and clean environment.

The Company's products, production technology and services cannot do the illegal exposure of atmospheric air, water, employees, consumers and environment.

Environment must not be contaminated by waste products of production more than is inevitable and allowed.

The Company's management trying to implement a vision and having a clear understanding of environmental importance, assumes the following responsibilities:

- Comply with the effective legislative and other requirements applicable to the Company and related to the aspects of environmental protection;
- Include the consideration of environmental issues into the Company’s operating strategy;
- Protect the environment focusing on the reduction of pollution, consumption of electric power in production and exploitation of refrigerators and coolers;
- Continually improve environmental performance;
- Increase our staff approach to environmental protection;
- Explain the importance of environmental protection policies to the employees and allow access to the policies to all stakeholders;
- Analyse the possibilities of impact on suppliers, clients and contractors, suggest them to implement environmental protection principles in their activities, protect the environment with regard to their aspects and life cycle of their operations.

4.7.2 Environmental report

AB Snaigė is one of the most advanced manufacturing companies of Lithuania in the field of environment protection. Our vision is organic products, clean technology and clean environment.

The activities of the Company are regulated by environment protection management system, which complies with international ISO 14001 standard requirements. The system is working since 2001. The Company is currently recertified under international standard ISO 14001, version of 2015.

In 2015 the Company’s pollutant emission was in line with the permitted levels; therefore, it received no comments or claims from controlling institutions or business partners

Since 1 January 2015 AB Snaigė, in accordance with Regulation (EC) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 “On substances that deplete the ozone layer” has committed itself to the requirements and does not buy and does not use single or in a mixture with pure and impure (that is recycled and reclaimed), hydro chlorofluorocarbons (HCFC).

When developing a new product, the Company gives a priority for the manufacturing processes which save raw materials and resources, for safe transportation, waste elimination and quality of products. In manufacturing the Company tries to use materials which later can be recycled.

The Company complies with Directive 2009/125/EC of 21 October 2009 of the European Parliament and European Commission, which regulates design of the products.

“Snaigė” refrigerators are manufactured from ecological materials which do not contain any harmful elements. For example, every plastic part of a refrigerator is marked (according to ISO 1043:1:1997), so that it can be reused one more time, recycled according to Directive 2002/96/EC describing electrical and electronic equipment waste requirements.

When designing and producing “Snaigė” refrigerators, the Company uses various means to reduce the harmful effect on the environment:

- No materials are used causing greenhouse effect or deteriorating ozone;
- No materials are used which are harmful for human health;
- Analysis of materials usage is performed.

Products produced by AB Snaigė are in accordance with the requirements of EU Directives and regulations regarding banned harmful substances:

- RoHS2 EU Directive 2011/65/EC;
- REACH EU regulation 1907/2006/EC;
- PAH German regulation ZEK-01.4-08;
- contact with food :
  - EU regulation 1935/2004/EC (general),
  - EU regulation No.10/2011(for plastics).

AB Snaigė products comply with the above mentioned requirements and as evidence Test reports of the laboratory “DEKRA” (Germany) and Chemical Testing Division of National Public Health surveillance Laboratory (Lithuania) are issued.

When buying refrigerators, customers are provided with information related to environment protection. It is advised how to install, maintain a product so that it is used as long as possible and the impact on environment is diminished. In addition to that, it is indicated how to utilize the product after it is no longer usable.

The Company has old refrigerators utilization system. Starting with 2008 the Company started to utilize large electric household equipment – refrigerators and fridges – waste.

AB Snaigė fully complies with the requirements of Kyoto protocol on global warming and climate change. The Company saves electricity, water, heat: during the decade the usage of these energy sources decreased three times.

4.8 Risk factors related to the business of the Issuer

Macroeconomic Risk. With the growth of the Lithuanian economy, further growth of private consumption and domestic demand is expected in 2016, which will be mainly influenced by the decreasing political uncertainties, increasing trust in the state and growth of real disposable income. The shift of export markets to the West as a result of the crisis in Ukraine occurred already in 2014; therefore, the external demand will be driven by recovering Western economy. Upside risk is associated with global commodity prices: fluctuations are expected that would mostly affect the outside prices in Lithuania (food, fuel and administration prices). At present both Lithuanian and global markets feel the effects of the economic and consumption recuperation, which could affect the demand for the Company’s products and the Company’s business prospects. Foreign currency exchange risk is minimized by balancing purchases and sales in different currencies (mainly EUR and USD).

Credit Market Risk. Currently there is more activity and better credit availability on both Lithuanian and global markets. Internal financial resources of the Company are limited, operations rely on external credit financing, too. In light of the global credit market recovery, it can be presumed that this recovery will have a positive impact on the Company’s financial situation, the Company will have possibility to take short and long term credits for its operations.

The Company’s Financial Accounting Accuracy Risk. On 25 April 2017 the Company’s auditor expressed a qualified audit opinion on the Company’s separate and consolidated financial statements.

International Trade Restrictions Risk. The Company exports a portion of its production to third countries (outside the European Union). There is a risk that changes in foreign trade policies of third countries could aggravate export conditions to those countries. Any such change would negatively impact export opportunities for the Company and its financial situation.

Market Risk. The Company is engaged in the manufacturing of a variety of commercial and household refrigerators and freezers and their sale. Investors assume the risk that the Company may suffer losses aggravating financial situation of the Company in the event of negative changes in product markets and markets of raw materials needed in production processes.

Policy Risk. The Company is engaged in manufacturing activities which generate chemical substances harmful to the environment. Environmental matters both at Lithuanian and European Union levels are policy-regulated. There is a risk that in the event of changes in existing environmental requirements and restrictions the Company might need additional investments to ensure compliance of production processes with new requirements. However, such investments should not negatively affect the financial situation of the Company.

Business Continuity Risk. Business continuity presumptions are disclosed under Note 2.4 of the consolidated audited financial statements of 2016.

Operational Risk. This is the risk that includes both direct and indirect losses resulting from improper or inoperative internal processes, systems or technologies, actions by staff and agents, and external factors. Constituent part of the operational risk is legal risk, i.e. risk of losses potentially occurring as a result of the Company's present or past obligations under various contracts and agreements, legal actions or laws, non-performance or improper performance.

Technical and Technological Factors. This includes physical and moral depreciation of a variety of technical means. Risk factors of this type could affect operations of the Company both directly and indirectly. Technological factors can affect the Company directly through physical and moral depreciation of technical base.

More detailed disclosures of the Company's risk management and interest rate, exchange rate, credit and liquidity risks can be found under Note 28 of the consolidated financial statements.

4.8.1 The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

The Audit Committee supervises preparation of the consolidated financial statements, systems of internal control and financial risk management and how the Company follows legal acts that regulate preparation of consolidated financial statements.

The Chief Accountant of the Company is responsible for the preparation supervision and the final revision of the consolidated financial statements. Moreover, he constantly reviews International Financial Reporting Standards (IFRS), as adopted by European Union in order to implement IFRS changes in time, analyses the Company's and the Group's significant deals, ensures collecting information from the Group companies and timely and fair preparation of this information for the financial statements. The Company's Chief Accountant periodically informs the Board about the financial statements preparation process.

4.9 Related party transactions

The information about related party transactions is disclosed under Note 30 of the consolidated financial statements.

5 OTHER INFORMATION ABOUT AB SNAIGĖ

5.1 Membership in associated organizations

AB Snaigė is a member of Lithuanian Confederation of Industrialists.

The Lithuanian Confederation of Industrialists (LCI) unites 49 branch and 8 regional associations comprising all the main branches of industry: nearly all goods manufactured in Lithuania are their products. LCI members unite all major Lithuanian production sectors, which contribute to the Lithuanian economy comprising 22 per cent of its GDP. LCI members production companies manufacture 83 per cent of the total Lithuanian exports production, and exports is the main stimulant of the Lithuanian economy, comprising 87 per cent of the GDP. So LCI members play an important role in strengthening the Lithuanian economy and increasing its competitiveness. The confederation includes not only most Lithuanian production enterprises, but also research institutes, educational establishments, and attorney firms.

Lithuanian Confederation of Industrialists is a non-political public organization independent from the state. LCI carries out its policies independently. AB Snaigė does not participate in the authorized capital of Lithuanian Confederation of Industrialists.

AB Snaigė is a member of the EEPA association.

The EEPA is an association established by manufacturers and importers of electrical equipment and batteries and accumulators. The main objective of the association is the implementation of waste management obligations by the association members stipulated in both the EU and Lithuanian legislation. As of 2006 the association organizes waste from electrical and electronic equipment management and as of the end of 2009 – management of waste from batteries and accumulators.

AB Snaigė is a member of LINPRA. The Engineering Industries Association of Lithuania LINPRA is an independent self-governing business association. Both nationally and internationally, it represents the interests of the Lithuanian mechanical, electrical, electronic and metalworking industrial sector and seeks to promote its business competitiveness.

AB Snaigė is a member and the founder of the Association of Domestic Equipment Manufacturers “CECED Lithuania”. The goals of the association are as follows: to coordinate activities of the members of the association active in the area of manufacture of domestic equipment, represent and defend the interests of the members, settle the issues raised by the members, ensure proper protection of the manufacturers’ interests, etc.

AB Snaigė is a member of Vilnius Chamber of Commerce, Industry and Crafts, Alytus branch. Vilnius CCIC is a voluntary amalgamation of natural and legal persons engaged in commercial and economic activities provided by the laws of the Republic of Lithuania and implementing the principles of business self-government.

5.2 Patents, licenses

The Company’s activities are independent of patents or licences.

5.3 Recent and the most important events of the Company

The most important post balance sheet events are presented in the consolidated financial statements.

5.3.1 Recent publicly disclosed information

28/02/2017

2016: profit of AB Snaigė on the rise, while sales dropped
According to consolidated unaudited data, in 2016 AB Snaigė reached EBITDA of EUR 4.1 million, or an improvement by 25% since 2015.
The consolidated unaudited turnover of the company exceeded EUR 40 million and dropped by 12% (compared to 2015).
According to Gediminas Čeika, the Director General of AB Snaigė, the reason why the sales dropped was aggressive strategy pursued by a number of Chinese and Turkish manufacturers on the Western markets. “Chinese and Turkish manufacturers in their efforts to take markets in the West have demonstrated a rather desperate behaviour, and offered their products at abnormally low rates. We cannot afford operating at loss, and this is why we lost some of our sales. I am certain though these losses are but temporary. No-one can afford operating at a loss, not even the Chinese”.
Despite a drop in turnover, AB Snaigė still generated unaudited consolidated net profit of EUR 1.2 million, i.e. more than doubled the profit since 2015.
Mr Čeika believes the company succeeded in improving profits by making a timely turn to other markets. Sales in Ukraine, important market for the company, have increased considerably. According to the surveys by GFK, Snaigė products in Ukraine are popular, so rank third or fourth on the list.
The Director General of AB Snaigė is also proud of the company’s performance in the Baltics, specifically in Lithuania. “What makes me happy is seeing us leading sales charts nationwide, coupled with a largest market share in 2016, at 18% of the entire market for refrigerators and freezers” (based on the survey conducted by GFK).
In 2016, AB Snaigė exported 88% of its products (to the total of 33 countries). Jordan market was the last we have entered. Numbers-wise, Ukraine (with 20%), Germany (with 14%), and France (with 12%) remain our key export partners.
According to Gediminas Čeika, our sales volumes in Germany, France, Nordic countries and other quality-sensitive markets demonstrate top quality of products offered by Snaigė and compliance with the EU standards.
To quote Mr Čeika, “I am happy that the quality and advantages offered by our products are valued not only by Lithuanians, but also by French and German consumers spoiled by a wide choice of products,” said Mr Čeika.
In 2017, AB Snaigė expects to offer the market a few new models of refrigerators and freezers, to advance sales in recovering markets of Russia and Ukraine. However, according to Mr Čeika, the company has both interesting ventures and challenges ahead. “A number of raw materials suppliers have announced rising prices for raw materials and other materials already. This will inevitably affect our business, and step-up the competition. However, we are not afraid of difficulties, we are an experienced, proven team, and certainly we will find an appropriate solution.”

09/02/2017
Regarding the decision of the Supervision Service of the Bank of Lithuania and the position of the Company
AB Snaigė received a decision No. 241-15 dated 30 January 2017 on imposition of certain measures with respect to AB Snaigė, adopted by the director of the Supervision Service of the Bank of Lithuania.

5.3.2. Important events at the Company's business

20/12/2016

Registered the Articles of Association of AB Snaigė

The Articles of Association of AB Snaigė which were approved by shareholders on 9 December 2016 during extraordinary shareholders meeting (for reduction the authorized capital and the change of the nominal value of one share) was registered on the Register of Legal Entities on 20 December 2016.

09/12/2016

Resolutions of the Extraordinary General Meeting of Shareholders

The following resolutions were made during the Extraordinary General Meeting of Shareholders held on 9 December 2016:

THE AGENDA QUESTION: The reduction of the authorised capital of AB Snaigė

THE DECISION: To reduce the authorized capital of AB Snaigė for the purpose of eliminating the loss in the statement of financial position of AB Snaigė. The authorized capital will be reduced by EUR 3,169,791.60. The authorized capital is reduced by reducing nominal value of existing shares by EUR 0.08 per share. The nominal value of the share after reduction will be EUR 0.30 per share.

To approve changes of p. 4.1 and p. 5.1 of the articles of association, related to reduction of the authorized capital of AB Snaigė, as follows: "4.1. The authorized capital of the Company is EUR 11,886,718.50 (eleven million eight hundred eighty six thousand seven hundred eighteen euro and 50 eurocents)." and

"5.1. The authorized capital of the Company is divided into 39,622,395 (thirty nine million six hundred twenty two thousand three hundred ninety five) shares. The nominal value of one share is EUR 0,30 (thirty eurocents)."

To approve the new redaction of the changed articles of association.

To authorize the General Manager of the Company Gediminas Čeika (with the right to reauthorize) to perform all necessary actions relating to implementation of approved decisions by the extraordinary shareholders meeting and to sign changed articles of association.

17/11/2016

Convocation of the extraordinary General Meeting of Shareholders

On 9 December 2016 the extraordinary General Meeting of Shareholders (hereinafter, the "Meeting") of AB Snaigė, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the "Company") is convened.

The place of the meeting – at AB Snaigė office, at the address Kareiviu str. 6, Vilnius, Lithuania.

The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).

The Meeting's accounting day – 2 December 2016 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of directors of the Company initiates and convenes the meeting.

Agenda of the Meeting:

The reduction of the authorised capital of AB Snaigė.

10/11/2016

Registered the Articles of Association of AB Snaigė

On 10 November 2016 the Articles of Association of AB Snaigė were registered on the Register of Legal Entities (which were approved by shareholders on 2 November 2016 extraordinary shareholders meeting).

02/11/2016

Resolutions of the Extraordinary General Meeting of Shareholders

The following resolutions were made during the Extraordinary General Meeting of Shareholders held on 2 November 2016:

THE AGENDA QUESTION: Increasing of the authorised capital of AB Snaigė.

THE DECISION: To increase the authorized capital of AB Snaigė by using part of AB Snaigė revaluation reserve. The authorized capital will be increased by EUR 3,566,015.55.

The authorized capital is increased by increasing nominal value of existing shares by EUR 0.09 per share. The nominal value of the share after increasing will be EUR 0.38 per share. To approve changes of p. 4.1 and p. 5.1 of the articles of association, related to increasing of the authorized capital of AB Snaigė, as follows: "4.1. The authorized capital of the Company is EUR 15,056,510.10 (fifteen million fifty six thousand five hundred ten euro and 10 eurocents)."

and

„5.1. The authorized capital of the Company is divided into 39,622,395 (thirty nine million six hundred twenty two thousand three hundred ninety five) shares. The nominal value of one share is EUR 0.38 (thirty eight eurocents)."
To approve the new redaction of the changed articles of association.
To authorize the General Manager of the Company Gediminas Čeika (with the right to reauthorize) to perform all necessary actions relating to implementation of approved decisions by the extraordinary shareholders meeting and to sign changed articles of association.

31/10/2016
AB Snaigė EBITDA reached EUR 3.6 million in the first nine months
AB Snaigė EBITDA reached EUR 3.6 million in the first nine months of this year (according to the unaudited consolidated data), which is 31 per cent higher than compared to the same period last year.
The company's sales revenue dropped by 9 per cent than compared to the same period last year and accounted for EUR 32 million (according to the unaudited consolidated data). The company exported around 89 per cent of all produce.
According to Gediminas Čeika, the CEO of AB Snaigė, the drop in sales was determined by aggressive pricing policies invoked by Chinese manufacturers in certain Western markets. "We are not always able to compete with Chinese manufacturers which are seeking to secure a position in Western European markets by offering an unreasonably low price." – stated Mr G. Čeika. "We cannot afford operating at a loss; hence, we have lost a share of the sales in certain markets like France."
That said, the company increased its earnings in terms of exports to Ukraine, Czech Republic, Latvia, Moldova and other countries where Snaigė brand was well-known and associated with quality and durability. In the afore-mentioned countries, consumers gave their preference to the time-tested Lithuanian manufacturer.

11/10/2016
Convocation of the extraordinary General Meeting of Shareholders
On 2 November 2016 the extraordinary General Meeting of Shareholders (hereinafter, the "Meeting") of AB Snaigė, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the "Company") is convened.
The place of the meeting – at AB Snaigė office, at the address Kareiviu str. 6, Vilnius, Lithuania.
The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).
The Meeting's accounting day – 25 October 2016 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).
The Board of directors of the Company initiates and convenes the meeting.
Agenda of the Meeting:
Increasing of the authorised capital of AB Snaigė.

30/09/2016
Resolutions of the Extraordinary General Meeting of Shareholders
The following resolutions were made during the Extraordinary General Meeting of Shareholders held on 30 September 2016:
THE AGENDA QUESTION: Regarding formation of the revaluation reserve.
THE DECISION: To change the valuation methodology of real estate and movable property in accounting policy of AB Snaigė, stating market value of real estate and movable property, concluded by independent valuators, in financial statements for 9 months. To form the revaluation reserve for reflection of value difference between book and market value.
To authorize the General Manager of the Company Gediminas Čeika (with the right to reauthorize) to perform all necessary actions relating implementation of approved decisions by the extraordinary shareholders meeting.

09/09/2016
Convocation of the extraordinary General Meeting of Shareholders
On 30 September 2016 the extraordinary General Meeting of Shareholders (hereinafter, the "Meeting") of AB Snaigė, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the "Company") is convened.
The place of the meeting – at AB Snaigė office, at the address Kareiviu str. 6, Vilnius, Lithuania.
The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).
The Meeting's accounting day – 23 September 2016 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of directors of the Company initiates and convenes the meeting.
Agenda of the Meeting:
1. Regarding formation of the revaluation reserve.

31/08/2016
AB Snaigė reaches EBITDA of EUR 1.99 million in the first half of this year
AB Snaigė reached an EBITDA of EUR 1.99 million (according to consolidated unaudited data) within the first six months of this year, which is 52% higher than during the same period last year.
Gediminas Čeika, Director General of AB Snaigė, is very positive about the company's achievements. "Even though sales proceeds had slightly dropped, the company's EBITDA had a significant increase due to sales growth in markets where AB Snaigė sells products under its own brand," he said. "We are particularly happy about our recovering sales in Ukraine. Compared to the same period last year, sales in this country went up by 51% in the first half of 2016," Mr Čeika added.
France, Germany, Ukraine, Poland and the Czech Republic remain the company's largest markets.
According to consolidated unaudited data, the company made EUR 755 thousand in net profit during the first half of this year. The company's consolidated unaudited revenue reached EUR 19 million.

27/05/2016
AB Snaigė, not audited financial results for the first three months of 2016
AB Snaigė in the first quarter of this year earned EUR 438 thousand EBITDA (unaudited consolidated data) which is 36 percent more than last year, during the same period.
According to AB Snaigė CEO Gediminas Čeika, although the first quarter for refrigerator manufacturers and sellers is always the slowest , "off-season", better results have been achieved by the sale of more expensive and profitable products in more profitable markets.
G. Čeika does not expect any dramatic changes in the cooling sector this year. However, he has concerns that some of the Turkish manufactures, which had some loss in Russian market, and Chinese manufacturers, due to weakening dollar may begin reducing their prices also in „Snaigė" markets.

29/04/2016
Resolutions of the General Meeting of Shareholders
The General Meeting of shareholders of AB Snaigė was held on 29 April 2016.
1. THE AGENDA QUESTION: Consolidated annual report of AB Snaigė on the company's activity for 2015.
In the meeting, the consolidated annual report of AB Snaigė on the company's activity for 2015 was taken for information.
2. THE AGENDA QUESTION: Auditor's report on the company's financial statements for 2015.
In the meeting, the auditor's report on the company's financial statements for 2015 was taken for information.
3. THE AGENDA QUESTION: Approval of the set of financial statements of the company for 2015.
THE DECISION: The set of financial statements of the company for 2015 was approved.
4. THE AGENDA QUESTION: Approval of distribution of profit (loss) of AB Snaigė for 2015.
THE DECISION: The distribution of profit (loss) of AB Snaigė for 2015 was approved:
Non-distributed profit (loss) at the end of the last financial year: EUR -3,841,012
Net result - profit (loss) of financial year: EUR 508,977
Distributable result- profit (loss) of financial year: EUR -3,332,035
Transfers from reserves: EUR 885,477
for social and cultural needs: EUR 0
for investments: EUR 0
Transfers from legal reserve: EUR 885,477
Transfers from reserve of share premium for covering of loss: EUR 0
Contributions of shareholders to cover loss: EUR 0
Distributable profit (loss): EUR -2,446,558
Distribution of profit: EUR 885,477
Portion of profit allocated to legal reserves: EUR 885,477
Portion of profit allocated to other reserves: EUR 0
- for support and charity EUR 0
- for social and cultural needs EUR 0
Portion of profit allocated for payment of dividends: EUR 0
Portion of profit allocated for payment of premiums: EUR 0
Portion of profit allocated for payment of tantiemes: EUR 0
Other: EUR 0
- portion of profit allocated to reserve for acquisition of own shares: EUR 0
- portion of profit allocated to reserve for investments: EUR 0

Non-distributed result - profit (loss) at the end of financial year: EUR -3,332,035

5. THE AGENDA QUESTION: Revocation of the member of the Board and the new board member election for the term until the end of term of the Company's Board.

THE DECISION: Olga Kuznecova was revoked from the Board members of the Company. The new board member was not elected because no candidates were proposed.

The General Manager of the Company was authorized (including the power to delegate) to perform all necessary actions, sign and submit documents related with changed information to the Register of Legal Entities.

6. THE AGENDA QUESTION: Election of the audit firm for auditing purposes of financial statements and establishment of terms regarding the payment for audit services.

THE DECISION: UAB KPMG Baltics has been elected for 2016 auditing purposes of annual financial statements.

The General Director was authorized (with the right to delegate) of the company to sign the agreement with the audit firm by establishing the terms of payment for the audit services and other terms.

08/04/2016

Convocation of the ordinary General Meeting of Shareholders

On 29 April 2016 the ordinary General Meeting of Shareholders (hereinafter, the "Meeting") of AB Snaigė, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the "Company") is convened.

The place of the meeting – at AB Snaigė office, at the address Kareiviu str. 6, Vilnius, Lithuania.

The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).

The Meeting's accounting day – 22 April 2016 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of directors of the Company initiates and convenes the meeting.

Agenda of the Meeting:

1. Consolidated annual report of AB Snaigė on the company's activity for 2015;
2. Auditor's report on the company's financial statements for 2015;;
3. Approval of the set of financial statements of the company for 2015;
4. Approval of distribution of profit (loss) of AB Snaigė for 2015;
5. Revocation of the member of the Board and the new board member election for the term until the end of term of the Company's Board;
6. Election of the audit firm for auditing purposes of financial statements and establishment of terms regarding the payment for audit services.

2016-02-29

AB Snaigė increased its profit and EBITDA in 2015

In 2015, AB Snaigė demonstrated an ability to act promptly and increase profit and sales even in the continuously changing business conditions. Following the decline of the economy in Ukraine, Russia and Central Asia caused by the crisis, the Company managed to rapidly change its focus, consolidate sales in the Western and Central Europe and establish itself in the new markets.

According to the unaudited consolidated financial results for the year 2015, AB Snaigė had reached an EUR 3.2 million EBITDA and received unaudited consolidated net profit amounting to EUR 0.7 million.

The Company's unaudited consolidated turnover exceeded EUR 44 million, which is 4% higher than in 2014.

According to Gediminas Čeika, the Director General of AB Snaigė, this result is an excellent proof of how efficient and flexible the operations of the Company are. "Not only did we manage to make up for the decreased sales in the significant markets of Ukraine, Russia and the Central Asia caused by their current geopolitical situation, but also to earn more," stated Mr Čeika.

In 2015, the Company's largest markets were France, Germany, Poland, Portugal, Ukraine, the Czech Republic and Lithuania. The sales in these countries reached almost 78% of the total Company's produce. Last year, AB Snaigė established trade and stabilised its positions in Norway, Israel, Georgia and Azerbaijan.

Gediminas Čeika, the Director General of AB Snaigė, stated that increased sales of the Company in such quality-demanding markets as Germany, France and Scandinavia demonstrate a high quality level of Lithuanian refrigerators and their conformity to the European standards.

"I am happy that the quality and advantages offered by our products are valued not only by Lithuanians, but also by French, German and Scandinavian consumers spoiled by a wide choice of products," said Mr Čeika. "I am proud of our company, which on the global scale is just a small enterprise, but which is able to compete against this industry's giants."

Like every year, AB Snaigė created several new products and improved the existing ones. The Company presented to the market its NO FROST system refrigerators with electronic control and the most recent display coolers.

11/01/2016
AB Snaigė will prepare and release its interim information
Following the requirement set in part 1 of Article 24 of the Securities Law of the Republic of Lithuania, we hereby inform that AB Snaigė will prepare an interim consolidated information and will release it according to the rules provided by legal acts.

5.4 Strategies and plans

- Increasing sales in those markets where the Company sells products under SNAIGĖ trademark, especially Russia and Ukraine.
- Strengthening the image of the trademark in the Czech Republic, Bulgaria, Latvia, etc.
- Continuing the implementation of programmes for making savings on input.
- Increasing the Company's competitiveness in the process of introducing new products and new technological product specifications.
- Developing profitable niche products and projects.

6 DISCLOSURE FORM CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	Company's business strategy is listed in the annual report, partly in the annual account, as well as in some press reports. The Company's published material events and announcements to investors also reflect the Company's policy.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	The operational strategy of the Company is considered and approved by the Board of the Company; the strategy targets the need to ensure profitable performance with an ultimate view to increase the shareholders' equity. The compliance with the provisions of the Company's operational strategy is supervised by the Manager of the Company.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	NOT APPLICABLE	The Company has not formed the Supervisory Board.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	The Company's management bodies seeking to ensure that all persons who are participating in the Company's activity or persons related with the Company's activity rights and interest will be respected. The Board of the Company monitors and assesses the activity of Company and the Company's Manager by analysing the financial statement submitted by the Company's Manager, also the organization of the activities, data on the changes in equity.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The collegial management body – the board is elected by shareholders. Upon the decision of the shareholders since May 2006 the Supervisory Board is not formed.

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	YES	The Board of the Company is responsible for the formation of the Company's operational strategy, organization of the enforcement thereof, the representation and the protection of the shareholder's interest.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	NO	The Board is formed in the Company (upon the shareholders' decision of May 2006).
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	YES	These principles apply to the Board to the extent they do not contradict the essence and the purpose of the Board.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	YES	In the Company's article of association fixed five Members of the Board and on the opinion of the shareholders this is sufficient.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	NOT APPLICABLE	Upon the decision of the shareholders since May 2006 the Supervisory Board is not formed.

[1]Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

[2] Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	YES	The Chairman of the Company's Board is not and never was the manager of the Company.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**[3]		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	YES	The collegial management body – the Board is elected in the general meeting of shareholders according the laws of the Republic of Lithuania. Besides the candidates to the Members of the Board introduce themselves to the shareholders, providing information of the positions they hold in other companies and their professional qualifications.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	YES	The Shareholders at a General Shareholders' Meeting (when Board members are elected) are introduced with work experience, education, the other important information of the candidates for the Board which company gets about Board members.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	YES	As candidates for the Board members introduce themselves for the shareholders, the shareholders while electing the board members have the opportunity to decide about the candidates competence and suitability to represent shareholders interests. In the Company's annual report the competency (education, work experience, work positions) of board chairman and the composition of the board is published.

[3] Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	YES	The Company's board and Audit Committee members have sufficiency of experience and skills, sufficiency of knowledge to perform their duties appropriately. Shareholders decision to elect them as the board of directors or audit committee members is made after their readiness and competence is evaluated.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	YES	The Company makes opportunity for the Company's Board members to take a look to the Company's activity, thus newly elected members of the Board is provided a sufficiency of knowledge and information. Board members' skills and knowledge are constantly updated while they perform their functions, during Board meetings or individually.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	NO	Until now the independence of the Members of the Board has not been assessed, and the contents of the concept of "adequacy" of the independent members of the Board have not been discussed.

[4] The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

[5] It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);	NO	Until now the independence of the Members of the Board has not been assessed, and the contents of the concept of "adequacy" of the independent members of the Board have not been discussed.

5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	NO	The Board has not defined the concept of independence.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	NO	Such practice does not exist.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	Such practice does not exist.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	NOT APPLICABLE	The remuneration to members of collegial body was approved by shareholders during ordinary meeting in 2012, but such practice has not been applied yet.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	YES	These functions are performed by the Board elected by the general meeting of shareholders. The Board shall approve and submit to the general meeting of shareholders the annual report on the activities of the Company, financial statements, evaluate the results of the business activities of the Company and assess the performance of the Manager of the Company.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	YES	In performing their duties the members of the Board are guided by the interests of the Company and act for the benefit of Shareholders.

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the only form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

[7] See Footnote 3.

[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	YES	Members of the Board act in accordance with the Rules of Procedure of the Board and allocate sufficient time for the performance of their duties.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	YES	The Board seeks to act fairly. The Company has put in place the procedure of the provision of information to the shareholders in accordance with the Law on Companies, and this has been provided in the Articles of Association of the Company.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Company's management bodies conclude and approve transactions according to the legislative requirements of the Republic of Lithuania and the Articles of Association of the Company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	YES	Since the collegial management body – the Board is elected by the general meeting of shareholders, in its decision making function the Board is independent from the manager of the Company. The Company's management ensures that the collegial body and its committees will be provided with sufficient resources to carry out their duties.

[9] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

[10] In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	YES	The Audit Committee has been elected since 2009. The Company's directors nomination and remuneration committees are not formed. The functions pointed in this item still are implemented by the Board within its jurisdiction. If the shareholders adopt the decision to establish such committees or it is required by the laws of the Republic of Lithuania, the committees would be established.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	YES	The Company's collegiate bodies are independent and make self-contained decisions not influenced by any conflicts of interest and remain fully responsible for decisions which are awarded in limits of their competence.

[11] The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	YES	The Company has no remuneration committee. The Audit Committee consists of three members.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	NO	The practice of committees is being formed.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	NO	The practice of committees is being formed.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	NOT APPLICABLE	Not formed (explanation in Clause 4.7.).
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;	NOT APPLICABLE	Not formed (explanation in Clause 4.7.).

• Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.	YES	The Company's Audit committee was elected in 2009 and re-elected in 2012 and in 2015 but its practice is forming now.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	NO	The practice of committees is being formed.

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	YES	The chairman of board ensures proper convocation and organization of the board meetings. The notice on the general meeting to be convened is sent to members of the board according to the regulations of the board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	YES	Board meetings are called at appropriate intervals to ensure continuity of essential corporate governance issues. For urgent issues, extraordinary meetings are convened.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	YES	Agenda and all materials required according to the agenda shall be sent to the Members of the Board by electronic mail in advance; normally the agenda is not changed during meetings unless it is a necessity to solve additional issues.

[12] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	NOT APPLICABLE	The Supervisory Board is not formed.
Principle VI: The equitable treatment of shareholders and shareholder rights. **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	YES	The capital of the Company is made up of shares conferring to the holders thereof equal voting and ownership rights, and the right to receive dividends.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	YES	The Company provides its investors information about the rights conferred by the newly issued shares by making a public announcement to this effect.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	YES	The Shareholders of the Company approve transactions the approving of which is provided according to Law on Companies of the Republic of Lithuania and the Articles of Association. The Board of the Company passes other important decisions.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	YES	Information about shareholders' meetings is published in the way required by the Law. Shareholders' meetings convened at the Company's residence or at Company's office in Vilnius.

[13] The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

6.5. If possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	YES	All information about the Board meeting, the proposed drafts of decisions, and the taken decisions is hosted in the company's website in the Lithuanian and English languages.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	The shareholders of the Company may exercise their rights individually in person, via their proxies or by voting in writing in advance. The Company confers to its shareholders the rights provided for by the Law on Companies of the Republic of Lithuania.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	NO	The Company does not have the technical potential.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	YES	Members of the Company's management body are trying to follow the recommendations listed in this article.

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	YES	Members of the Company's management body are trying to follow the recommendations listed in this article.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	YES	Members of the Company's management body are trying to follow the recommendations listed in this article.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	YES	Members of the Company's management body are trying to follow the recommendations listed in this article.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors**.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	NO	There is no practice to publish the full report about the Company's remuneration policy on the Company's website. Questions about the Code recommended remuneration and benefits policy are planned to be discussed in the future. Brief information about the benefits for the Company's management bodies and senior management is available in the legislation.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	NO	The reasons are shown in Clause 8.1.

8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.	NO	The reasons are shown in Clause 8.1.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	NO	The reasons are shown in Clause 8.1. This information will be possible to publish, except part of the information considered to constitute a commercial secret of the Company.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group;	NO	The reasons are shown in Clause 8.1. This information will be possible to publish, except part of the information considered to constitute a commercial secret of the Company.

• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	NO	The reasons are shown in Clause 8.1.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	NO	The reasons are shown in Clause 8.1.

8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	NO	The reasons are shown in Clause 8.1.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	NO	The reasons are shown in Clause 8.1.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	NO	The reasons are shown in Clause 8.1.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	NO	The reasons are shown in Clause 8.1.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	NO	The reasons are shown in Clause 8.1.
8.13. Shares should not vest for at least three years after their award.	NO	The reasons are shown in Clause 8.1.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	NO	The reasons are shown in Clause 8.1.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	NO	The reasons are shown in Clause 8.1.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	NO	The reasons are shown in Clause 8.1.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	NO	The reasons are shown in Clause 8.1.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	NO	The reasons are shown in Clause 8.1.

8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	NO	The Company does not practice the remuneration of directors in the form of shares or options.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	NO	No such practice is being enforced in the Company.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	NO	No such practice is being enforced in the Company.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	NO	No such practice is being enforced in the Company.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	NO	No such practice is being enforced in the Company.

Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	The management bodies of the Company respect and seek to ensure the rights of all interest holders and to an extent possible, take their opinion into account.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	YES	Interest holders are authorised to participate in the management of the Company and in the process of taking the decisions relevant to the Company as this is provided according the Law of the Republic of Lithuania and when the participation of employees helps to make important Company's decisions.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information	YES	These requirements are complied with to the extent required by the laws of the Republic of Lithuania.
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company**.		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	YES	The Company discloses the relevant information as required by the legislation of the Republic of Lithuania, in the established manner, to Lietuvos bankas, Vilnius NASDAQ OMX Vilnius Stock Exchange, in the electronic publication published by register of legal entities for announcement the public announcements or the daily "Kauno diena".
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	YES	The Company follows this principle.

10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	YES	The Company discloses that information which is known to the Company and could be disclosed without infringement of confidentiality.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	NO	The Company does not apply such practise.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	YES	The Company ensures the accuracy and expedition of the given information.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	YES	The Company ensures compliance with these requirements, the information is announced in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	YES	The Company ensures compliance with these requirements.

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	YES	The recommendation is being followed partly, because an independent audit firm does not review interim reports of the Company.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	YES	The audit firm is proposed to the general meeting of shareholders by the Board of the Company.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	YES	The information is usually disclosed to shareholders, it is available for the Company's board.

Sincerely,

Gediminas Čeika

Managing Director of AB Snaigė