SNAIGĖ

Snaige AB

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we Gediminas Čeika, Managing Director of Snaige, AB and Mindaugas Sologubas, Finance Director of Snaige, AB hereby confirm that, to the best of our knowledge, the not audited Snaige AB interim Consolidated Financial Statements for the twelve months period ended 31 December 2017, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, correctly reflects the reality and fairly shows issuer's assets, liabilities, financial position, profit or loss and cash flows of Snaige, AB.

Gediminas Čeika
Managing Director

Mindaugas Sologubas
Finance Director

February 28, 2018

AB SNAIGĖ

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2017 (UNAUDITED)

CONTENTS

I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the twelve months of 2017.

2. The basic data about the issuer

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

Authorised capital –one Company's share is equal to 0.30 euro and to establish that the Company's authorized capital is equal to 11,886,718.50 euro.

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E-mail – snaige@snaige.lt

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

Legal organisation status – legal entity, public limited company

Registered as an enterprise on December 1, 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Statute of AB “Snaige” was registered on December 20, 2016 in Legal Entities of the Republic of Lithuania.

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

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

The mass media – daily paper „Kauno diena”.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Ref. No.	ITEMS	Notes	01 01 2017 31 12 2017	01 10 2017 31 12 2017	01 01 2016 31 12 2016	01 10 2016 31 12 2016
1.	Sales	3	39,202	8,415	39,817	8,321
2.	Cost of sales	4	(34,893)	(7,923)	(32,461)	(7,141)
3.	Real value change of biological property					
4.	**GROSS PROFIT (LOSS)**		**4,309**	**491**	**7,356**	**1,180**
5.	Selling expenses		(2,709)	(397)	(2,383)	(266)
6.	General and administrative expenses		(2,654)	(931)	(3,287)	(1,619)
7.	Result of other activities	5,7	46	8	22	3
8.	Investments income into the shares of patronise, patronized and associated companies					
9.	Income from other long-term investments and loans	8	507	128	519	130
10.	Interest and other similar income	8	81	44	27	8
11.	Value decrease of financial property and short-term investments					
12.	Interest and other similar expenses	9	(643)	(162)	(679)	(155)
13.	**PROFIT (LOSS) BEFORE INCOME TAX**		(1,063)	(819)	1,575	(718)
14.	Income tax				(368)	
15.	**PROFIT (LOSS) BEFORE NONCONTROLLING INTEREST**		**(1,063)**	**(819)**	**1,207**	**(718)**
16.	Non-controlling interest		0	0	0	(0)
17.	**NET PROFIT (LOSS)**		**(1,063)**	**(819)**	**1,207**	**(718)**
	Deferred income tax change		**(89)**			
18.	Ohter comprehensive income		646	139		
19.	**TOTAL COMPREHENSIVE INCOME**		**(506)**	**(680)**	**1,207**	**(718)**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

(all amounts are in EUR thousand unless otherwise stated)

Consolidated Statement of Financial Position

Ref. No.	ASSETS	Notes	As at 31 December 2017	As at 31 December 2016
	ASSETS			
A.	**Non-current assets**		**28,423**	**28,138**
1.	**Intangible assets**	10	**1,627**	**1,637**
2.	**Tangible assets**	11	**16,322**	**16,535**
2.1.	Land			
2.2.	Buildings and structures		5,558	5,394
2.3.	Machinery and equipment		9,080	9,275
2.4.	Vehicles and other property		1,660	1,856
2.5.	Construction in progress and prepayments		24	9
3.	**Financial assets**	**12**	**10,474**	**9,966**
4.	**Other non-current assets**		**-**	**-**
B.	**Current assets**		**13,047**	**13,818**
1.	**Inventories**	13	**4,520**	**4,855**
2.	**Accounts receivable within one year**		**8,019**	**6,346**
2.1.	Customers' debts	14	5,721	5,356
2.2.	Debts of Group companies			
2.3.	Debts of associated companies			
2.4.	Other amounts receivable	15	2,298	990
3.	**Short-term investments**		-	-
4.	**Cash and cashs equivalents**	16	**508**	**2,617**
C.	**Accrued income and prepaid expenses**		**28**	**23**
	Total assets		**41,498**	**41,979**

(continued on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Ref. No.		Notes	As at 31 December 2017	As at 31 December 2016
	EQUITY AND LIABILITIES			
D.	**Equity**		**18,326**	**19,633**
1.	**Capital**		**11,887**	**11,887**
1.1.	Authorized (subscribed) share capital		11,887	11,887
1.2.	Signed unpaid capital (-)			
1.3.	Own shares(-)			
2.	**Shares premiums**			
3.	**Revaluation reserve**		**5,900**	**5,550**
4.	**Reserves**	18	**1,001**	**901**
5.	**Retained earnings (loss)**		**(408)**	**1,345**
6.	**Influence of currency exchange rate**		**(54)**	**(50)**
7.	**Non-controlling interest**		**0**	**0**
E.	**Grants, subsidies**	19	**629**	**703**
F.	**Provisions**		**2,549**	**2,449**
1.	Pensions provisions and similar provisions		281	310
2.	Taxes provisions		1,857	1,640
3.	Other provisions	20	411	499
G.	**Accounts payable and liabilities**		**19,977**	**19,105**
1.	**Accounts payable after one year and other non-current liabilities**	21	**497**	**9,951**
2.	**Account payable within one year and current liabilities**		**19,480**	**9,154**
2.1.	Liabilities of debts			
2.2.	Debts for credit institutions	21	10,152	1,323
2.3.	Received prepayments		117	190
2.4.	Debts to suppliers		7,772	6,045
2.5.	Payable sums acc.to bills and cheques			
2.6.	Payable sums for Group companies			
2.7.	Payable sums for associated companies			
2.8.	Profit tax payment obligations			368
2.9.	Obligations related to work relations		1,259	1,190
2.10.	Other current liabilities		180	39
H.	**Accrued charges and deferred income**		**18**	**89**
	Total equity and liabilities		**41,498**	**41,979**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

(all amounts are in EUR thousand unless otherwise stated)

Consolidated Statement of Cash Flow

Ref. No.		31 12 2017	31 12 2016
I.	**Cash flows from the key operations**		
I.1	Net result after taxes	(1,152)	1,207
I.2	Depreciation and amortization expenses	1,877	1,863
I.3	(Amortisation) of grants	(122)	(127)
I.4	Result from disposal of non-current assets	(3)	
I.5	Write-off of non-current assets	243	355
I.6	Write-off of inventories		
I.7	Depreciation of receivables		
I.8	Other provisions	164	114
I.9	Change in provision for guarantee repair	(88)	(93)
I.10	Recovery of devaluation of trade receivables	7	114
I.11	Influence of foreign currency exchange rate change	35	0
I.12	Financial income (interest income)	(588)	(546)
I.13	Financial expenses (interest expenses)	607	677
I.14	Income tax expense (income)		368
I.15	Elimination of other non-cash items		(61)
	Cash flows from the key operations until decrease (increase) in working capital	**982**	**3,872**
II.1	(Increase) decrease in trade and other receivables	(547)	2,505
II.2	(Increase) decrease in inventories	122	(266)
II.3	Increase (decrease) in trade and other payables	1,793	(3,038)
	Cash flows from the main activities	**2,351**	**3,073**
III.1	Interest received		
III.2	Interest paid	(623)	(681)
III.3	Income tax paid	(604)	(144)
	Net cash flows from the key operations	**1,125**	**2,248**

IV.	**Cash flows from (to) investing activities**		
IV.1	Acquisition of tangible non-current assets	(632)	(705)
IV.2	Capitalization of intangible non-current assets	(248)	(350)
IV.3	Funds from disposal of non-current assets	23	0
IV.4	Loans granted	(906)	(327)
IV.5	Loans regained	4	
	Net cash flows from the investing activities	**(1,757)**	**(1,381)**

(continued on the next page)

(all amounts are in EUR thousand unless otherwise stated)

III.	**Cash flows from the financial activities**	(1,477)	(1,862)
III.1	Cash flows related to the shareholders of the company		
III.1.1	Issue of shares		
III.1.2	Shareholders' contributions for covering losses		
III.1.3	Sale of own shares		
III.1.4	Payment of dividends	(899)	
III.2	Cash flows arising from other financing sources		
III.2.1	Grants received	48	
III.2.1.1	Funds from non-current borrowings	833	
III.2.1.2	(Repayment) of borrowings	(1,482)	(1,950)
III.2.2	Finance lease received	48	112
III.2.2.1	Payments of leasing (finance lease) liabilities	(24)	(24)
III.3	Other decreases in the cash flows from financial activities		
III.4.	Redemption of issued securities		
	Net cash flows from the financial activities	**(1,477)**	**(1,862)**

IV.	**Cash flows from extraordinary items**		
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
V.	**The influence of exchange rates adjustments on the balance of cash and cash equivalents**		
VI.	**Net increase (decrease) in cash flows**	**(2,109)**	**(1,146)**
VII.	**Cash and cash equivalents at the beginning of period**	**2,617**	**3,764**
VIII.	**Cash and cash equivalents at the end of period**	**508**	**2,617**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

(all amounts are in EUR thousand unless otherwise stated)

Consolidated Statement of Changes in Equity

	Paid up authorised capital	Share premium	Own shares (-)	Legal reserves			Other reserves			Retained earnings (losses)	TOTAL	Minority shareholders	TOTAL
				Compulsory	For acquiring own shares	For social needs	Other	Currency exchange reserve	Revaluation reserve				
Balance as at 31 January 2015	**11,491**	**0**	**0**	**901**	**0**	**0**	**0**	**(48)**		**(3,158)**	**9,187**	**0**	**9,187**
Net profit for the 2016 QI-IV										1,207	**1,207**	(0)	**1,207**
Non-current assets revaluation	3,566								(3,566)		**0**		**0**
Increase of authorised capital									9,223		**9,223**		**9,223**
Other changes								(2)	19	(0)	**17**		**17**
Cover of losses	**(3,170)**									**3,170**	**0**		**0**
Other comprehensive income									(126)	**126**	**0**		**0**
Balance as at 31 December 2016	**11,887**	**0**	**0**	**901**	**0**	**0**	**0**	**(50)**	**5,550**	**1,345**	**19,633**	**0**	**19,633**
Net profit for the 2017 QI-IV										(1,063)	**(1,063)**	(0)	**(1,063)**
Dividends										(1,041)	**(1,041)**		**(1,041)**
Formed reserves				69	30					(99)	**0**		**0**
Increase of authorised capital									350		**350**		**350**
Other changes								(4)		(107)	**(111)**		**(111)**
Other comprehensive income										557	**557**		**557**
Balance as at 31 December 2017	**11,887**	**0**	**0**	**971**	**30**			**(54)**	**5,900**	**(408)**	**18,325**	**(0)**	**18,326**

Managing Director Gediminas Čeika

Financial Director Mindaugas Sologubas

(all amounts are in EUR thousand unless otherwise stated)

EXPLANATORY NOTES

1 Basic information

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

Pramonės str. 6,
Alytus,
Lithuania.

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

Main shareholders of AB Snaigė as on December 30, 2017and December 31, 2016 were:

	December 31, 2017		December 31, 2016	
	Number of shares owned	**Share of total capital, %**	**Number of shares owned**	**Share of total capital, %**
Sekenora Holdings Limited	36,096,193*	91.10%		
Vaidana UAB			36,096,193*	91.10%
Other shareholders	3,526,202	8.90%	3,526,202	8.90%
Total	**39,622,395**	**100%**	**39,622,395**	**100%**

*Out of this amount Sekenora Holdings Limited collateralized 4,584,408 shares to the bank in accordance with collateral agreement to ensure financial Snaige AB liabilities (31 December 2016 - 4,584,408 shares were collateralized by Vaidana UAB to ensure its liabilities).

All the shares of the Company are ordinary registered intangible shares with the par value of 0.30 euro each and were fully paid as at 31 December 2017 and 31 December 2016.

As at 31 December 2017 and 31 December 2016 the Company did not hold its own shares.

As at 31 December 2017 Sekenora Holdings Limited is ultimately owned by controlling shareholder Hymana Holdings Ltd. (intermediate shareholders are Bevorano Holdings Limited, Vaidana UAB).

The Group consisted of AB Snaige and the followings subsidiaries as at 31 December 2017 (hereinafter – "the Group"):

Company	**Country**	**Percentage of the shares held by the Group**	**Profit (loss) for the reporting year**	**Shareholders' equity**
TOB Snaige Ukraina	Ukraine	99%	1	12
UAB Almecha	Lithuania	100%	(41)	378

As at 31 December 2017, the Board of the Company consist of 5 members. The board does not have AB Snaigė representatives.

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

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

As at 31 December 2017 the number of employees of the Group was 708 (as at 31 December 2016 – 719).

2 Accounting principles

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

2.1. Basis of preparation

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

These financial statements are prepared on the historical cost basis.

2.2. Going concern

The Group's current liabilities exceeded current assets by EUR 6,433 thousand of 31 December 2017 (in the year 2016, December 31st current assets exceeded current liabilities by EUR 4,664 thousand).

- liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 0.67 (1.51 on 31st December 2016),
- quick ratio ((total current assets – inventories) / total current liabilities) – 0.44 (on 31st December 2016 - 0.98),
- the Group suffered EUR 1,063 thousand loss before tax (in 2016 over the same period - EUR 1,207 thousand profit before tax),
- Debt ratios: the ratio of debt/asset was 0.56 (whereas in the year 2016, December 31st - 0.53).

Liquidity ratios became worse due t the fact, that current liabilities of the Group increased significantly after re-classification of bank loan from long to current liabilities. This was done according to IFRS requirements, even though agreed terms of credit were not changed (note 21). Adjusted ratios, calculated according to real credit return terms, would be as follows:

- Adjusted liquidity ratio: general coverage ratio (total current assets / total current liabilities – re-classified amount) was 1.19 (1.51 on 31st December 2016),
- Adjusted quick ratio ((total current assets – inventories) / total current liabilities – re-classified amount) – 0.78 (on 31st December 2016 - 0.98),

These financial statements for the 31 December 2017 have been prepared based on the assumption that the Group will be able to continue as a going concern for at least 12 months. The going concern is based on the following assumptions:

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

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

2.3. *Presentation* currency

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

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 applicable exchange rates in relation to euro as at the 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017	**31 December 2016**
UAH	33.60862	28.4474
USD	1.1993	1.0453

2.4. Principles of consolidation

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

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

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

2.5. Intangible assets, except for goodwill

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

Research and development

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

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

Licenses

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

Software

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

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

2.6. Tangible non-current assets

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

(all amounts are in EUR thousand unless otherwise stated)

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

Buildings and structures (including 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 (including 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.

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

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

2.7. Non-current assets held for sale

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

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

2.8. Inventories

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

2.9. Receivables and loans granted

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

2.10. Cash and cash equivalents

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

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

2.11. Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised as at 31 December 2017 and 31 December 2016.

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

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

2.12. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into. Subsequent to initial recognition and measurement, outstanding derivatives are carried in the statement of financial position at the fair value. Fair value is determined using the discounted cash flow method applying the effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. The Group had no derivative contracts outstanding as at 31 December 2017 and 31 December 2016.

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

2.13. Factoring

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

2.14. Financial lease and operating lease

Finance lease – the Group as lessee

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

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

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

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

Operating lease – the Group as lessee

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

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

2.15. Grants and subsidies

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

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

2.16. Provisions

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

2.17. Non-current employee benefits

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

2.18. Revenue recognition

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

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

(all amounts are in EUR thousand unless otherwise stated)

Revenue from services is recognized on accrual basis when services are rendered and are stated in the statement of comprehensive income.

In these consolidated financial statements intercompany sales are eliminated.

2.19. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each reporting date.

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

Other assets

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

2.20. Subsequent events

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

2.21. Offsetting and comparative figures

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

3 Segment information

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

Information on Group's sales is presented below:

	Total sales revenue		Inter-group sales		Sales revenue	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Russia	698	419	-	-	698	419
Ukraine	7,592	7,540	-	-	7,592	7,540
Western Europe	14,144	13,855	-	-	14,144	13,855
Central Europe	6,993	8,888	-	-	6,993	8,888
Lithuania	5,621	5,903	(230)	(278)	5,391	5,625
Other CIS countries	3,000	2,258	-	-	3,000	2,258
Other Baltic states	1,308	1,231	-	-	1,308	1,231
Other countries	76	1	-	-	76	1
Total	**39,432**	**40,095**	**(230)**	**(278)**	**39,202**	**39,817**

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

As at 31 December 2017 the sales to the five largest buyers comprised 28.77 % of total sales (as at 2016 – 33.91 %,).

(all amounts are in EUR thousand unless otherwise stated)

4 Cost of sales

	31 12 2017	31 12 2016
Raw materials	25,108	23,240
Salaries and wages	2,885	3,432
Depreciation and amortisation	1,348	1,321
Other	5,552	4,468
Total:	**34,893**	**32,461**

5 Other income

	31 12 2017	31 12 2016
Income from transportation services	241	153
Income from sale of other services	65	40
Income from rent of premises	13	13
Gain on disposal of property, plant and equipment	3	0
Income from rent of equipment	0	0
Other	-	-
Total:	**322**	**207**

6 Operating expenses

	31 12 2017	31 12 2016
Selling expenses	2,709	2,382
General and administrative expenses	2,654	3,287
	5,363	**5,669**

7 Other operating expenses

	31 12 2017	31 12 2016
Transportation expenses	239	152
Expenses from rent of equipment	-	-
Gain on disposal of property, plant and equipment	-	-
Other	36	33
	275	**185**

8 Financial income

	31 12 2017	31 12 2016
Foreign currency exchange gain	1	-
Interest income and other	587	546
	588	**546**

(all amounts are in EUR thousand unless otherwise stated)

9 Financial expenses

	31 12 2017	31 12 2016
Interest expenses	607	677
Loss of foreign currency exchange, net	36	0
Realized loss on foreign currency derivatives	-	-
Loss of foreign currency translation transactions	-	2
Other	-	0
	643	**679**

10 Intangible assets

	Balance sheet value	
	31 12 2017	**31 12 2016**
Development costs	1,445	1,503
Software, license	56	96
Other intangible assets	126	38
Total:	**1,627**	**1,637**

Over 2017 the Group has accumulated EUR 324 thousand (2016 - EUR 320 thousand) of intangible assets depreciation The amount of EUR 9 thousand for 2017 (EUR 9 thousand for 2016) was included into production costs. The remaining amount of EUR 315 thousand (EUR 311 thousand for 2016) was included into administration expenses in the Group's profit or loss.

Part of non-current intangible assets of the Group with the acquisition value of EUR 3,852 thousand as at 31 December 2017 was fully amortised (EUR 3,803 thousand as at 31 December 2016) but was still in use.

11 Non-current tangible assets

	Balance sheet value	
	31 12 2017	**31 12 2016**
Land and buildings	5,558	5,394
Machinery and equipment	9,080	9,275
Vehicles and other property	1,660	1,856
Construction in progress and prepayments	24	9
Total:	**16,322**	**16,535**

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.

(all amounts are in EUR thousand unless otherwise stated)

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.

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	1,268
Total	**5,650**	**16,722**	**11,072**

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

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

The new useful lifetimes for assessing depreciation have been applied since 1 October 2016.

The depreciation charge of the Group's property, plant and equipment and investment property for 2017 twelve months amounts to EUR 1,555 thousand (EUR 1,543 thousand for 2016). After the assessment of amortization of grants (2017 - 122 and 2016 - 127), the amount of EUR 1,434 thousand for 2017 (EUR 1,321 thousand for 2016) was included into production costs. The remaining amount of EUR 121 thousand (EUR 105 thousand for 2016) was included into administration expenses in the Group's profit or loss.

As at 31 December 2017 buildings of the Group and the Company with the carrying amount of EUR 5,373 thousand, (as at 31 December 2016 – EUR 5,171 thousand respectively), the Group's and the Company's machinery and equipment with the carrying amount of EUR 8,294 thousand (as at 31 December 2016 – EUR 10,538 thousand respectively) were pledged to bank as a collateral for the loans (Note 21).

12 Loans granted

	31 12 2017	**31 12 2016**
Controlling parties	12,041	9,966
The parent	-	667
Loans receivable	**12,041**	**10,633**
Including:		
Non-current borrowings	-	9,966
Current borrowings	12,041	667
Total	**12,041**	**10,633**

(all amounts are in EUR thousand unless otherwise stated)

13 Inventories

	31 12 2017	31 12 2016
Raw materials, spare parts and production in progress	2,801	3,310
Finished goods	1,596	1,166
Other	123	379
Total inventories, net	**4,520**	**4,855**

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

As at 31 December 2017 the Group and Company has no legal restrictions on inventories.

14 Trade receivables

	31 12 2017	31 12 2016
Receivables	6,789	6,417
Less: impairment allowance for doubtful receivables	(1,068)	(1,061)
	5,721	**5,356**

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

As at 31 December 2017 100% impairment was accounted trade receivables of the Group in gross values of EUR 1,068 thousand (as at 31 December 2016 – EUR 1,061 thousand). Change in impairment allowance for receivables was accounted for within administrative expenses. Impairment allowance for doubtful receivables is recognised due to receivables from not related customers.

Trade receivables from the Group in the amount of EUR 2,926 thousand as at 31 December 2017 (EUR 2,935 thousand as at 31 December 2016) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch. Trade receivables from Ukraine, Moldova, Russia and other CIS countries are not insured.

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

	31 12 2017	31 12 2016
Balance at the beginning of the period	(1,061)	(1,001)
Charge for the year	(46)	(81)
Write-offs of trade receivables	1	-
Effect of the change in foreign currency exchange rate	2	(12)
Amounts paid	36	33
Balance in the end of the period	**(1,068)**	**(1,061)**

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

15 Other current assets

	31 12 2017	31 12 2016
Prepayments and deferred expenses	42	66
VAT receivable	162	132
Compensations receivable from suppliers	-	-
Restricted cash	4	4
Granted loans	1,568	667
Income tax paid in advance	236	14
Other receivables	313	129
	2,326	**1,013**

(all amounts are in EUR thousand unless otherwise stated)

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

	31 12 2017	**31 12 2016**
Balance at the beginning of the period	-	-
Charge for the year	-	-
Effect of the change in foreign currency exchange rate	-	-
Amounts paid	-	-
Write off	-	-
Balance in the end of the period	-	-

16 Cash and cash equivalents

	31 12 2017	**31 12 2016**
Cash at bank	503	2,615
Cash on hand	5	2
	508	**2,617**

17 Share capital

According to the Law on Companies of the Republic of Lithuania the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As at 31 December 2017 the Company was in compliance with this requirement.

18 Reserves

Legal reserve

The Company's legal reserve is compulsory under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2017 the legal reserve has not been fully formed yet.

As of 31 December 2017 the legal reserve amounted to EUR 971 thousand.

Other reserves

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

Foreign currency translation reserve

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

Exchange rate 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.

(all amounts are in EUR thousand unless otherwise stated)

19 Grants

Balance as at 31 December 2013	**3,100**
Received during the period	12
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
Received during the period	48
Balance as at 31 December 2017	**3,865**
Accumulated amortisation as at 31 December 2013	**2,914**
Amortisation during the period	25
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
Amortisation during the period	122
Accumulated amortisation as at 31 December 2017	**3,236**
Carrying amount as at 31 December 2017	**629**
Carrying amount as at 31 December 2016	**703**

The grants were received for the renewal of production machinery and repairs of buildings in connection with the elimination of CFC 11 element from the production of polyurethane insulation and filling foam, and for elimination of greenhouse gases in the manufacturing of domestic refrigerators and freezers, also, for increase in efficiency by investing into the production of commercial refrigerators and infrastructure development via investments into a research centre of new products.

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

20 Warranty provisions

The Group provide a warranty of up to 2 years for the production sold and up to 3 years warranty on resale. 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.

(all amounts are in EUR thousand unless otherwise stated)

Changes in warranty provisions were as follows:

	31 12 2017	31 12 2016
As at 1 January	499	592
Additions during the year	181	670
Utilised	(196)	(262)
Foreign currency exchange effect	-	-
Written off	(73)	(501)
	411	**499**

Warranty provisions are accounted for:

	31 12 2017
- non- current	257
- current	154

	31 12 2016
- non- current	181
- current	318

21 Borrowings

	31 12 2017	31 12 2016
Non-current borrowings		
Non-current borrowings with fixed interest rate	-	-
Non-current borrowings with variable interest rate	413	9,884
Long-term liabilities of leasing companies	84	68
	497	**9,951**
Current borrowings		
Current borrowings with fixed interest rate	-	-
Long-term loans of the current year	10,124	1,302
Current liabilities of leasing companies	28	21
	10,152	**1,323**
Total	**10,648**	**11,274**

The main information on individual borrowings is disclosed below:

	Type	Maturity	As at December 31 2017	As at December 31 2016
Borrowing 1	Loan	23/12/2019	9,884	11,186
Borrowing 2	Loan	10/04/2020	653	-
Leasing 1		26/03/2021	38	49
Leassing 2		26/05/2021	16	20
Leasing 3		26/08 2021	14	19
Leasing 4		11/07 2022	44	-
			10,648	**11,274**

(all amounts are in EUR thousand unless otherwise stated)

The loan 1 bear 1-month EURIBOR + 5.75 annual interest rate as at 31 December 2017, the loan 2 bear 5% fixed interest rate, with right to review conditions 6-month EURIBOR + 3,5% margin (as at 31 December 2016 1-month EURIBOR + 5,75 annual interest rate for the loan 1).

As of 31 December 2017 the Company's buildings with the carrying amount of EUR 5,373 thousand (EUR 5,171 thousand as at 31 December 2016), the Group's and Company's machinery and equipment with the carrying amount of EUR 8,294 thousand (EUR 10,538 thousand as at December 2016) were pledged to the banks for the loans.

On 11 april 2017 company was granted a credit, amounting to EUR 833 thousand, bearing 5% fixed interest rate, with right to review conditions 6-month EURIBOR + 3,5% margin. Maturinty date – 10 april 2020. Financial assurance agreement was signed with bank, under which company pledged current and future funds in all bank accounts, amounting maximum to EUR 833 thousand.

Re-classification of Borrowing 1 from long to current liability was done because Bank has right to claim early return if Company does not comply with required Debt/Ebitda ratio. Up to the date of issue of this report, no claims or intentions to use this right were received from the Bank, and Company fully return all amounts according to agreed schedule. If Borrowing 1 would not be re-classified, current year part of debt would be EUR 1400 thousand, remainder in year 2019.

Borrowings in national currency:

	31 12 2017	**31 12 2016**
Borrowings denominated in:		
EUR	10,648	11,274
USD	-	-
	10,648	**11,274**

Repayment schedule for borrowings:

	Fixed interest rate	**Variable interest rate**
2018	-	10,152
2019	-	334
2020	-	139
2021	-	18
2022	-	6
	-	**10,648**

22 Financial leasing

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

Financial lease payments in future are for dates December 31, 2017 and December 31, 2016 as follows:

	31 12 2017	**31 12 2016**
2017	32	23
2018 – 2022	88	72
Financial lease liabilities total	**120**	**95**
Interest	(8)	(7)
Financial lease liabilities current value	**112**	**88**

Financial lease obligations are accounted as:

- non- current	28	21
- current	84	68

(all amounts are in EUR thousand unless otherwise stated)

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

Book value of leased assets:

	31 12 2017	31 12 2016
Machinery and equipment	200	146

23 Operating lease

The Group have concluded several contracts of operaing lease of land and premises. The terms of lease do not include restrictions of the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. In 2017 twelve months the lease expenses of the Group amounted to EUR 63 thousand (in 2016 EUR 67 thousand respectively).

Planned operaiting lease expenses of the Group in 2018 will be EUR 61 thousand.

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

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

24 Other current liabilities

	31 12 2017	31 12 2016
Salaries and related taxes	730	802
Vacation reserve	529	388
Dividends deposits	52	-
Accrued interest	18	16
Other taxes payable	7	391
Other payables and accrued expenses	121	88
	1,457	**1,686**

Terms and conditions of other payables:

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

25 Basic and diluted profit (loss) per share

	31 12 2017	31 12 2016
Shares issued 1 January	39,622,395	39,622,395
Net profit (loss) for the year, attributable to the shareholders of company, in EUR	(505,953)	1,206,845
Basic profit (loss) per share, in EUR	**(0.01)**	**0.03**

(all amounts are in EUR thousand unless otherwise stated)

26 Risk and capital management

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

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

Credit risk

As at 31 December 2017 and 31 December 2016, the maximum exposure to credit risk is represented by the carrying amount of each financial asset, consequently, the Group's and the Company's management considers that its maximum exposure is reflected by the amount of loans receivable from related parties, trade and other receivables, net of impairment allowance, and the amount of cash and cash equivalents recognised at the date of the statement of financial position. Credit risk or risk that a counterparty will not fulfil its obligations, is controlled by credit terms and monitoring procedures, using services of external credit insurance agencies.

As at 31 December 2017 and 31 December 2016, the credit risk was related to:

	31 12 2017	**31 12 2016**
Loans with interest receivable from related parties	12,041	10,633
Trade and other receivables	5,721	5,356
Cash and cash equivalents	508	2,617
	18,270	**18,606**

As at 31 December 2017 and as at 31 December 2016 the main part of the loans granted consist of the loan granted to intermediate shareholder.

The concentration of the Group's trade partners and the largest credit risk related to trade receivables according to clients as at 31 December 2017 and 31 December 2016

	2017	**%**	**2016**	**%**
Client 1	890	13	719	11
Client 2	627	9	413	8
Client 3	390	6	396	6
Client 4	371	5	336	5
Client 5	285	4	287	4
Client 6	230	3	263	4
Client 7	229	3	205	3
Other clients	3,767	57	3,797	59
Impairment	(1,068)		(1,060)	
	5,721	**100**	**5,356**	**100**

(all amounts are in EUR thousand unless otherwise stated)

Trade receivables according to geographic regions:

	31 12 2017	**31 12 2016**
Western Europe	2,246	1,788
Central Europe	1,197	1,190
Ukraine	1,092	1,121
Lithuania	589	972
Other CIS countries	326	122
Other Baltic States	121	32
Russia	137	131
Other	13	-
	5,721	**5,356**

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

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

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

Trade receivables from the Group in the amount of EUR 2,926 thousand as at 31 December 2017 (EUR 2,935 thousand as at 31 December 2016) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch. Trade receivables from Ukraine, Moldova, Russia and other CIS countries were not insured.

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

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

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

<u>Interest rate risk</u>

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

As at 31 December 2017 and 31 December 2016 the Group did not use any financial instruments to hedge against interest rate risk.

<u>Liquidity risk</u>

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

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

Foreign exchange risk

The Group significantly reduced income earned in USD.

Most of income is earned in euro by the Group.

Capital management

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

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

The Company is obliged to keep its equity not lower than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2017 the Group and the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Group.

27 Commitments and contingencies

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.

On December 19, 2017 the Company issued guarantee letter for daughter company Almecha liability of contract advance payment insurance. The contract covers production of manufacturing line, same as several ones before. Moreover, Almecha is fully capable to cover these losses if such occur, so probability of having to cover this guarantee is very low. Maximum liability amount – EUR 466 thousand, insurance valid until 1 January 2019.

After reporting date, Bank of Lithuania fined Company for EUR 207 thousand (note 29), and this fine is not reflected in the report. If company will not appeal this decision or will loose the trial, it will have to pay the fine. Company appealed against this decision, the trial process has not started yet.

28 Related party transactions

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

The related parties of the Group during 2017 and 2016 were as follows:

UAB Vaidana (controlling party, 2016 - 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 2017 and 31 December 2016 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. Following decision of Bank of Lithuania (note 29), receivables will be tested for impairment again, and allowances will be formed in annual report if necessarry.

(all amounts are in EUR thousand unless otherwise stated)

Financial and investment transactions with the related parties:

	31 December 2017				31 December 2016			
	Loans received	**Interest expenses**	**Loans granted**	**Interest income**	**Loans recived**	**Interest expenses**	**Loans granted**	**Interest income**
Controlling parties	-	-	906	587	-	-	-	573
The parent	-	-	-	-	-	-	327	27
	-	**-**	**906**	**587**	**-**	**-**	**327**	**600**

31 12 2017	**Purchases**	**Sales**	**Receivables**	**Payables**
Companies, controlled by ultimate shareholders	1,087	-	6	277
Controlling parties	-	-	-	-
	1,087	**-**	**6**	**277**

2016	**Purchases**	**Sales**	**Receivables**	**Payables**
Companies, controlled by ultimate shareholders	995	-	239	-
Controlling parties	-	-	10,633	
	995	**-**	**10,872**	**-**

The Company‘s transactions carried out with subsidiaries:

	Purchases		**Sales**	
	2017	**2016**	**2017**	**2016**
Subsidiaries	**224**	**265**	**111**	**102**

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:

	31 12 2017	**31 12 2016**
Non-current receivables		
Subsidiaries	-	-
Total non-current receivables	**-**	**-**
Current receivables		
Subsidiaries	27	29
Total current receivables	**27**	**29**

(all amounts are in EUR thousand unless otherwise stated)

The analysis of receivables from subsidiaries and granted loans during the period on 31 December 2017 and 2016:

	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
2017	27	-	-	-	-	-	**27**
2016	29	-	-	-	-	-	**29**

Payables to subsidiaries as of 31 December 2017 and 31 December 2016 (included under the trade payables caption in the Company's statement of financial position):

	31 12 2017	31 12 2016
Subsidiaries	**105**	**132**

Remuneration of the management and other payments

Remuneration of the Group management amounted to EUR 1,087 thousand (23 employees) during the twelve months of 2017, in 2016 - EUR 1,049 thousand (23 employees). The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

29 Subsequent events

Decision of the Director of the Supervision Service of the Bank of Lithuania

AB Snaigė in 2018 February 1 has received a decision No. 241-19 dated 29 January adopted by the director of the Supervision Service of the Bank of Lithuania (hereinafter – Decision), which states:

1. To oblige AB Snaigė to promptly, but not later than within 24 hours after receipt of this resolution, to make public a notice of material event, i.e. about this resolution of the Director of the Supervision Service of the Bank of Lithuania, indicating:
1.1 That pursuant to a resolution of the Director of the Supervision Service of the Bank of Lithuania, AB Snaigė was imposed a fine of EUR 207,250.00 (two hundred seven thousand two hundred fifty) for a violation of Article 22 of the Law on Securities of the Republic of Lithuania and for failure to comply with the mandatory instructions of the Bank of Lithuania;
1.2. That AB Snaigė financial statements of 2016 do not comply with IAS 1 'Presentation of Financial Statements', IAS 16 'Property, Plant and Equipment', and IAS 39 'Financial Instruments: Recognition and Measurement' requirements;
1.3. The impact of violations on the financial statements:
1.3.1. receivables from affiliated companies (at the end of 2015 – EUR 9.8 million, at the end of 2016 – EUR 10.64 million) showed signs of impairment that were not assessed and no present value of the receivables was calculated and therefore no precise impact on the Company's financial position and financial results can be established, but if the present value of receivables from related companies was lower than the carrying amount of that sum, AB Snaigė assets and unallotted result for 2015 and 2016 would be reduced;
1.3.2. in 2016, AB Snaigė, in breach of international accounting standards, used part of revaluation reserve to cover accumulated losses, therefore the revaluation reserve of AB Snaigė unlawfully decreased by EUR 3.17 million;
1.3.3 while preparing the financial statements for 2016, AB Snaigė did not assess significant uncertainties that might have raised doubts about the Company's business continuity and did not disclose this information in the financial statements;
1.4 The date when the financial statements will be corrected, evaluated and made public;
1.5. That the members of the management bodies of the Company did not comply with the principles established in the Management Code of companies listed in NASDAQ Vilnius, and therefore AB Snaigė did not publicly disclose information on compliance with the principles and standards of the Code in 2016. The directors of AB Snaigė did not act in the interests of all the shareholders and the Company because:
- Companies affiliated with the controlling shareholder received EUR 11.92 million worth of loans by 30 September 2017, by the decision of the Company's directors for which the Company does not pay accrued interest on loans (since mid-2012). The Company's money is not used to increase the value of the Company and to the benefit of all the shareholders, while the controlling shareholder can use the money received for his or her own needs and benefit from

it. In addition to that, by the decisions of the Company's directors, the Company has taken a loan from a bank for the benefit of companies affiliated with the controlling shareholder, for which interest is paid from the Company's funds.

- On the proposal of the Company's Board, in breach of legal requirements and in violation of the provisions of IAS 16, by decision of the General Meeting of Shareholders, the revaluation reserve was reduced by EUR 3.17 million and became such, that in the event of certain market developments or other factors that would result in impairment of property, plant and equipment, it may not be sufficient to cover the decrease in the value of the asset, and by recording it directly in the profit (loss) statement it would reduce the profit earned by the Company or increase the losses incurred.
- Company's accumulated losses were offset by non-compliance with legal requirements and in violation of the provisions of IAS 16, but by the decision of the Company's Board, it was proposed to the General Meeting of Shareholders to pay dividends. Heads of the Company failing to comply with the mandatory instructions of the Bank of Lithuania – not justifying the recapture of receivables from affiliated companies that had signs of impairment and unlawfully eliminating accumulated losses of the Company, i.e. not assessing the financial position and performance of the Company, if they were included in the accounting according to the requirements of international accounting standards, proposed to the Company's General Meeting of Shareholders to decide on the payment of dividends. Thus, the Heads of the Company offered to the shareholders of the Company to make a decision regarding the payment of dividends without having prepared financial statements that would present a true and fair view. The companies affiliated with the controlling party were allocated EUR 0.87 million dividends (91.1% of the total amount of allocated dividends), but although the Company stated that the receivables from affiliated companies may be recovered through paid dividends, the amounts paid were not returned to the Company.

The above-mentioned violations violate the essential requirements of the law, violations have been made for the benefit of the controlling shareholder and violate the interests of the Company itself and its minority shareholders."

According to this decision, mature event was announced on 1 February 2018

Company's management opinion concerning the decision of the director of the Supervision Service of the Bank of Lithuania

Gediminas Čeika, the Director General of AB Snaigė, appears to be surprised by the violations identified by the Director of the Supervision Service of the Bank of Lithuania and the decision to impose a fine against the company.
"In our opinion all resolutions of the company's management and the board, the receivables and other possible uncertainties have been adequately disclosed in the annual audited reports and reassessed in the course of implementation of the order of the Supervision Service of the Bank of Lithuania," stated Čeika. "It is possible that this decision is stemming only from the difference in evaluation of the information that has been disclosed. Thus, we intend to scrutinise the decision of the Bank of Lithuania, and as the last resort, we might consider the possibility of lodging a claim," added he.
According to Gediminas Čeika, the company's management acts in conformity with all legal acts in force and duly represents the interests of the company and its shareholders. "The dividends have been paid out to all our shareholders, not only to the large one," continued Čeika. "Therefore, there are no reasons to claim that the interests of the smaller shareholders have been infringed."

The company's financial position is stable and it conducts regular activities. The fine imposed by the Bank of Lithuania will not exert any significant influence on neither the company's financial situation nor its results. This year, the company is expected to introduce two new lines of refrigerators. The company's export comprised 90% in the first three quarters of 2017. The main export markets were Germany, France, Ukraine, Poland and Czech Republic. AB Snaigė market positions are particularly strong in Lithuania, where it is the top selling refrigerator brand and holds the largest share of the market (22%, according to data collected by GFK). According to the unaudited consolidated data, the company's proceeds reached an EBITDA of 1.6 million euro in the three quarters of the past year, amounting to 30 million euro in turnover. The cause of the unaudited unconsolidated loss (EUR 0.244 million) was the global increase in prices of the raw material relevant to the company.

Extraordinary General Meeting of Shareholders

On 31 January 2018, extraordinary shareholders' meeting was announced, with only one question on agenda – election of auditor. The meeting did not take place in nominated time. Repeated extraordinary shareholders meeting took place on 15 February 2018, in which shareholders decided to revoke decision to elect audit firm which was approved during extraordinary shareholder's meeting on 22 August 2017 and to elect the audit firm Grant Thornton Baltic UAB for auditing purposes of financial statements of 2017 and 2018 years.