


SNAIGĖ, 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 Mindaugas Sologubas, CEO of Snaigė, AB and Vytautas Adomaitis, Chief Accountant of Snaigė, AB hereby confirm that, to the best of our knowledge, the attached unaudited interim consolidated Snaigė, AB financial statements for the nine months period ended 30 September 2019, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, reflects the reality correctly and fairly shows group of companies assets, liabilities, financial position, profit or loss and cash flow.



Mindaugas Sologubas
Managing Director



Vytautas Adomaitis
Chief Accountant

November 28, 2019

AB SNAIGĖ
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
PERIOD ENDED 30 SEPTEMBER 2019
(UNAUDITED)

CONTENTS

I. GENERAL PROVISIONS	3
II. FINANCIAL STATUS	4
III. EXPLANATORY NOTES	10

I. GENERAL PROVISIONS

1. Accounting period of the report

The report has been issued for the nine months of 2019.

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 0.26 euro and to establish that the Company's authorized capital is equal to 10,301,822.70 euro.

Address - Pramonės str. 6, LT-62175 Alytus

Phone - (+370-315) 56 206

Fax - (+370-315) 56 207

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 September 24, 2019 in Register of Legal Entities of the Republic of Lithuania.

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

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

The mass media – daily paper „Kauno diena”

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Ref. No.	ITEMS	Notes	01 01 2019 30 09 2019	01 07 2019 30 09 2019	01 01 2018 30 09 2018	01 07 2018 30 09 2018
1.	Sales	3	25 825	10 125	26 824	10 088
2.	Cost of sales	4	(23 197)	(8 851)	(24 550)	(8 911)
3.	Real value change of biological property					
4.	GROSS PROFIT (LOSS)		2 628	1 274	2 274	1 177
5.	Selling expenses		(2 058)	(934)	(1 864)	(685)
6.	General and administrative expenses		(1 438)	(649)	(1 206)	150
7.	Results of other activity	5,7	35	8	51	14
8.	Investments incomes into the shares of patronise, patronized and associated companies					
9.	Incomes of other long-term investments and loans	8			451	152
10.	Incomes of other interest or similar incomes	8	14	10	4	2
11.	Value decrease of financial property and short-term investments					
12.	Costs of interest and other similar costs	9	(411)	(137)	(419)	(140)
13.	PROFIT (LOSS) BEFORE INCOME TAX		(1 230)	(428)	(709)	670
14.	Income tax					
15.	PROFIT (LOSS) BEFORE NONCONTROLLING INTEREST		(1 230)	(428)	(709)	670
16.	Non-controlling interest					
17.	Other comprehensive income		694	238	439	154
18.	TOTAL COMPREHENSIVE INCOME		(536)	(190)	(270)	824

Managing Director

Mindaugas Sologubas

Chief Accountant

Vytautas Adomaitis

Consolidated Statement of Financial Position

Ref. No.	ASSETS	Notes	As at 30 September 2019	As at 31 December 2018
	ASSETS			
A.	Non-current assets		16 973	18 222
1.	Intangible assets	10	1 617	1 604
2.	Tangible assets	11	15 356	16 618
2.1.	Land			
2.2.	Buildings and structures		5 747	5 918
2.3.	Machinery and equipment		8 143	9 065
2.4.	Vehicles and other property		1 357	1 635
2.5.	Construction in progress and prepayments		109	0
3.	Financial assets	12	0	0
4.	Other non-current assets		0	0
B.	Current assets		11 272	12 426
1.	Inventories	13	3 623	3 549
2.	Accounts receivable within one year		7 252	8 523
2.1.	Customers' debts	14	6 724	5 748
2.2.	Contracts assets			2 155
2.3.	Prepayments		110	115
2.4.	Other amounts receivable	15	418	505
3.	Short-term investments			
4.	Cash and cash equivalents	16	397	354
C.	Accrued income and prepaid expenses		0	0
	Total assets		28 245	30 648

(continued on the next page)

AB SNAIGĖ, company code 249664610, Pramonės str. 6, Alytus Lithuania
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(all amounts are in EUR thousand unless otherwise stated)

Ref. No.		Notes	As at 30 September 2019	As at 31 December 2018
	EQUITY AND LIABILITIES			
D.	Equity		5 812	6 933
1.	Capital		10 302	11 887
1.1.	Authorized (subscribed) share capital		10 302	11 887
1.2.	Signed unpaid capital (-)			
1.3.	Own shares(-)			
2.	Shares premiums			
3.	Revaluation reserve		5 913	6 502
4.	Reserves	18	991	971
5.	Retained earnings (loss)		(11 345)	(12 374)
6.	Influence of currency exchange rate		(49)	(53)
7.	Non-controlling interest		0	0
E.	Grants, subsidies	19	557	618
F.	Provisions		2 245	2 355
1.	Pensions provisions and similar provisions		269	316
2.	Taxes provisions		1 789	1 893
3.	Other provisions	20	187	146
G.	Accounts payable and liabilities		19 631	20 742
1.	Accounts payable after one year and other non-current liabilities	21	337	367
2.	Account payable within one year and current liabilities		19 294	20 375
2.1.	Liabilities of debts			
2.2.	Debts for credit institutions	21	9 480	9 772
2.3.	Received prepayments		72	75
2.4.	Debts to suppliers		7 796	7 508
2.5.	Payable sums acc.to bills and cheque			
2.6.	Contracts liabilities			1 514
2.7.	Payable sums for associated companies			
2.8.	Profit tax payment obligations			
2.9.	Obligations related to work relations		992	871
2.10.	Other current liabilities		954	635
H.	Accrued charges and deferred income			0
	Total equity and liabilities		28 245	30 648

Managing Director

Mindaugas Sologubas

Chief Accountant

Vytautas Adomaitis

Consolidated Statement of Cash Flow

Ref. No.		30 09 2019	30 09 2018
I.	Cash flows from the key operations		
I.1	Net result before taxes	(1 230)	(709)
I.2	Depreciation and amortization expenses	1 667	1 495
I.3	(Amortisation) of grants	(98)	(96)
I.4	Result from disposal of non-current assets		
I.5	Write-off of non-current assets		
I.6	Write-off of inventories	1	1
I.7	Depreciation of receivables		
I.8	Other provisions		
I.9	Change in provision for guarantee repair	177	7
I.10	Recovery of devaluation of trade receivables and other provisions	(887)	(471)
I.11	Influence of foreign currency exchange rate change		3
I.12	Financial income (interest income)		(451)
I.13	Financial expenses (interest expenses)	396	413
	Cash flows from the key operations until decrease (increase) in working capital	26	192
II.1	Decrease in receivables and other liabilities	1 641	(1 113)
II.2	Decrease in inventories	(79)	1 155
II.3	Increase in trade and other payables	(790)	520
	Cash flows from the main activities	798	754
III.1	Interest income		
III.2	Interest paid		
III.3	Income tax paid	(23)	(92)
	Net cash flows from the key operations	775	662
IV.	Cash flows from (to) investing activities		
IV.1	Acquisition of tangible non-current assets	(50)	(157)
IV.2	Capitalization of intangible non-current assets	(3)	(1)
IV.3	Proceed from disposal of non-current assets		
IV.4	Loans granted		
IV.5	Loans regained	288	674
IV.6	Advance payments	(369)	(221)
IV.7	Interest received	84	196
IV.8	Financial investment assets		
	Net cash flows from the investing activities	(50)	491

(continued on the next page)

III.	Cash flows from the financial activities	(682)	(797)
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		(2)
III.2	Cash flows arising from other financing sources		
III.2.1	Grants received	37	84
III.2.1.1	Proceeds from non-current borrowings		
III.2.1.2	(Repayment) of borrowings	(300)	(441)
III.2.2	Finance lease received		
III.2.2.1	Payments of leasing (finance lease) liabilities	(22)	(21)
III.3	Other decreases in the cash flows from financial activities		
III.4.	Interest paid	(397)	(417)
	Net cash flows from the financial activities	(682)	(797)

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	43	356
VII.	Cash and cash equivalents at the beginning of period	354	508
VIII.	Cash and cash equivalents at the end of period	397	864

Managing Director

Mindaugas Sologubas

Chief Accountant

Vytautas Adomaitis

AB SNAIGĖ, company code 249664610, Pramonės str. 6, Alytus Lithuania
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(all amounts are in EUR thousand unless otherwise stated)

Consolidated Statement of Changes in Equity

	Paid up authorise d capital	Share premiu m	Own shares (-)	Legal reserves		Other reserves				Retained earnings (losses)	TOTAL	Minority sharehol ders	TOTAL
				Compulsory	For acquiring own shares	For social needs	Other	Currency exchange reserve	Revaluation reserve				
Balance as at 31 December 2017	11,887	0	0	971	30	0	0	(54)	5,900	(12 622)	6 112	0	6 112
Net profit for the 2018QI- III										(709)	(709)		(709)
Formed reserves					(30)					30			
Other changes													
Other comprehensive income								1	(374)		(373)	0	(373)
Balance as at 30 September 2018	11,887	0	0	971	0	0	0	(53)	5,526	(12 862)	5 469	0	5 469
Net profit for the 2018QIV										201	201		201
Dividends													
Formed reserves													
Other changes											0		0
Other comprehensive income									976		976	0	976
Balance as at 31 December 2018	11,887	0	0	971	0	0	0	(53)	6502	(12 374)	6 933	0	6 933
Net profit for the 2019QI-III										(1 230)	(1 230)	0	(1 230)
Formed reserves				20						(20)			
Other changes								4	(589)		(585)		(585)
Reduction of authorized capital	(1 585)									1 585			
Other comprehensive income										694	694		694
Balance as at 30 September 2019	10,302	0	0	991	0	0	0	(49)	5,913	(11 345)	5 812	0	5 812

Managing Director

Mindaugas Sologubas

Chief Accountant

Vytautas Adomaitis

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 were:

	September 30, 2019		December 31, 2018	
	Number of shares owned	Share of total capital, %	Number of shares owned	Share of total capital, %
Sekenora Holdings Limited	36,096,193*	91.10%	36,096,193*	91.10%
Other shareholders	3,526,202	8.90%	3,526,202	8.90%
Total	39,622,395	100%	39,622,395	100%

* Out of this amount Sekenora Holdings Limited collateralized 4,584,408 shares to the bank in accordance with collateral agreement to ensure financial Snaigė AB liabilities (31 December 2018 - 4,584,408).

All the shares of the Company are ordinary registered intangible shares with the par value of 0.26 euro each (0.30 euro at 31 December 2018) and were fully paid as at 30 September 2019 and 31 December 2018.

As at 30 September 2019 and 31 December 2018 the Company did not hold its own shares.

The Group consisted of AB Snaigė and the followings subsidiaries as at 30 September 2019 (hereinafter – "the Group"):

Company	Country	Percentage of the shares held by the Group	Profit (loss) for the reporting year	Shareholders' equity
TOB Snaigė Ukraina	Ukraine	99%	(3)	8
UAB Almecha	Lithuania	100%	(279)	261

As at 30 September 2019, same as at 31 December 2018, the Board of the Company consist of 5 members. The board does not have AB Snaigė representatives.

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

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

As at 30 September 2019 the number of employees of the Group was 600 (as at 30 September 2018 – 647).

1. 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 8,022 thousand of 30 September 2019 (in the year 2018, December 31st current liabilities exceeded current assets by EUR 7,949 thousand).

- liquidity ratios: general coverage ratio (total current assets / total current liabilities) was 0.58 (0.61 on 31st December 2018)
- quick ratio ((total current assets – inventories) / total current liabilities) – 0.40 (on 31st December 2018 - 0.44)
- the Group suffered EUR 1,230 thousand loss before tax (in 2018 over the same period - EUR 709 thousand loss before tax),
- Debt ratios: the ratio of debt/asset was 0.77 (whereas in the year 2018, December 31st - 0.75)

Liquidity ratios became worse due to 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 1.13 (1.0 on 31st December 2018),
- Adjusted quick ratio ((total current assets – inventories) / total current liabilities – re-classified amount) – 0.77 (on 31st December 2018 - 0.67)

According to 5 October 2018 amendment to the credit agreement with the company's largest creditor, the Bank, was incomplete with the repayment schedule of credits from related parties. The Company provided and provides all the necessary information about its activity to the Bank on a regular basis and the related party repayment deferral was due to a better than planned investment repayment schedule with equipment suppliers. On 14 August 2019, was signed an additional agreement with bank, modifying the repayment schedule and the additional repayments of 2019 were eliminated. Therefore, in the second half of 2019, the Company does not have to repay 1,538 thous. Eur additional credit instalments, and the influence of this factor on business continuity is controlled.

These financial statements for the 30 September 2019 have been prepared based on the assumption that the Group will be able to continue as a going concern for at least 12 months. The going concern is based on the following assumptions:

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

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

2.3. Presentation currency

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the

acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the statement of financial position date.

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

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

The applicable exchange rates in relation to euro as at the 30 September 2019 and 31 December 2018 were as follows:

	30 September 2019	31 December 2018
UAH	26,36991	31,73488
USD	1,0935	1,1454

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.

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.

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.

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 valuers. 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.

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 30 June 2019 and 31 December 2018.

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 30 June 2019 and 31 December 2018.

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

2.13. Factoring

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

2.14. Financial lease and operating lease

Finance lease – the Group as lessee

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

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

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

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

Operating lease – the Group as lessee

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

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

2.15. Grants and subsidies

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

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

2.16. Provisions

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

2.17. Non-current employee benefits

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

2.18. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts. Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

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

In these consolidated financial statements intercompany sales are eliminated.

2.19. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each reporting date.

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

Other assets

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

2.20. Subsequent events

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

2.21. Offsetting and comparative figures

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

3 Segment information

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

Information as at 30 09 2019 and at 30 09 2018 on Group's sales and receivables from clients is presented below:

	Total sales revenue		Inter-group sales		Sales revenue	
	2019	2018	2019	2018	2019	2018
Russia	188	241	-	-	188	241
Ukraine	5,384	4,613	-	-	5,384	4,613
Western Europe	10,221	10,734	-	-	10,221	10,734
Central Europe	4,716	5,935	-	-	4,716	5,935
Lithuania	3,430	3,631	(138)	(163)	3,292	3,468
Other CIS countries	951	911	-	-	951	911

Other Baltic states	603	696	-	-	603	696
Other countries	470	226	-	-	470	226
Total	25,963	26,987	(138)	(163)	25,825	26,824

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

As at 30 September 2019 the sales to the five largest buyers comprised 33.5 % of total sales, including: the largest buyer 10.04% (as at 2018 – 32.45 %, including: the largest buyer 8.81%).

4 Cost of sales

	30 09 2019	30 09 2018
Raw materials	16,038	16,954
Salaries and wages	2,644	2,668
Depreciation and amortisation	1,239	1,069
Other	3,276	3,859
Total:	23,197	24,550

5 Other income

	30 09 2019	30 09 2018
Income from transportation services	159	186
Income from sale of other services	43	50
Income from rent of premises	11	11
Gain on disposal of property, plant and equipment	-	-
Income from rent of equipment	-	-
Other	-	-
Total:	213	247

6 Operating expenses

	30 09 2019	30 09 2018
Selling expenses	2,058	1,864
General and administrative expenses	1,438	1,206
Total:	3,496	3,070

7 Other operating expenses

	30 09 2019	30 09 2018
Transportation expenses	150	173
Expenses from rent of equipment	-	-

Gain on disposal of property, plant and equipment	-	-
Other	28	23
	178	196

8 Financial income

	30 09 2019	30 09 2018
Foreign currency exchange gain	14	4
Interest income and other	-	451
	14	455

9 Financial expenses

	30 09 2019	30 09 2018
Interest expenses	396	413
Loss of foreign currency exchange, net	11	6
Realized loss on foreign currency derivatives	-	-
Loss of foreign currency translation transactions	4	-
Other	-	-
	411	419

10 Intangible assets

	Balance sheet value	
	30 09 2019	31 12 2018
Development costs	1,134	1,366
Software, license	23	39
Other intangible assets	460	199
Total:	1,617	1,604

Over 2019 the Group has accumulated EUR 251 thousand (2018 respectively - EUR 254 thousand) of intangible assets depreciation, of which EUR 251 thousand (EUR 250 thousand in 2018) is included in operating expenses of the profit (loss) statement, and EUR 4 thousand in 2018 at production cost.

Part of non-current intangible assets of the Group with the acquisition value of EUR 4,127 thousand as at 30 September 2019 was fully amortised (EUR 3,941 thousand for 2018) but was still in use.

11 Non-current tangible assets

	Balance sheet value	
	30 09 2019	31 12 2018
Land and buildings	5,747	5,918
Machinery and equipment	8,143	9,065

Vehicles and other property	31	42
Other equipment, fittings and tools	1,326	1,593
Construction in progress and prepayments	109	-
Total:	15,356	16,618

Starting from 30 September 2016 the Group and the Company decided to revalue 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 valuator.

The estimated fair value of the buildings and structures amounted to EUR 5,975 thousand and the value of machinery and equipment, vehicles and other assets amounted to EUR 10,919 thousand as at 30 September 2018, based on the comparable, depreciated replacement cost (DRC) and income methods.

Asset were valued under this scheme:

1. All Company long term assets were valued using discounted cash flows model.
2. From this value, intangible assets at ballance value and buidings at market value were taken off.
3. Other movable assets were valued usinf comparisson method, while special movable assets and other assets, not possible to value at comparison model, were valued at DRC model. Some assets, not possible to value by methods described above, were valued at disposal rate.
4. The remaining value was allocated to all valued items, by using correction coefficients. Only assets, valued by DRC and disposal methods, were corrected using coeficients.

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 2018:

The Company	Book value	Revalued amounts	Revaluation surplus
Buildings and structures	5,404	5,975	571
Machinery and equipment	8,089	9,160	1,071
Vehicles and other assets	1,435	1,759	324
Total	14,928	16,894	1,966

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 2017:

The Company	Book value	Revalued amounts	Revaluation surplus
Buildings and structures	5,229	5,610	381
Machinery and equipment	8,959	8,983	24
Vehicles and other assets	1,605	1,627	22
Total	15,793	16,220	427

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 2019 nine months amounts to EUR 1,416 thousand (EUR 1,241 thousand for 2018). After the assessment of amortization of grants, the amount of EUR 1,327 thousand for 2019 (EUR 1,155 thousand for 2018) was included into production costs. The remaining amount of EUR 89 thousand (EUR 86 thousand for 2018) was included into administration expenses in the Group's profit or loss.

As at 30 September 2019 buildings of the Group and the Company with the carrying amount of EUR 5,585 thousand, (as at 31 December 2018 – EUR 5,739 thousand respectively), the Group's and the Company's machinery and equipment with the carrying amount of EUR 6,908 thousand (as at 31 December 2018 – EUR 7,773 thousand respectively) were pledged to bank as a collateral for the loans (Note 21).

12 Non-current and current loans to related companies

	Group		Company	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Loans granted	8,880	9,169	8,880	9,169
Interest calculated	2,499	2,583	2,499	2,583
Total receivables	11,379	11,752	11,379	11,752
Minus:				
Provisions for doubtful loans	(8,880)	(9,169)	(8,880)	(9,169)
Provisions for doubtful interest	(2,499)	(2,583)	(2,499)	(2,583)
Minus: total provisions	(11,379)	(11,752)	(11,379)	(11,752)
Net receivables				
Out of them:				
Loans granted	-	-	-	-
Interest calculated	-	-	-	-
Total	-	-	-	-

13 Inventories

	30 09 2019	31 12 2018
Raw materials, spare parts and production in progress	2,493	2,205
Finished goods	1,054	1,256
Other	76	88
Total inventories, net	3,623	3,549

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

As at 30 September 2019 and as at 31 December 2018 the Group and Company has no legal restrictions on inventories.

14 Trade receivables

	30 09 2019	31 12 2018
Receivables	7,806	6,825
Less: impairment allowance for doubtful receivables	(1,082)	(1,077)
	6,724	5,748

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

As at 30 September 2019 100% impairment was accounted trade receivables of the Group in gross values of EUR 1,082 thousand (as at 31 December 2018 – EUR 1,077 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.

In note 14 mentioned trade receivables from the Group in the amount of EUR 3,533 thousand (EUR 2,900 thousand as at 31 December 2018) 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:

	30 09 2019	31 12 2018
Balance at the beginning of the period	(1,077)	(1,068)
Charge for the year	(3)	(60)
Write-offs of trade receivables	-	-
Effect of the change in foreign currency exchange rate	(2)	(1)
Amounts paid	0	52
Balance in the end of the period	(1,082)	(1,077)

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

As at 30 September 2019 the Group has factoring agreement with recourse, but there are no any restrictions on company assets according to this agreement.

15 Other current assets

	30 09 2019	31 12 2018
VAT receivable	209	255
Restricted cash	14	4
Other receivables	195	246
	418	505

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

	30 09 2019	31 12 2018
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

	30 09 2019	31 12 2018
Cash at bank	392	349
Cash on hand	5	5
Cash in transit	-	-
	397	354

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 30 September 2019 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 30 September 2019 the legal reserve has not been fully formed yet.

As of 30 September 2019 the legal reserve amounted to EUR 991 thousand.

Other reserves

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

Foreign currency translation reserve

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

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

19 Grants

Balance as at 31 December 2014	3,111
Received during the period	705
Balance as at 31 December 2015	3,816
Received during the period	-
Balance as at 31 December 2016	3,816
Received during the period	48
Balance as at 31 December 2017	3,864
Received during the period	117
Balance as at 31 December 2018	3,981
Received during the period	7
Balance as at 31 March 2019	3,988
Received during the period	30
Balance as at 30 June 2019	4,018
Received during the period	-
Balance as at 30 September 2019	4,018
 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
Amortisation during the period	127
Accumulated amortisation as at 31 December 2018	3,363
Amortisation during the period	32
Accumulated amortisation as at 31 March 2019	3,395
Amortisation during the period	33
Accumulated amortisation as at 30 June 2019	3,428
Amortisation during the period	33
Accumulated amortisation as at 30 September 2019	3,461
 Carrying amount as at 30 September 2019	 557
Carrying amount as at 31 December 2018	618

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

20 Warranty provision

The Group provide a warranty of up to 2 years for the production sold and 3 years warranty for resale products. The provision for warranty repairs was accounted for based on the expected cost of repairs and statistical warranty repair rates and divided respectively into non-current and current provisions.

Changes in warranty provisions were as follows:

	30 09 2019	31 12 2018
As at 1 January	399	411
Additions during the year	323	161
Utilised	(147)	(173)
Foreign currency exchange effect	-	-
Written off	-	-
	575	399

Warranty provisions are accounted for:

	30 09 2019
- non- current	1
	187
- current	388
	31 12 2018
- non- current	146
- current	253

21 Borrowings

	30 09 2019	31 12 2018
Non-current borrowings		
Non-current borrowings with fixed interest rate	-	-
Non-current borrowings with variable interest rate	283	313
Long-term liabilities of leasing companies	54	54
	337	367
Current borrowings		
Current borrowings with fixed interest rate	-	-
Long-term loans of the current year	9,473	9,743
Current liabilities of leasing companies	7	29
Other debt liabilities	-	-
	9,480	9,772
Total	9,817	10,139

The main information on individual borrowings is disclosed below:

	Type	Maturity	As at September 30 2019	As at December 31 2018
Borrowing 1	Loan	2020-12-23	9,443	9,623
Borrowing 2	Loan	2020-04-10	313	433
Debt liabilities (factoring)			-	-
Leasing 1		2021-03-26	18	27
Leasing 2		2021-05-26	8	11
Leasing 3		2021-08-26	7	10
Leasing 4		2022-07-11	28	35
			9,817	10,139

The loan 1 bear 1-month EURIBOR + 5.75 annual interest rate as at 30 September 2019, the loan 2 bear 5% fixed interest rate, with right to review conditions 6-month EURIBOR + 3,5% margin (as at 31 December 2018 the interest rates were the same as in 30 September 2019).

As of 30 September 2019 the Company's buildings with the carrying amount of EUR 5,585 thousand (EUR 5,739 thousand as at 31 December 2018), the Group's and Company's machinery and equipment with the carrying amount of EUR 6,908 thousand (EUR 7,773 thousand as at 31 December 2018) were pledged to the banks for the loans.

Under loan agreement 2, Company pledged all current and incoming funds in all existing and future Bank accounts. Maximum value of collateral is agreed at 833 thousand EUR. Skenora Holdings Limited also pledged 4,584 thousand shares of the Company as collateral, at nominal value 1,192 thousand EUR.

In order to secure financing of future investments in production capacities, on 14 August 2019 the Company has signed additional agreement with Bank on revision of return terms and sums of Loan 1. Under this agreement, the loan is repaid to the bank in installments and the periodic payments during the investment period have been reduced. Final credit return term – 23 December 2020. Additionally under this agreement, the Company's liabilities under Loan 1 were guaranteed by a Russian company OOO Volthol, maximum amount of the guarantee 6,890 thous.EUR.

Similarly, on 23 October 2018 The Company has signed an additional agreement with the bank for changing the Loan 2 repayment terms and amounts. According to this agreement, credit returns are decreased during investment period. Final credit return term – 10 April 2020. Both above mentioned agreements are conditional and connected to returns of controlling parties debts under agreed schedules (Note 29), which failure will result in leaving old credits return terms for both Loans.

According to factoring with recourse agreement, maximum factoring limit is 1,000 thousand EUR. Factoring advances can only be paid on the accounts of insured clients.

At the reporting date the outstanding loans and lease received in foreign currencies:

Currency of loans, leasing and other debt obligations:	30 09 2019	31 12 2018
EUR	9,817	10,139
	9,817	10,139

Repayment schedule for borrowings:

	Fixed interest rate	Variable interest rate
2019	-	9,480
2020	-	313
2021	-	18
2022	-	6
		9,817

22 Financial leasing

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

Financial lease payments in future are for dates September 30, 2019 and December 31, 2018 as follows:

	30 09 2019	31 12 2018
2019	8	32
2020 - 2022	56	55
Financial lease liabilities total	64	87
Interest	(3)	(4)
Financial lease liabilities current value	61	83
Financial lease obligations are accounted as:		
- non- current	7	29
- current	54	54

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

Book value of leased assets:

	30 09 2019	31 12 2018
Machinery and equipment	156	175

23 Operating lease

The Group have concluded several contracts of operating lease of land and premises. The terms of lease do not include restrictions of the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. As at 30 September 2019 the lease expenses of the Group amounted to EUR 57 thousand (EUR 51 thousand as at 30 September 2018).

Planned operating lease expenses of the Group in 2019 will be EUR 67 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

	30 09 2019	31 12 2018
Salaries and related taxes	676	398
Vacation reserve	316	473
Dividends payable	50	50
Accrued interest	11	13
Other taxes payable	1	7
Other payables and accrued expenses	892	565
	1,946	1,506

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 in EUR

	30 09 2019	31 12 2018
Shares issued 1 January	39,622	39,622
Net profit (loss) for the year, attributable to the shareholders of company, in EUR	(536)	(270)
Basic profit (loss) per share, in EUR	(0.01)	(0.01)

26 Risk and capital management

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

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

Credit risk

As at 30 September 2019 and 31 December 2018, 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 30 September 2019 and 31 December 2018, the credit risk was related to:

	30 09 2019	31 12 2018
Loans with interest receivable from related parties	11,379	11,752
Trade and other receivables	6,724	5,748
Cash and cash equivalents	397	354
	18,500	17,854

The concentration of the Group's trade partners and the largest credit risk related to trade receivables according to clients as at 30 September 2019 and 31 December 2018:

	2019	%	2018	%
Client 1	669	10	1,049	18
Client 2	563	8	507	9
Client 3	395	6	367	6
Client 4	390	6	273	5
Client 5	360	5	236	4
Other clients	5 429	65	4,393	58
Impairment	(1 082)		(1,077)	
	6,724	100	5,748	100

Trade receivables according to geographic regions:

	30 09 2019	31 12 2018
Central Europe	1 357	1,028
Ukraine	1 293	961
Lithuania	983	990
Western Europe	2 472	2,345
Other CIS countries	288	264
Other Baltic States	98	91
Russia	61	69
Other	172	-
	6,724	5,748

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

The Group's and the Company's management believes that the maximum risk equals to trade receivables, less recognised impairment losses at the reporting date. The Group and the Company do not provide guarantees for obligations of other parties, except for those disclosed in Note 14.

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

Trade receivables from the Group in the amount of EUR 3,533 thousand (EUR 2,900 thousand as at 31 December 2018) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch. Trade receivables from Ukraine, Moldova, Russia and other CIS countries were not insured.

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

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

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

Interest rate risk

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

As at 2019 and 2018 the Group did not use any financial instruments to hedge against interest rate risk.

Liquidity risk

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 30 September 2019 the Group and the Company do not fulfil this requirement (note 17). 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.

Vilnius Regional Administrative Court has rejected AB Snaigė (hereinafter the Company) complaint concerning partial revocation of the director of the Supervision Service of the Bank of Lithuania adopted decision No. 241-19 dated 29 January 2018 on imposition of certain measures with respect to AB Snaigė. The management of the Company examined the Court decision to reject Company's complaint and found this decision unjustified. Therefore, the Company has appealed against it to the Supreme Administrative Court of Lithuania, which confirmed this appeal for process on 20 November 2018. At the moment of signing this report, process date was not appointed.

28 Regulatory body regulations and implementation

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 (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 Bank of Lithuania has concluded that 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, and formed provision for fine at 2017 207 thous. EUR. This decisions was also appealed to the court, but trial process is still in process (Note 27).

On 1 October 2018 Company has received a decision No. 241-217 „Concerning changes of the Decision of director of the Supervision Service of the Bank of Lithuania No. 241-19, issued 29 January 2018 on imposition of certain measures with respect to AB Snaigė“ (Note 27), adopted by the director of the Supervision Service of the Bank of Lithuania, which changes clause 2 of the resolution part of the decision No 241-19, in terms of stating new term, 15 December 2018, for compliance with IAS 16. Supervision Service of the Bank of Lithuania also states, that the Company has fulfilled all other mandatory requirements of Decision No. 241-19, and non-fulfilment of this requirement is affected by objective circumstances, not depending on Company. Later in 2019, this term was prolonged till court decision (note 27).

Company's management opinion and taken actions

After assessing additionally possible effect of Bank of Lithuania decision for financial reports, management believes that reports for year 2015 and year 2016 were correct, information in these reports was true and in compliance with IAS and IFRS standards. All decisions were made having in mind information which was available at the moment of report preparation.

As for receivables, 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 reliable assumptions regarding level of EBITDA to be achieved in forthcoming years, and these assumptions showed most exact available view of the situation in the market and business sector. Dividends were paid in 2017, which was in line with estimations before. But in second half of 2017, new circumstances appeared, and these were not possible to assess properly earlier, when preparing reports (such as very minor level of dividends to be returned as loan repayment in 2017, world prices for raw materials increase extremely high and unfavourable market position, which led to much worse result in 2017). In line with new information, impairment of loans was recognized in 2017.

According to Bank of Lithuania, Company increase authorised capital from revaluation reserve unlawfully. The management notes that such possibility is clearly stated in Law on Companies of Lithuania, and Company took all necessary action to make this process clear and lawful. No loss was directly covered from revaluation reserve. Furthermore, IAS 16 does not forbid such actions as well. However, taken into account the view of regulator (which was

not know before actions and regulator decision), the Management of the Company asked the shareholders to decrease share capital in favour of revaluation reserve by 3,17 mln EUR. Such decision was adopted and will be implemented in line with and according to laws of Lithuania.

Implementing the decision of Bank of Lithuania (Note 27), Ordinary General Meeting of shareholders, held on 30 April 2018, and Non-ordinary General Meeting of shareholders, held on 1 October 2018, decided to reduce the company's authorized capital from EUR 11,886,718.50 to EUR 8,320,702.,95 and to increase the revaluation reserve by EUR 3,566,015.55 by the amount of reduced authorized capital. On 6 December 2018, notary refused to approve changed articles of the Company. After discussions with the Supervision Service of the Bank of Lithuania, Company once more addressed other notary to approve changed articles of the Company. On 19 February 2019, Company received refusal of the notary to register documents, and applied to the Court. On 29 March 2019, District Court of Vilnius City decided to suspend examination of the civil case regarding Snaigė AB complaint on notarial acts until Snaigė AB complaint concerning partial revocation of the director of the Supervision Service of the Bank of Lithuania adopted decision No. 241-19 dated 29 January 2018 on imposition of certain measures with respect to Snaigė AB will be solved in administrative case.

According to Bank of Lithuania, named violations were made in favour of main shareholder and in violation of Company interests. The Management of the Company believes all procedures were done correctly without any violations of the interests of any shareholder or stakeholder. Share nominal value was decreased proportionally to all shareholders, therefore any changes in asset value were not done to any shareholder, none of them because of this action appeared to have more or less than before. Furthermore, all actions were announced publicly via Nasdaq other sources before had been taken, as it is described in laws, therefore all stakeholders knew these actions in advance and could evaluate them. There were no any claims against such actions, except regulator decision. Company truly believes, that all actions were in line with interests of the Company and all and every shareholder, principles established in the Management Code of companies listed in NASDAQ Vilnius were not violated, information on Code non-violation was presented correctly.

29 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 2019 and 2018 were as follows:

UAB Vaidana (former controlling party, 2016 - the parent);

Hymana Holdings Ltd. (former controlling party);

Sekenora holdings limited (the parent).

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 September 2019 and 31 December 2018 the Group has formed an impairment allowances for doubtful debts, related to receivables from loans and related interest 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:

	30 September 2019				31 December 2018			
	Loans received	Interest expenses	Loans granted	Interest income	Loans received	Interest expenses	Loans granted	Interest income
Controlling parties	-	-	-	-	-	-	-	379
The parent	-	-	-	-	-	-	-	72
	-	-	-	-	-	-	-	451

The agreement, amounting to 10,68 mln EUR, for the assignment claim right towards Hymana Holdings Ltd., arising from the Agreement for the Assignment (Cession) dated 24 November 2015 concluded between the Company and Hymana Holdings Ltd., was concluded with the Company's Board member K. Kovalchuk (Assignee). The Claim Right shall be assigned by installments and when the Assignee makes a payment and funds are credited to the Company's bank account, respective part of the Claim Right in amount corresponding to the amount of funds received shall be considered to be assigned to the Assignee by the Company. The Assignee shall not in any case be considered as

acquired the whole Claim Right if the amount paid by the Assignee and credited in the Company's bank account is lower than an amount of the Claim Right. The Company shall have a right to terminate the Agreement unilaterally if the Assignee fails to pay any installment. The last installment has to be made by the Assignee to the Company not later than on 1 October 2020.

Trade transactions with the related parties:

<u>30 09 2019</u>	Purchases	Sales	Receivables	Payables
Companies, controlled by ultimate shareholders	-	-	-	-
Controlling parties	-	-	-	-
	-	-	-	-

<u>2018</u>	Purchases	Sales	Receivables	Payables
Companies, controlled by ultimate shareholders	-	-	-	-
Controlling parties	-	-	-	-
	-	-	-	-

The Company's transactions carried out with subsidiaries:

	Purchases		Sales	
	2019	2018	2019	2018
Subsidiaries	135	188	80	113

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:

	30 09 2019	31 12 2018
Non-current receivables		
Subsidiaries	-	-
Total non-current receivables	-	-
Current receivables		
Subsidiaries	166	28
Total current receivables	166	28

The analysis of receivables from subsidiaries and granted loans during the period on 30 September 2019 and 31 December 2018:

	Receivables from subsidiaries and granted loans neither past due nor impaired	Receivables from subsidiaries and granted loans past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2019	16	-	-	-	150	-	166
2018	28	-	-	-	-	-	28

Payables to subsidiaries as of 30 September 2019 and 31 December 2018 (included under the trade payables caption in the Company's statement of financial position):

	30 09 2019	31 12 2018
Subsidiaries	127	168

At the moment of report preparation, Company does not have any guarantee agreements for its subsidiaries.

Remuneration of the management and other payments

Remuneration of the Group management, including taxes amounted to EUR 820 thousand (23 employees) during the nine months of 2019, EUR 709 thousand (20 employees) during the nine months of 2018. The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.