

# **Three Thousand Corporations OÜ**

**SUMMARY CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR 2016  
PRESENTED TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT**

## **Independent auditor's report on the summary financial statements to the shareholders of Three Thousand Corporations OÜ**

### ***Opinion***

The summary consolidated financial statements of Three Thousand Corporations OÜ and its subsidiaries (hereinafter - the Group), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, are derived from the complete audited consolidated financial statements of the Group for the year ended 31 December 2016.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 2.1.

### ***Summary Consolidated Financial Statements***

The summary consolidated financial statements do not contain all disclosures that are required by International Financial Reporting standards as adopted by the European Union. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

### ***The Audited Consolidated Financial Statements and Our Report Thereon***

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 14 August 2018.

### ***Management's Responsibility for the Summary Financial Statements***

Management of the Company is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 2.1.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Tallinn, 14 August 2018



Olesia Abramova  
Authorised Auditor's number 561  
Ernst & Young Baltic AS  
Audit Company's Registration number 58

**Three Thousand Corporations OÜ**

**SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in EUR thousand)

**Consolidated statement of financial position**

		As at 31 December 2016	As at 31 December 2015
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Goodwill		4	140
Other intangible assets		4	100
Total intangible assets		8	240
Property, plant and equipment		4,040	6,329
Non-current financial assets			
Investments into associates and joint ventures	1	1,019	1,278
Available-for-sale financial assets		3,528	2,503
Other non-current receivables		5,056	7,548
Total non-current financial assets		9,603	11,329
Deferred income tax asset		-	-
<b>Total non-current assets</b>		<b>13,651</b>	<b>17,898</b>
<b>Current assets</b>			
Inventories, prepayments		966	1,066
Accounts receivable			
Trade receivables		2,907	4,632
Receivables from related parties		41	31
Other receivables		4,773	8,189
Total accounts receivable		7,721	12,852
Cash and cash equivalents		6,111	1,643
<b>Total current assets</b>		<b>14,797</b>	<b>15,561</b>
Assets held for sale		-	2,778
<b>Total assets</b>		<b>28,449</b>	<b>36,237</b>

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**Three Thousand Corporations OÜ**

**SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in EUR thousand)

**Consolidated statement of financial position (cont'd)**

		As at 31	As at 31
	Notes	December 2016	December 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	24	3
Share premium		9,126	(3)
Retained earnings		14,375	9,752
<b>Total equity attributable to equity holders of the parent</b>		<b>23,525</b>	<b>9,752</b>
<b>Non-controlling interest</b>	1	-	823
<b>Total equity</b>		<b>23,525</b>	<b>10,575</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current borrowings		-	1,604
Finance lease obligations		154	251
Deferred income tax liability		-	42
Other non-current liabilities		-	-
<b>Total non-current liabilities</b>		<b>154</b>	<b>1,897</b>
<b>Current liabilities</b>			
Current portion of non-current borrowings		-	328
Current portion of finance lease obligations		377	1,030
Current borrowings		2,986	20,448
Trade payables		697	976
Payables to related parties		11	5
Income tax payable		-	376
Other current liabilities		699	421
<b>Total current liabilities</b>		<b>4,770</b>	<b>23,584</b>
Liabilities associated with assets held for sale		-	181
<b>Total equity and liabilities</b>		<b>28,449</b>	<b>36,237</b>

The accompanying notes are an integral part of these summary financial statements.

Member of the Board

Valdas Jankauskas

14 August 2018

Three Thousand Corporations OÜ

**SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**  
(all amounts are in EUR thousand)

**Consolidated statement of comprehensive income**

	Notes	2016	2015
Sales		16,284	20,714
Cost of sales		(13,506)	(15,702)
<b>Gross profit</b>		<b>2,778</b>	<b>5,012</b>
Operating expenses		(1,523)	(717)
Other operating income		488	799
Other operating (expenses)		(126)	(324)
<b>Profit from operations</b>		<b>1,617</b>	<b>4,770</b>
Finance income		3,282	884
Finance (expenses)		(991)	(1,441)
Share of profit (loss) of associates and joint ventures		(50)	(217)
<b>Profit before tax</b>		<b>3,858</b>	<b>3,996</b>
Income tax (expenses)		(265)	(779)
<b>Net profit from continued operations</b>		<b>3,593</b>	<b>3,217</b>
<b>Discontinued operations</b>			
Net profit from discontinued operations		98	460
<b>Net profit</b>		<b>3,691</b>	<b>3,677</b>
<b>Other comprehensive income (to be subsequently reclassified to profit (loss))</b>			
Net movement on available for sale financial assets		932	(30)
<b>Total comprehensive income, after tax</b>		<b>4,623</b>	<b>3,647</b>
<b>Net profit attributable to:</b>			
Equity holders of the parent		3,691	3,487
Non-controlling interest		-	190
		<b>3,691</b>	<b>3,677</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		4,623	3,457
Non-controlling interest		-	190
		<b>4,623</b>	<b>3,647</b>

The accompanying notes are an integral part of these summary financial statements.

Member of the Board

Valdas Jankauskas

14 August 2018

## Consolidated statements of changes in equity

	Equity attributable to the equity holders of the parent company				
	Share capital	Share premium	Retained earnings (loss)	Total	Non-controlling interest
<b>Balance as at 31 December 2014</b>	3	(3)	6,295	6,295	788
Net profit for the year	-	-	3,487	3,487	190
Other comprehensive income	-	-	(30)	(30)	-
Total comprehensive income	-	-	3,457	3,457	190
<b>Balance as at 31 December 2015</b>	3	(3)	9,752	9,752	823
Net profit for the year	-	-	3,691	3,691	3,691
Other comprehensive income	-	-	932	932	932
Total comprehensive income	-	-	4,623	4,623	4,623
Increase in share capital (Note 26)	21	9,129	-	9,150	9,150
Disposal of subsidiary	-129	-	-	-	(823)
<b>Balance as at 31 December 2016</b>	24	9,126	14,375	23,525	0

The accompanying notes are an integral part of these summary financial statements.

Member of the Board

Valdas Jankauskas

14 August 2018



**Consolidated statement of cash flows**

	2016	2015
<b>Cash flows from (to) operating activities</b>		
Net profit from continuing operations	4,525	3,217
Net profit from discontinued operations	98	460
<b>Adjustments for non-cash items:</b>		
Income tax expenses (income)	265	855
Depreciation and amortization	842	982
(Gain) loss on disposal and write-off of property, plant and equipment	(130)	32
Impairment of inventories, accounts receivable, investments into subsidiaries and other assets (excluding goodwill)	234	663
Changes in provisions and accrued expenses	(60)	-
Interest expenses	291	1,143
Interest (income)	(284)	(768)
(Gain) loss from disposal of investments	(2,030)	-
Increase in investment market value	(932)	-
Dividend Income	(196)	-
Other non-cash items	(260)	(108)
Result of associates and joint ventures	49	216
	2,378	6,692
<b>Changes in working capital:</b>		
(Increase) decrease in inventories	308	1,594
(Increase) decrease in trade receivables and receivables from related parties	(4,654)	1,063
(Increase) decrease in prepayments	(207)	387
(Increase) decrease in other receivables	11,082	(299)
Increase (decrease) in trade payables and payables to related parties	1,789	(3,226)
Income tax (paid)	(1,538)	(780)
Increase (decrease) in other accounts payable and current liabilities	411	142
<b>Net cash flows from (to) operating activities</b>	<b>9,569</b>	<b>5,573</b>

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The accompanying notes are an integral part of these summary financial statements.

**Consolidated statement of cash flows (cont'd)**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from (to) investing activities</b>		
(Acquisition) of non-current assets (except for investments)	(1,703)	(1,223)
Proceeds from sale of non-current assets (except for investments)	168	-
Proceeds from sale of investments	3,626	-
Disposal of investments in subsidiaries (net of cash sold in the Group)	-	-
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)	-	-
(Acquisition) of other investments	-	-
Dividends received	196	-
Loans (granted)	-	(17,205)
Loans recovered	-	32,101
Interest received	1,075	283
<b>Net cash flows (to) investing activities</b>	<b>3,362</b>	<b>13,956</b>
<b>Cash flows from (to) financing activities</b>		
Loans received	906	12,790
Loans (repaid)	(8,006)	(29,904)
Interest (paid)	(895)	(345)
Finance lease (paid)	(750)	(696)
Dividends (paid)	-	(155)
<b>Net cash flows from (to) financial activities</b>	<b>(8,745)</b>	<b>(18,310)</b>
<b>Net increase (decrease) in cash</b>	<b>4,186</b>	<b>1,219</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,171</b>	<b>552</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>5,957</b>	<b>1,771</b>
<b>Supplemental cash flows information:</b>		
<b>Non-cash investing and financing activities:</b>		
Transfer of creditors right	295	(177)
Loan repayment by net-off	10,155	-
Non-monetary interest (Netted off with trade payables)	119	-
Issued share capital not paid (Note 1)	9,150	-
Acquisition of non-current assets under finance lease agreements	-	1,977

The accompanying notes are an integral part of these summary financial statements.

Member of the Board

Valdas Jankauskas

14 August 2018



## Notes to the summary consolidated financial statements

### 1 General information

Three Thousand Corporations OÜ (hereinafter the Company) is a private limited liability company. The Company was registered in the Republic of Estonia on 5 October 2012. The address of its registered office is as follows:

Rävala pst. 5,  
Tallinn,  
Estonia

The Company is a holding entity and is engaged in investment management. The Company along with its subsidiaries is hereinafter referred to as the Group.

The main activities of the entities of the Group are the supply and production of bio-fuel, electricity production, selling of petroleum products, installation, designing and constructing boiler houses and power grids, waste utilization, production of heat by biofuel boiler - houses.

As at 31 December 2016 the number of employees of the Group was 27 (as at 31 December 2015: 36).

As at 31 December 2016 and 2015 the shareholders of the Company and the Group were:

	Number of shares held	Ownership, %
Šilų Biodujos UAB	1	33.33 %
Primus Invest UAB	1	33.33 %
Cerberus Capital UAB	1	33.33 %
Total	3	100 %

All the shares of the Company are ordinary registered shares with a nominal value of EUR 8,000 and 834 respectively and were not paid as at 31 December 2016 and 2015. The Company did not hold its own shares as at 31 December 2016 and 2015.

As at 31 December 2016 and 2015 the Company held these directly controlled subsidiaries, joint ventures and associates:

Company	Place of registration	Effective share of stock held by the Group		
		31 December 2016	31 December 2015	
Biolitmoderna UAB (Via fortis UAB from 22 September 2016)	Lithuania	100%	100%	Production and sale of biofuel
Energijos projektai UAB	Lithuania	100%	100%	Power grid construction and renovation projects development
Vertma UAB	Lithuania	100%	100%	Production and sale of biofuel
Bioprojektas UAB	Lithuania	30%	30%	Design of bio-boiler-houses
Tangentas UAB	Lithuania	100%	100%	Holding company
SIA Villa Marina	Latvia	100%	0%	Real Estate
<b>Blackstone Group Subgroup</b>				
Blackstone Group UAB	Lithuania	100 %	100%	Holding Company
Saules Energijos Projektai UAB	Lithuania	0 %	51 %	Electricity production
<b>Oilwide Subgroup</b>				
Oilwide OU	Estonia	100%	100%	Sales of petroleum products
<b>Helvita Holdings Subgroup</b>				
Helvita Holdings B.V.	The Netherlands	25%	25%	Holding company
Realco statyba UAB	Lithuania	25%	25%	Real estate management
Reenergy UAB	Lithuania	12.75 %	12.75 %	Administration of waste utilization

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# Three Thousand Corporations OÜ

## SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in EUR thousand)

### 1 General information (cont'd)

Company	Place of registration	Effective share of stock held by the Group		
		31 December 2016	31 December 2015	
<b>Discontinued operations</b>				
Lithoil UAB	Lithuania	0%	100%	Loading terminal of oil products
Elipse UAB	Lithuania	0%	100%	Not operating
Saules Energijos Projektai UAB	Lithuania	0 %	51 %	Electricity production

#### Changes in the Group in 2015:

- On 30 July 2015 the Group sold shares of Energesman UAB (entity code 302808364) for EUR 1.5 thousand.
- The management of the Group accounted impairment in full amount for the investments in Oilwide OU (entity code 12026720) and Energijos projektai UAB (entity code 303131627) in amount of EUR 10 thousand and EUR 3 thousand respectively. The reason for impairment were doubts about the ability of both entities to continue as a going concern.

#### Changes in the Group in 2016:

- On 10 June 2016 the Group sold Saules Energijos Projektai UAB for EUR 2,6 million.
- In June 2016 the Group acquired shares of City Service SE in amount of EUR 62 thousand.
- On 16 August 2016 the Group sold Elipse UAB for KEUR 1,100.
- On 29 April 2016 the Group sold Lithoil UAB for EUR 1 million
- On 25 February 2016 TTC signed a purchase agreement of the subsidiary Villa Marina for 100 EUR. At the date of acquisition Company's total equity was negative.
- On 20 January 2016 Company increased investment in Oilwide OU by KEUR 225.

Associates and joint ventures of the Group as at 31 December 2015 were as follows:

Company	Share of the stock held by the Group	Size of investment (acquisition cost)	Profit (loss) for the reporting year (unaudited)	Non-current assets (unaudited)	Current assets (unaudited)	Non-current liabilities (unaudited)	Current liabilities (unaudited)	Sales revenue (unaudited)
<b>Investment into associates and joint ventures</b>								
Helvita B.V.	25 %	290	(634)	560	1,136	-	328	-
Realco statyba UAB (indirect)	25 %	387	(129)	7,570	32	30	2,217	10,535
Reenergy UAB (indirect)	12.75 %*	1,585	(130)	1,648	44	-	201	-
Bioprojektas UAB	30 %	210	(32)	217	703	33	308	1,936
Total acquisition cost		2,472						
Effect of equity method		1,067						
Impairment of investment in Helvita B.V.		(290)						
Less: cost of indirect associates		(1,971)						
Carrying value of investments as at 31 December 2015		1,278						

\* The Group has significant influence over Reenergy UAB through its associate Helvita B.V.  
All the associates are operating in the Republic of Lithuania, except Helvita B.V which operates in the Netherlands.

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## 1 General information (cont'd)

Associates and joint ventures of the Group as at 31 December 2016 were as follows:

Company	Share of the stock held by the Group	Size of investment (acquisition cost)	Profit (loss) for the reporting year (unaudited)	Non-current assets (unaudited)	Current assets (unaudited)	Non-current liabilities (unaudited)	Current liabilities (unaudited)	Sales revenue (unaudited)
<i>Investment into associates and joint ventures</i>								
Helvita B.V.	25 %	290	(634)	560	1,136	-	328	-
Realco statyba UAB (indirect)	25 %	387	(129)	7,570	32	30	2,217	10,535
Reenergy UAB (indirect)	12.75 %*	1,585	(130)	1,648	44	-	201	-
Bioprojektas UAB	30 %	210	(32)	217	703	33	308	1,936
Total acquisition cost		2,472						
Effect of equity method		1,019						
Impairment of investment in Helvita B.V.		(290)						
Impairment of Investment in Bioprojektas UAB		(210)						
Less: cost of indirect associates		(1,972)						
Carrying value of investments as at 31 December 2016		1,019						

\* The Group has significant influence over Reenergy UAB through its associate Helvita B.V.

All the associates are operating in the Republic of Lithuania, except Helvita B.V which operates in the Netherlands.

No other comprehensive income in associates was accounted for in 2015 and 2016.

**1 General information (cont'd)**

Summarised statements of financial position for Saules Energijos Projektai UAB (subsidiary with non-controlling interest) as of 31 December 2016, 2015:

	31 December 2016	31 December 2015
Non-current assets	-	3,113
Current assets	-	563
Non-current liabilities	-	1,646
Current liabilities	-	383
Revenue	-	1,160
Profit (loss) for the reporting period	-	381

**Summarised cash flow information**

	2016	2015
Net cash flows from operating activities	34	832
Net cash flows from investing activities	(110)	-
Net cash flows from financing activities	-	(698)
Net increase (decrease) in cash flows	(78)	134

**2 Accounting principles**

The principal accounting policies adopted in preparing the Group's summary consolidated financial statements for 2016 are as follows:

**2.1. Basis of preparation of summary financial statements**

The summary Consolidated financial statements are prepared based on the decision of the management of the Company. The summary Consolidated and Company's financial statements are comprised of the consolidated and the Company's statements of financial position as at 31 December 2016 and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and certain accompanying notes, prepared in accordance with the information presented in the complete audited financial statements for the year then ended.

The complete audited financial statements of the Group and the Company for the year ended 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU). The complete audited financial statements of the Group and the Company for the year 2016 can be found at the office of the Company, at Rāvala pst. 5 Tallinn, Estonia.

Summary consolidated financial statements are prepared on the historical cost basis, except for financial assets available for sale as accounted at fair value. The accounting policies applied in the preparation of the complete audited financial statements of the Group, on the basis of which these summarized consolidated financial statements have been prepared, are presented below.



## 2 Accounting policies (cont'd)

### 2.2 Measurement and functional currency

The amounts shown in these financial statements are presented in the local currency of the Republic of Estonia, euro (EUR). The amounts are rounded to thousand EUR, if it is not stated otherwise.

The functional currency of the parent company is euro. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of statements of financial position.

### 2.3. Principles of consolidation

The consolidated financial statements of the Group include Three Thousand Corporations OÜ and its subsidiaries, joint ventures as well as associated companies. The financial statements of the consolidated entities are prepared for the same reporting year, using consistent accounting principles.

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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee. Specifically, the Group controls an investee. If, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that the minority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The equity and net income attributable to non-controlling shareholders' interests are shown separately in the statement of financial position and the statement of comprehensive income.

Losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Acquisitions of non-controlling interest and sales of shares to non-controlling interest by the Group are accounted as equity transactions, i.e. the difference between the carrying value of the net assets acquired from/sold to the non-controlling interest in the Group's financial statements and the acquisition / selling price is accounted directly in equity.



## 2 Accounting policies (cont'd)

### 2.3. Principles of consolidation (cont'd)

Investments in associates and joint ventures where significant influence is exercised by Three Thousand Corporations OÜ are accounted for using the equity method in the Group's consolidated financial statements. Impairment assessment of investments in associates and joint ventures is performed when there is an indication that the assets may be impaired or the impairment losses recognized in prior years no longer exist.

#### Business combinations

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

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

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

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

## 2 Accounting policies (cont'd)

### 2.4. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

### 2.5. Intangible assets (except for goodwill)

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably.

The useful lives of intangible assets can be finite or indefinite.

After initial recognition, intangible assets, which have finite lifetime, are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives:

Other intangible assets	3 - 10 years
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Impairment of intangible assets (except for goodwill) is evaluated when there are indications that assets could be impaired.

The useful lives, residual values and amortization method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from intangible assets, except for goodwill, items. The Group has no intangible assets with indefinite useful life except for goodwill.

### 2.6. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment has been put into operation, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

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

Land	Not depreciated
Buildings	8 - 25 years
Vehicles	3 - 10 years
Other non-current assets	2 - 12 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment. The management takes into account the opinion of employees in charge of the technical maintenance of the assets when estimating the remaining useful life of property, plant and equipment. The remaining useful life of property, plant and equipment is estimated based on estimated use by the Group.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognized.

Construction-in-progress is stated at cost. 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.

The Group estimates the recoverable amount of an asset whenever there is an indication that the asset may be impaired. An impairment loss is recognized in the statement of comprehensive income, whenever estimated.



## 2 Accounting policies (cont'd)

### 2.7. Financial assets

Financial assets of the Group falling under scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. Initially financial assets are recognized at acquisition cost which is equal to fair value of consideration paid including expenses of transaction, except for financial assets at fair value through profit or loss.

#### Financial assets at fair value through profit or loss

The category financial assets at fair value through profit or loss include financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the statement of comprehensive income.

The Group did not have any financial instruments at fair value through profit or loss as at 31 December 2015 and 2014.

#### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortized cost, using method of effective interest rate. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

The Group did not have any held-to-maturity investments as at 31 December 2015 and 2014.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recorded at the fair value of the consideration given plus directly attributable expenses of transaction. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in statement of comprehensive income when such assets are derecognized or impaired, as well as through the amortization process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized (written off) when they are assessed as uncollectible.

#### Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value, unless it is not actively traded and the fair value cannot be measured reliably, with unrealized gains or losses (except for impairment and gain or losses from foreign currencies exchange) being recognized as other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit or loss.

Available-for-sale financial assets, which are not actively traded and the fair value of which cannot be measured reliably are accounted for at cost less impairment.

### 2.8. Derecognition of financial assets and liabilities

#### Financial assets

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

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

## 2 Accounting policies (cont'd)

### 2.8. Derecognition of financial assets and liabilities (cont'd)

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

### 2.10. Inventories

Inventories are valued at the lower of cost and net realizable value, after impairment evaluation for obsolete and slow moving items.

Net realizable 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. Unrealizable inventory is fully written-off.

### 2.11. Cash and cash equivalents

Cash includes cash on hand and cash within 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, current accounts in banks, and other short-term highly liquid investments with a term of 3 months or less at inception.

### 2.12. Borrowings

Borrowings are initially recognized at fair value of proceeds received less transaction costs. They are subsequently carried at amortized cost, the difference between net proceeds and redemption value being recognized in the net profit or loss over the period of the borrowings (except for capitalized borrowing costs as described below).

The borrowings are classified as non-current if the completion of a financing agreement before the date of statements of financial position provides evidence that the substance of the liability at the date of the statement of financial position was long-term.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalizes borrowing costs for all qualifying assets. No borrowing costs meeting capitalization criteria were incurred by the Group in 2016 and 2015.

### 2.13. Finance lease and operating lease

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement at the inception date when the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.



## 2 Accounting policies (cont'd)

### 2.14. Finance lease and operating lease (cont'd)

#### Finance lease when the Group is the lessee

A rent is recognized as finance lease when all the risks and rewards of the asset are transferred according to the arrangement.

The Group recognizes financial leases as assets and liabilities in the statements 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 financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, Group's composite interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for finance lease assets. 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 ownership over the leased assets is transferred to the Group at the end of the lease term.

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

#### Operating lease

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

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

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

### 2.15. Grants

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. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognized in the financial statements as used in proportion to the depreciation of the assets associated with this grant and in the statement of comprehensive income a relevant expense account is reduced by the amount of grant amortization.

Grants received as a compensation for the expenses incurred or unearned income of the current or previous reporting period, also, all other grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognized as used during the reporting period to the extent of the expenses incurred or unearned income to be compensated by that grant. The balance of unutilized grants is shown in the caption Grants in the statements of financial position.

Expenses qualifying for compensation, but not yet compensated are accounted for as grants receivable under other accounts receivable caption in the statement of financial position.



## 2 Accounting principles (cont'd)

### 2.16. Factoring

A factoring transaction is a funding transaction where the company transfers to the factor claim rights in respect of receivables for a determined reward. The company alienates rights to receivables due at a future date according to invoices. The Group's factoring transactions comprise factoring transactions with recourse (the factor is entitled to return the overdue claim back to the company) and without recourse. The factoring expenses comprise the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest income depending on the duration on the payment term set by the debtor. Factored accounts receivable with recourse are recorded as liabilities to credit institutions and accounts receivable captions.

### 2.17. Provisions

Provisions are recognized 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 by the Group at each date of statements of financial position and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the provisions are discounted at the pre-tax interest rate of that period, if necessary, considering the particular specific risk of that liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as financial expenses.

### 2.18. Income tax

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania, the Republic of Estonia and the Netherlands.

The standard income tax rate in Estonia was 20 % (charge on profit of subsidiary operating in Estonia is deferred until the moment of profit distribution, i.e. payment of dividends) in 2016 and 2015. Income tax rate of subsidiaries operating in Lithuania was 15 % in 2016 and 2015.

Tax losses in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses incurred except when the company does not continue its activities due to reasons which do not depend on company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Starting from 1 January 2014 in Lithuania tax losses carried forward can be used to reduce the taxable profit earned during the reporting year by maximum 70 %.

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

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

### 2.19. Revenue recognition

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

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

## 2 Accounting principles (cont'd)

### 2.20. Revenue recognition (cont'd)

Revenue from services is recognized when services are rendered.

Dividend income from subsidiaries is recognized in the parent company's separate financial statements when the dividends are declared by the subsidiary.

Interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. It is included in finance income or expenses in the statement of comprehensive income.

### 2.21. Impairment of assets

#### Financial assets

Financial assets are reviewed for impairment at each date of statements of financial position.

For financial assets carried at amortized 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 recognized in the profit or loss. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The reversal of impairment losses previously recognized is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in profit or loss. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### Other assets (excluding goodwill)

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 recognized in the statement of comprehensive income. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized 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.

### 2.22. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with IFRS EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation, impairment evaluation of goodwill, including allocation of Group assets to cash generating units and impairment assessment for certain other assets. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

At the date of preparing these financial statements, the underlying assumptions and estimates were not subject to a significant risk that from today's point of view it is likely that the carrying amounts of assets and liabilities will have to be adjusted significantly in the subsequent fiscal year.



## 2 Accounting principles (cont'd)

### 2.23. Contingencies

Contingent liabilities are not recognized in the financial statements, except for contingent liabilities associated with business combinations. Contingent liabilities are disclosed in the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

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

### 2.24. Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set-off, except the cases when certain IFRS standard specifically requires such set-off.

### 2.25. Subsequent events

Post-balance sheet events that provide additional information about the Group's position at the date of statements of financial position (adjusting events) are reflected in the full set financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

### 2.26. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Group's management at each reporting date. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

As at 31 December 2016 and 2015 trade payables, trade and other short term receivables accounted for per Group's financial statements must be settled in less than three months, thus their fair value is considered to be equal to their carrying value (level 3). The carrying value of the cash equals to their fair value. The interest rate of the Group's loans received and loans granted is amended at least once a year to reflect interest rates changes in the market, thus their fair value is considered to be equal to their carrying value (level 3). The Group measured the fair value through OCI of the available-for-sale investments (level 1).

## Müügitulu jaotus tegevusalade lõikes

Tegevusala	EMTAK kood	Müügitulu (EUR)	Müügitulu %	Põhitegevusala
Valdusfirmade tegevus	64201	0		Yes

## Osanikud

Nimi / ärinimi	Isikukood / registrikood / sünniaeg	Elukoht / Asukoht	Osaluse suurus ja valuuta
Uab Cerberus Capital		Lithuania	8000 EUR (Simple ownership)
Uab Primus Invest		Lithuania	8000 EUR (Simple ownership)
Uab Šilu Biodujos		Lithuania	8000 EUR (Simple ownership)

## Sidevahendid

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