

# SNAIGĖ

Consolidated annual report 2007



## Speech of the chairman of the board



### **Dear shareholders, partners and clients,**

Last year for the public company Snaige was the year of big achievements and severe losses. The company during 2007 has sold a record number of refrigerators – 653 thous. Units and has reached a consolidated sales revenues of 410 m.LTL, which is 15% higher than in 2006.

According to the set strategy, the company has significantly strengthened its position in the most important sales markets: Ukraine, Russia, Kazakhstan. Last year sales in Russia have increased by 53%, in Ukraine by 18%, Kazakhstan by 14%. These results were achieved by consistent and persistent work of the whole AB „Snaige“ team while developing products distribution network, entering into profitable contracts with clients and executing sales promotion programs.

Just as we have expected, the launch of our new product line „Snaige Ice Logic“ was successful. The new products were well recognized by clients and consumers. The launch of „Snaige Ice logic“ refrigerators has also resulted in sales growth in 2007.

However, the sales growth was not enough to cover losses, which have accrued during all 2007 due to decreasing US dollar exchange rate and increasing prices of raw materials. During last year due to dropping USD exchange rate and rising prices of raw materials the company has lost nearly 15 m.LTL and incurred 11.4 m.LTL consolidated net loss.

The situation was aggravated by high level of competition among domestic appliance manufacturers, which has increased after opening of new plants in Eastern Europe and Russia.

In 2008 we plan not only to maintain our positions in strategic markets, but also to increase our sales in Russia and those markets where our products profit margin is the highest.

In order to decrease the influence of dropping USD rate, we will use financial instruments to insure against exchange rate fluctuation risk.

The company will further pay high attention to cost optimization and manufacturing processes efficiency enhancement programs and will try to fully use production capacity of Kaliningrad plant.

In 2008 we plan to achieve sales revenues of 437.8 m.LTL and to earn 4.6 m.LTL consolidated profit. I believe that this result will be achieved, even after taking into account further increase in prices of raw materials.

**Nerijus Dagilis**

*Chairman of the board of AB „Snaige“*

## Report of director general

### Dear investors,

Last year the profitability index of AB „Snaige“ was negatively affected during whole year by fluctuating USD exchange rate and increasing prices of raw materials, which, when compared with 2006, have increased by 11%.

In order to avoid influence of rising raw material prices we have started to look for alternative suppliers and materials, install various cost cutting and efficiency enhancement programs. Almost all departments of the company have participated in these programs. A new bonus system was established which awards employees who added most to the efficiency enhancement and cost cutting. During 2007 the company has noticeably, by 14 % decreased its fixed operational costs.

New „Axapta“ business management system project was started in 2007. After full establishment of the project it will be easier and more effective to manage and analyze company's main business processes.

Despite negative influence of USD exchange rate fluctuation and rise in prices of raw materials on profitability indices, AB „Snaige“ has not lost its optimism. The company was consistently reaching for set goals, has implemented many important projects, which, I am sure, will ensure company's successful development in the future.

As the most important projects of 2007 I would name modernization of Alytus plant and launch of new refrigerators line „Snaige Ice Logic“.

Over 21.546 mTLT was invested into implementation of above mentioned projects. The company has installed the most modern and advanced in Europe manufacturing technologies, which comply with the most strict environmental requirements, improve quality of the products and work environment for employees, decrease manufacturing costs and labor intensiveness of the processes, allow to flexibly develop and adjust assortment of manufactured refrigerators.

The new „Snaige Ice Logic“ refrigerators were not only well accepted among our clients and consumers in Lithuania, Baltic countries, Ukraine, some other countries of Europe, but also well appreciated by experts. Italy's technical design center „Appliance Engineering“, which has certified the design and quality of refrigerators, has defined „Snaige Ice Logic“ as the future refrigerator model. In Lithuania the new refrigerators line was winner of Lithuania national innovation prize 2007. One refrigerator from the new line, RF 34, was awarded with gold medal in „Lithuanian product of the year 2007“ competition.

The new design refrigerators have also generated high sales numbers. Four months after the launch of „Snaige Ice Logic“, one model from the new product lines became second best sold refrigerator in Lithuania. In the end of the last year almost 50% of AB „Snaige“ sales consisted of sales of new „Snaige Ice Logic“ refrigerators.

Launch of „Snaige Ice Logic“ line had large influence on record growth of AB „Snaige“ sales. During some months the number of orders exceeded the number of manufactured refrigerators. In my opinion, this is a good example showing that our refrigerators are highly competitive and demanded.

Refrigerators with „Snaige“ brand have the largest market share in Lithuania and Latvia, second market share in Estonia, and in important market of Ukraine – fourth. In addition to that, by market share, we have good position in Bulgaria, Moldova, Czech Republic, Kazakhstan, etc. Refrigerators manufactured by us and sold under brands of our contractors are well bought in France, Germany, Belgium, Poland, etc.

All these factors make us feel optimistic about the future of the company and we are ready to face new challenges, implement new projects. The most important goal for 2008 – increasing company's profitability. We will achieve that by concentrating our export flows on the most profitable markets, decreasing costs of goods sold, increasing efficiency of our company. It is also important to fully use the manufacturing capacities of Kaliningrad plant and at the same time to improve plant's financial indicators.

I believe that 2008 will be much more successful year than the previous one.



**Gediminas Čeika**

*Director general of AB „Snaige“*

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## GENERAL INFORMATION ABOUT THE ISSUER

### 1.1 1.1 Accounting period of the annual report-prospectus

The annual report-prospectus has been prepared for the year 2007.

### 1.2 1.2 The basic data about the issuer

The name of the company "Snaigė" PLC (hereinafter referred to as the Company)

Authorised capital on 31 December 2007 – 23,827,365 LTL

Address - Pramonės str. 6, LT-4580 Alytus

Phone - (315) 56 206

Fax – (315) 56 207; (315) 56 269

E-mail - [snaige@snaige.lt](mailto:snaige@snaige.lt)

Internet web-page - <http://www.snaige.lt>

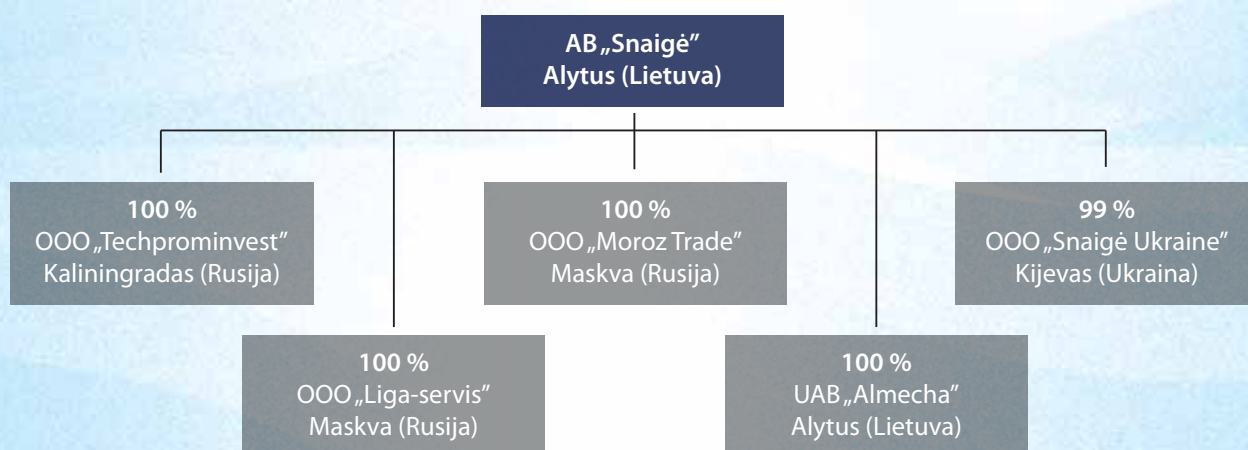
Legal organisation status – legal entity, public limited company

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 "Snaigė" was registered on January 18, 2007 in Alytus Department of Register of Legal Entities of the Republic of Lithuania.

### 1.3 1.3 The type of the issuer's main business activities

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

### 1.4 Issuers company group structure



**AB „Snaigė“ group consist of parent refrigerator manufacturing company „Snaigė“ based in Alytus and the following subsidiaries:**

- Refrigerators Production Company with 100 % of controlled portfolio amounting to 12648840 LTL, situated in Kaliningrad, at 4 Balshaja Okruzhnaja, 1-a “Techprominvest”. The company was established for the activities comprising manufacture and sales of refrigerators in Russian Federation.
- Sales company with 99 % of controlled portfolio amounting to 88875 LTL, situated in Kiev, at Grushevski str. 28-2a / 43 “Snaigė-Ukraine”. The company was acquired for increasing the sales amounts of the products of AB “Snaigė” in Ukraine.
- Sales company with 100 % of controlled portfolio amounting to 947 LTL, situated in Moscow, at prospekt Mira 52, “Moroz Trade”. The goal of this company is sales of refrigerators produced by OOO “Techprominvest” in Russian Federation.
- Sales company with 100 % of controlled portfolio amounting to 1028 LTL, situated in Moscow, at prospekt Mira 52, “Liga – Servis”. The goal of this company is the expansion of sales network and to rsales of refrigerators produced by OOO “Techprominvest” in Russian Federation.
- Manufacturing company UAB „Almecha“ with 100% of controlled portfolio amounting to 30000 LTL, situated in Alytus, Pramonės str. 6. On 1 January 2007 the subscribed company’s capital was increased by property contribution to 1375785 LTL. The company produces manufacturing machinery and other equipment.

**1.5 1.5 Issuers group’s management structure**

**Mindaugas Šeštokas** – director general (till 2008 01 03).

**Gediminas Čeika** – director general (from 2008 01 03).

**Albinas Valašinas** – director of Alytus refrigerators plant.

**Loreta Nagulevičienė** - financial director.

**Rūta Petrauskaitė** – marketing director.

**Gediminas Čeika** – director of sales.

**Vladas Gavėnas** – purchasing and logistics director.

**Giedrius Mikulskas** – human resource director.

**Kęstutis Urbonavičius** – technical director.

**1.6 Agreements with the stakeholders of public circulation of securities**

On September 29, 2003 AB “Snaigė” entered into agreement with Financial Broker Firm “Orion Securities” Ltd. (Tumėno str. 4, corp. B, floor 9, LT-01109, Vilnius) for management of accounts of the Company’s issued securities and management of accounts of personal securities. On 30 January 2008, AB “Snaigė” has entered into market making services agreement with Financial Broker Firm “Orion Securities”.

**1.7 Information about trading of issuers securities in the regulated securities markets**

**1.7.1 Securities included in the trading lists of regulated securities markets**

As of 31 December 2006, 23,070,405 ordinary registered shares of AB “Snaigė” were included into the Official trading list of the Vilnius Stock Exchange. The total nominal value of the shares was 23,070,405 LTL. The VP CD (Securities Central Depository) number is 10927. The nominal value of a share was 1 (one) LTL. After increasing the authorized capital to 23,827,365 LTL on 18 January 2007, the number of the Company’s shares included into the Official trading list of the Vilnius Stock Exchange increased to 23,827,365. The total nominal value of the shares is 23,817,365 LTL. The VP CD number and nominal value of a share remained unchanged. On 7 April 2008 the company has piled in an application to list 200 000 units of company’s convertible bonds with maturity of 367 days on the debt securities list of Vilnius stock exchange. Total nominal value of the issue: 20 000 000 LTL, securities ISIN code LT0000401515. The nominal value of one bond – 100 LTL. Bonds redemption date – 6 April 2009.

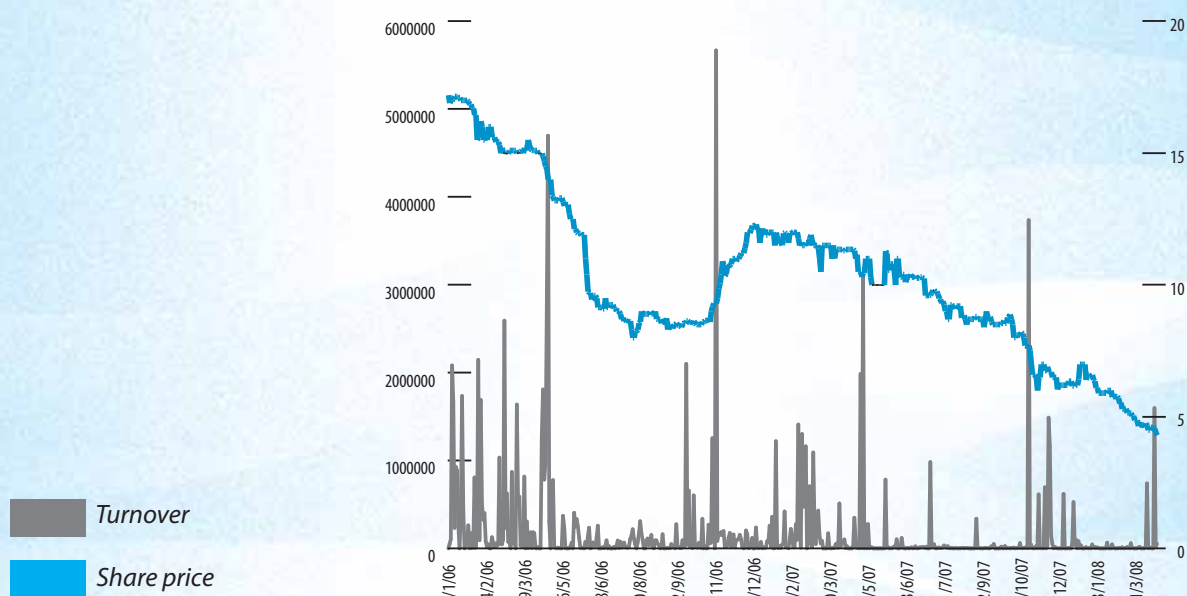
**1.7.2 Trade of the issuer’s securities in stock exchanges and other organized markets**

Trade of the company’s ordinary registered shares in the securities stock exchange was started on August 11, 1995. The ordinary registered shares of AB “Snaigė” have been listed in the Official trading list of Vilnius Stock Exchange since April 9, 1998.

### 1.7.2.1 Trade on Vilnius stock exchange

*Trade in Company's shares during 2006-2008 m.*

Accounting period		Price (Lt)			Turnover (LTL)			Date	Total turnover	
from	to	max	min	last session	max	min	last session	last session	units	LTL
2006-01-01	2006-03-31	17.20	14.91	15.50	2 591 001	-	3 873	2006-03-31	1 641 772	26 093 777
2006-04-01	2006-06-30	15.99	9.1	9.5	4 695 397	-	25 403	2006-06-30	1 255 583	17 324 697
2006-07-01	2006-09-30	9.3	7.34	8.64	2 098 492	-	2 098 492	2006-09-30	520 392	5 517 942
2006-10-01	2006-12-31	12.4	8.5	12.1	5 665 574	-	4 840	2006-12-31	1 347 555	12 740 316
2007-01-01	2007-03-31	12.07	9.79	11.3	1 409 258	-	101 703	2007-03-31	1 126 376	13 139 416
2007-04-01	2007-06-30	11.35	10.00	10.25	3 101 705	-*	13 639	2007-06-29	690 458	7 423 146
2007-07-01	2007-09-30	10.25	8.40	8.65	982 129	-	519	2007-09-28	186 228	1 746 440
2007-10-01	2007-12-31	8.88	6.00	6.99	3 734 366	-	35 541	2007-12-28	1 396 391	9 652 999
2008-01-01	2008-03-31	6.99	4.30	4.50	1 597 050	-	4 564	2008-03-31	600 671	2 812 040



### Trade in Company's convertible bonds

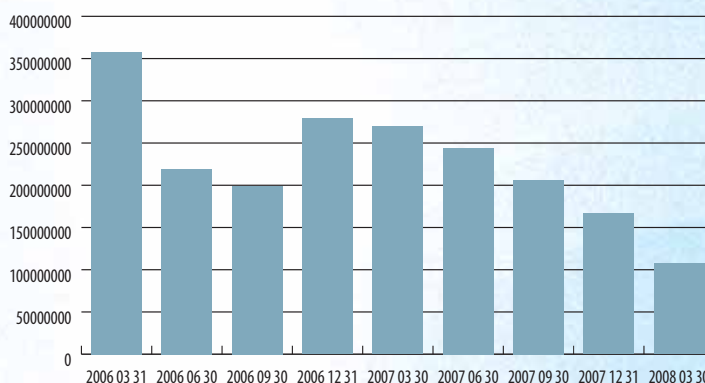
On the time of the preparation of this report the AB „Snaigė“ convertible bonds were not yet included into Vilnius stock exchange debt securities list.

### 1.7.2.2 Trade in other organised

The securities are traded only on Vilnius stock exchange.

### 1.7.3 Capitalization of Company's shares

Accounting period	Capitalisation (LTL)
2006-03-31	357 591 279
2006-06-30	219 168 848
2006-09-30	199 328 299
2006-12-31	279 151 901
2007-03-30	269 249 225
2007-06-30	244 230 491
2007-09-30	206 106 707
2007-12-31	166 553 281
2008-03-30	107 223 143



### 1.7.4 Trade of securities outside the stock exchange

Since the ordinary registered shares are included into the Official trading list of Vilnius Securities Stock Exchange, the purchase-sale transactions of the shares can be executed only in Vilnius Securities Stock Exchange. The transactions performed outside the stock exchange comprise exchange, endowment, inheritance and settlement of debts and repay transactions.

The transactions with regard to the ordinary registered shares of AB "Snaigė" executed outside stock Exchange.

Accounting period	Monetary settlement					Non-monetary settlement		Total amount  (pcs.)
	Price (LTL)		Amount of securities (pcs.)	Sum (LTL)	Amount of transactions	Amount of securities(pcs)	Amount of transactions	
	max	min						
2005 m. I ketv.	13.75	8.89	912 929	10 522 343	25	1,125	1	914 054
2005 m. II ketv.	13.11	9.30	1 528 248	17 309 367	20	-	-	1 528 248
2005 m. III ketv.	17.37	10.37	45 313	542 000	11	-	-	45 313
2005 m. IV ketv.	11.66	9.83	43 992	506 786	5	2,876	1	46 868
2006 m. I ketv.	12.88	0.75	426 425	2 648 829	9	-	-	426 425
2006 m. II ketv.	-	-	-	-	-	-	-	-
2006 m. III ketv.	11.16	4.15	606 150	3 561 276	8	410	1	606 560
2006 m. IV ketv.	8.02	4.32	427 980	2 817 006	18	43	2	428 023
2007 m. I ketv.	11.50	5.47	347 690	2 548 606	16	-	-	347 690
2007 m. II ketv.	11.21	4.48	212 610	1 197 021	9	55	1	212 665
2007 m. III ketv.	8.83	7.02	78 146	684 792	5	8 150	1	86 296
2007 m. IV ketv.	8.52	-	1 160 430	7 832 783	16	4 420	2	1 164 850
2008 m. I ketv.	8.69	3.22	1 390 247	6 366 309	13	-	-	1 390 247

### 1.8 Information about the repurchase of own shares

During the general meeting of shareholders held on August 4, 2003 it was decided to purchase up to 10 percent of the Company's shares in the National securities market in order to maintain and increase the price of the Company's shares. The Company decided to purchase own shares until May 5, 2004. The maximum price of the own shares to be purchased was set to 300 LTL, whereas the minimum price was set to 175 LTL for one ordinary registered share. The Board of the Company was delegated to purchase own shares on behalf of the Company. The reserve composed for purchase of own shares amounted to 6,673,000 LTL.

The circulation of own shares as per 2003 can be described as follows:

On November 20, 2003 the Company purchased 1 thousand of shares for the price of 200 thous. LTL in the National securities stock exchange.

On April 19-30, 2004 the Company sold 1000 of shares for the price of 258,6 thous. LTL in the National securities stock exchange.

During the general meeting of shareholders held on March 29, 2004 it was decided to purchase up to 10 percent of the Company's shares in the National securities market for the price of 10 000 000 (ten million) Litass until June 1, 2005, i.e., such profit share appropriated to the reserve for acquisition of own shares. The maximum price of the own shares to be purchased was set to 350 LTL, whereas the minimum price was set to 175 LTL for one ordinary registered share. The minimum sales price of own shares is 175 LTL for one ordinary registered share. The valid nominal value of a share at that time was 15 LTL.

During the general meeting of shareholders held on April 27, 2005 it was decided to purchase the ordinary registered shares (with the nominal value of 1 LTL each / VP ISIN code LT 0000109274) of AB "Snaigė", by submitting the official tender in accordance to the procedure established in the legislative enactments regulating the securities market and implementing it in Vilnius stock exchange; the purpose of acquisition of shares was to maintain and increase the price of the Company's shares. It was decided to purchase up to 10 percent of the Company's shares in the Vilnius stock exchange for the price of 10 000 000 (ten million) Litas, i.e., such profit share appropriated to the reserve for acquisition of own shares; the Company will purchase the shares up to October 27, 2006; the maximum and minimum acquisition price of the shares: the minimum purchase price of the shares was set to 14 LTL, whereas the maximum price was set to 22 LTL; the minimum sales price of own shares is 14 LTL for one share.

During the general meeting of shareholders held on April 27, 2006 it was decided to purchase the ordinary registered shares (with the nominal value of 1 LTL each / VP ISIN code LT 0000109274) of AB "Snaigė", by submitting the official tender in accordance to the procedure established in the legislative enactments regulating the securities market and implementing it in Vilnius stock exchange; the purpose of acquisition of shares is to maintain and increase the price of the Company's shares. It was decided to purchase up to 10 percent of the Company's shares in the Vilnius stock exchange for the price of 10 000 000 (ten million) Litas, i.e., such profit share appropriated to the reserve for acquisition of own shares; the Company will purchase the shares up to October 27, 2007; the maximum and minimum acquisition price of the shares: the minimum purchase price of the shares was set to 12 LTL, whereas the maximum price was set to 20 LTL; the minimum sales price of own shares is 12 LTL for one share.

During 2006 no repurchase of own shares was made.

During 2007 no repurchase of own shares was made.

## 1.9 Dividends paid

Table 10. Dividends paid

<i>Year</i>	<i>Dividends paid out , LTL</i>	<i>Amount of dividends per share, LTL</i>	<i>Percentage of the nominal value of a share</i>
1997	634 014	0,50	3,33
1998	900 299	0,71	4,73
1999	553 690	0,36	2,40
2000	169 183	0,11	0,73
2001	2 676 166	1,74	11,60
2002	18 456 324	12,00	80,00
2003	3 074 054	2,00	11,33
2004	1 384 224	0,06	6,00
2005	0	0	0
2006	0	0	0
2007	0	0	0

## 1.10 Information about company's branch and representative offices

Company's central headquarters are situated in Pramonės str. 6, LT-62175, Alytus. Phone +370 315 56 506, fax. +370 315 56 207.

Company's Vilnius Office is situated in Kareivių str. 6, LT-09117, Vilnius. Phone +370 5 2361 970, fax. +370 5 2357 169.

## 2 OTHER INFORMATION ABOUT THE ISSUER

### 2.1 Issuers authorized capital

#### 2.1.1 The authorized capital registered in the enterprise register

<i>Name of the securities</i>	<i>Amount of the securities</i>	<i>Nominal value, LTL</i>	<i>Total nominal value, LTL</i>	<i>Share of the authorized authorized capital, in perc.</i>
Ordinary registered shares	23 827 365	1	23 827 365	100

#### 2.1.2 Changes in authorized capital during the last 3 years

<i>Registration of changed authorized capital</i>	<i>The size of the authorized capital before the change</i>	<i>Change</i>	<i>Reason for change</i>	<i>The size of the authorized capital after the changed</i>
2007.01.18	23 070 405	+ 756 960 Lt	Acquisition of additional funds in order to acquire additional shares of OOO „Techprominvest“	23 827 365 Lt

### 2.1.3 Information with regard to prospective increase of the authorized capital by converting or trading the issued loan or secondary securities for the shares

In April 2008 AB „Snaigė“ has issued 200 000 units of convertible ordinary bonds. On the redemption day one bond can be converted into 18 ordinary shares of AB „Snaigė“ with nominal value of 1 LTL. In case all the bondholders convert the bonds' the authorized capital will increase by 3 200 000 LTL.

#### 2.1.3.1 Name, amount and specification of the loan or secondary securities to be converted or traded for shares providing the right to sign the issuer's shares, as well as the term(s) and conditions of such trading for shares;

The main information about issued convertible bonds

Securities	367 days to maturity coupon convertible bonds (hereinafter – Convertible Bonds)
Number of notes	200 000 (two hundred thousand) units
Face value	100 (one hundred) LTL or 28.9620 EUR (hereinafter 1.0000 EUR = 3.4528 LTL)
Total face value	20 000 000 LTL or 5 792 400 EUR
Securities to be issued after conversion of the Bonds	Ordinary shares of AB „Snaigė“
Conversion ratio	1:18 (one Convertible Bond is converted to 18 (eighteen) shares)
Issue currency	LTL (Lithuanian litas)
Yield of the securities	14 (fourteen) percent annual yield of issue price.
Value date	April 5, 2008.
Date of redemption	April 6, 2009
Date of payment	Bonds are fully paid at the day of subscription.
Date of conversion	Bonds can be converted into ordinary shares of the Issuer at the day of redemption. The bondholders must express the wish to convert the bonds into shares to the Coordinator or the Issuer no later than 5 working days to the redemption date.
Procedure their of the conversion	At the day of Bond conversion the bondholders have a right to demand to convert Bonds into ordinary shares of the Issuer. Every convertible bond is converted into 18 ordinary shares. The bondholders must inform the Issuer or the Coordinator in a written form or by telephone to convert the bonds no later than 5 working days until redemption. After the redemption of the Bonds, if there will be any requests to convert the Bonds, the shareholders of the Issuer in a extraordinary shareholder meeting will change the articles of association of the Issuer and will confirm the new articles to represent increased share capital and number of shares. If all bondholders will express their wish to convert the Bonds, the number of shares of the Issuer will increase by 3 6000 000 ordinary shares. The total number of shares outstanding will amount to 27 427 365 ordinary shares.
Additional obligation to the holders of the notes	The issuer does not take any additional obligations to guarantee the duty to redeem the Issue.

#### 2.1.3.2 Scope of conversion, trade or right realisation of the loan or secondary securities with regard to the prospective increase of the authorized capital by converting, trading or providing the right to sign the issuer's shares, as well as the preliminary date (dates) of such increase;

One issued convertible bond on the redemption day, 6 April 2009, can be converted into 18 ordinary shares of the Issuer. In case all the bondholders decide to convert owned bonds, 3 200 000 additional ordinary shares with nominal value of 1 LTL will be issued.

After the redemption of the Bonds, if there will be any requests to convert the Bonds, the shareholders of the Issuer in a extraordinary shareholder meeting will change the articles of association of the Issuer and will confirm the new articles to represent increased share capital and number of shares.

#### 2.1.3.3 The prospective changes in the structure of the authorized capital (according to the type and class of the shares) due to conversion, trade or right realisation of the loan or secondary securities to be converted, traded for shares or providing the right to sign the issuer's shares;

In case all the bondholders decide to convert the bonds, the authorized capital would be increased by additional 3 200 000 ordinary shares of AB „Snaigė“. The size of increased capital then would be equal to 27 027 365 LTL. The structure of the authorized capital would not be affected by the conversion.

**2.1.3.4 Procedure and terms of signing or trading of the issued shares due to increase of the authorized capital by trading the loan or secondary securities or by right realisation; the categories of the owners of the loan or secondary securities to be provided with the preferential right to sign the shares (provided that the preferential right with regard to the individual categories of the loan or secondary securities has been ensured in the terms of issuance thereof).**

At the day of Bond conversion the bondholders have a right to demand to convert their Bonds into ordinary shares of the Issuer. Every convertible bond is converted into 18 ordinary shares.

The bondholders must inform the Issuer or the Coordinator in a written form or by telephone to convert the bonds no later than 5 working days until redemption.

After the redemption of the Bonds, if there will be any requests to convert the Bonds, the shareholders of the Issuer in a extraordinary shareholder meeting will change the articles of association of the Issuer and will confirm the new articles to represent increased share capital and number of shares.

There are no any preferential rights provided for any bondholders to subscribe converted shares.

**2.2 Restrictions on the transfer of the securities**

There are no set any restrictions for the transfer of Issuers securities.

**2.3 Shareholders**

**2.3.1 Largest shareholders**

The total number of the shareholders on 31 December 2007 was 969.

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

Names (company names, addresses, enterprise register codes) of the shareholders	Amount of the ordinary registered shares available, in pcs.		Share of the authorized capital and votes available, in percentage				
	Total	incl. the ones owned by the shareholder	Total		incl. the ordinary registered shares owned by the shareholder		Total incl. the share of the entities group operating jointly, in percentage
			share of the votes	share of the capital	share of the appointed votes	share of the capital	
Hansabank – Customer VP, Liivalaia 8, Tallinn 15040 Estonia, Enterprise reg. no. 10060701	12 268 342	12 268 342	47,39	47,39	47,39	47,39	-
UAB "Survesta" –K. Tumeno str. 4, Vilnius, Enterprise reg. no. 126408152	4 935 810	4 935 810	20,71	20,71	20,71	20,71	21,02
Skandinaviska Enskilda - Customers VP, Sergels Torg 2, 10640 Stockholm, Sweden, Enterprise reg. no. 502032908101	2 658 572	2 658 572	10,65	10,65	10,65	10,65	-

**2.3.2 Shareholders with special control rights**

There are no any shareholders with special control rights.

**2.3.3 Restrictions of shareholders voting rights**

All the shareholders have equal voting rights.

**2.3.4 Shareholders agreement, about which the Issuer is informer and due to which the transfer of securities or voting rights can be restricted**

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

## 2.4 Employees

During 2007 for the training of the employees AB „Snaigė“ has spent over 1 m.LTL, 60% of which were compensated by EU support agency. During 2007 over 200 employees of the company were studying principles of micro and macroeconomics, organizational communication, human resource and project management, employee activity valuation and improvement, improving negotiation, management, meeting management, customer relationship and VIP customer relationship skills.

### 2.4.1 AB „Snaigė“ human resource policy

The main aims of the human resource policy:

**1. 1. While initiating and executing competence and work enhancement, training projects to encourage initiative of employees, creativity and ambitions for constant improvement of their own and overall company's activities.**

Company's employees are encouraged to suggest and implement rational proposals in the areas of technology, manufacturing, business activity management and improvement, sales and marketing, etc. For accepted and successfully implemented proposals employees are granted with one time bonus.

During the period of 2006-2008 AB „Snaigė“ is implementing employees general skills improvement project, which is supported by the structural funds of EU. As a part of the project 200 employees of AB „Snaigė“ were improving their skills in economics, management, human resource management, communication, project managements, negotiations, customer relationship management, marketing, employee evaluation and career planning, personal effectiveness, IT, and foreign languages.

Apart from the training supported by the EU, every company's employee has a right to suggest proposals for financing of their own competence improvement programs. Every such application is evaluated and final decision is taken after examining managers opinions and suggestions, current and future needs of the company.

**2. 2. To seek after objective competence valuation while implementing transparent and measurable goals based employees evaluation, compensation and motivation schemes.**

In 2006 the company has established new employee evaluation system. Evaluation results are linked to the financial motivation of employees, i.e. all the participants of the annual motivation program during discussions with direct managers compulsorily agree on annual objectively measurable goals, for achievement of which employees have a possibility to receive an annual bonus. The scope of the program is increased annually by inviting the most competent employees to participate.

The company has a goal to continuously increase number of employees whose wage is linked to the performance evaluation, including employees from the manufacturing department (plant workers). Already now wage of part of manufacturing department administration and plant employees is linked to the performance indicators of individual work.

**3. 3. To develop loyalty of employees while establishing and continuously improving most promising employees identification, loyalty increasing and career planning systems, and internal communication means.**

With the help of managers the company tries to identify the most competent and promising employees in all areas of company's activities. Career and loyalty increase plans are discussed individually with each employee after accounting for employee's personal future plans, needs, etc.

**4. 4. To help company's management team to achieve business goals while analyzing and improving company's management structure, planning and executing improvement processes.**

The company is constantly facing changes. It is constantly tried to improve and increase effectiveness of the activity in all departments. This is the only way to seek after greater competitive advantage. The human resource department is responsible for helping managers to identify risks of the internal changes and helping to execute internal changes while improving organizational structure of the departments and managing employee turnover related processes.

**5. 5. To ensure employees social wealth while together with trade union constantly improving articles of collective agreement describing additional social guarantees of the employees, rights to additional recreation, possibilities to receive free sporting activities.**

Company's employees are provided with large number of additional social guarantees are provided for the employees – bonuses on personal anniversaries, Christmas gifts for employees and their families, possibility to acquire company's goods with discount, partial compensation of summer holidays , free of charge gym. Employees are granted with one time compensation in case of relatives death.

The list of company's social guarantees is revised and expanded on annual basis.

**6. 6. To ensure safe and non-harmful work environment**

High attention is given for work safety and employees' health. Every year safety department is performing work places safety and harmfulness evaluation, on the basis of which technological improvements and harmful factors elimination programs are performed. Constant work and attention on safety issues pays back: number of accidents, microtraumas, and professional illness is constantly decreasing, and every accident is scrutinized in order to form action plans for risk factors elimination.

**2.4.2 The employees of the Company in 2005-2007 according to the personnel groups:**

Employees	2007 m.			2006 m.			2005 m.		
	Amount	%	Average salary	Amount	%	Average salary	Amount	%	Average salary
managers	8	0.5	19 248	8	0.5	17 520	10	0,6	15 161
specialists	259	17	2 620	297	17,9	2 312	301	17,4	1 934
workers	1 261	82.5	1 377	1 352	81,6	1 273	1 415	82,0	1 135
<b>In total:</b>	<b>1 528</b>	<b>100</b>	<b>1 680</b>	<b>1 657</b>	<b>100</b>	<b>1 544</b>	<b>1 726</b>	<b>100</b>	<b>1 356</b>

**2.4.3 The structure of the Company's employees in 2005-2007 according to education level**

Education level : of the employees	2007 m.		2006 m.		2005 m.	
	amount	%	amount	%	amount	%s
university education	175	11,4	157	9,5	161	9,4
professional high school education	822	53,8	744	44,9	760	44
secondary education	484	31,7	628	37,9	634	36,7
uncompleted secondary education	47	3,1	128	7,7	171	9,9
<b>Total:</b>	<b>1 528</b>	<b>100</b>	<b>1 657</b>	<b>100,0</b>	<b>1 726</b>	<b>100,0</b>

**2.4.4 The employees of the Company and its subsidiaries in 2005-2007 according to the personnel groups**

Employees	2007 m.		2006 m.		2005 m.	
	amount	%	amount	%	amount	%
managers	12	0.5	11	0,5 %	11	0,5 %
specialists	443	18	454	20,3 %	461	20,1 %
workers	2 006	81.5	1766	79,2 %	1820	79,4 %
<b>Total:</b>	<b>2 461</b>	<b>100</b>	<b>2 231</b>	<b>100,0 %</b>	<b>2 292</b>	<b>100,0 %</b>

No special rights or duties of the employees are indicated in the employment contract or collective agreement.

## 2.5 Issuers articles of the company modification procedure

The articles of the company can be modified by the decision of general shareholders meeting, with the qualified majority of 2/3, except from the cases described in the law of public companies.

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

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



## 2.6 Information about the Issuer's management bodies

### 2.6.1 Members of the management bodies

#### 2.6.1.1 Data with regard to the share of the issuer's authorized capital

Name	Position	Amount of shares available, in pcs.	Share of the capital available, in %	Share of votes, %
<b>VALDYBA</b>				
Nerijus Dagilis	Chairman of the Board of AB "Snaigė"	-	-	-
Domininkas Kašys	Member of the Board of AB "Snaigė"	-	-	-
Martynas Česnavičius	Member of the Board of AB "Snaigė"	15	0,00	0,00
Marius Binkevičius	Member of the Board of AB "Snaigė"	-	-	-
Mindaugas Šeštokas (til 2008.04.11)	Member of the Board of AB "Snaigė"	-	-	-
<b>ADMINISTRACION (managing director , Finance Director )</b>				
Mindaugas Šeštokas (til 2008.01.03)	Managing Director of AB "Snaigė"	-	-	-
Gediminas Čeika (since 2008.01.03)	Managing Director of AB "Snaigė"	-	-	-
Loreta Nagulevičienė	Finance Director of AB "Snaigė"	-	-	-

The Board meeting resolved to recall Mindaugas Sestokas from office of the Managing Director since January 3, 2008 and to elect Gediminas Ceika Managing Director.

Mindaugas Sestokas, managing director of „Kitron“ UAB, subsidiary of „Hermis Capital“ , resigns as member of the Management Board "Snaige" AB with effect from 11th of April, 2008.

#### 2.6.1.2 Chairman of the board, managing director and finance Director

Name	Education, qualification	Workplaces and positions during the recent 10 years
Nerijus Dagilis	Vytautas Magnus University, Bachelor in Business administration; Central Europe university, Master in Economics.	From July 1997 to June 1998 worked as an banks analyst in AB Hermis bank June 1998 – February 2000 – UAB IVKĮ Hermis Finansai, investments analyst, later clients' asset manager. From February 2000 works as a chairman of the board of UAB "Hermis Capital".
Gediminas Čeika	Vilniaus Universitetas, bachelor in economics.	From January 2008 – AB „Snaige“ managing director 2005 12 – 2008 01 – AB „Snaigė“ sales director 2001 05 – 2005 12 - „Kraft Foods Lietuva“ VIP business clients relationships director for the Baltic states. 2000 11 – 2001 05 – Internship at „Kraft Foods“ company in Czech Republic. 1997 – 2000 11 - „Kraft Foods Lietuva“ sales director for Latvia and Estonia. 1994 – 1997 - „Kraft Foods Lietuva“ sales manager for Vilnius region.

<i>Name</i>	<i>Education, qualification</i>	<i>Workplaces and positions during the recent 10 years</i>
Loreta Nagulevičienė	University education (Vilnius University) in the field of economics, mathematician qualification.	From April 1996 – a chief accountant of UAB “Verslo Sėkmė” From April 1998 – a chief accountant of UAB “NERLITA” From 21 April 1998 – a chief accountant of R.Valivonienė sole proprietorship From March 1999 – a chief accountant of UAB “ALMEIDA” 2001 – a chief accountant of UAB “NERLITA” From July 2002 – a chief accountant of AB „Švyturys – Utenos alus” 17 March 2003 – name changed to UAB „Švyturys – Utenos alus”.

<b>2.6.1.3 Name</b>	<i>Name of organisation, position</i>	<i>Share of the capital and votes available in other companies, in %</i>
Nerijus Dagilis	UAB “Hermis Capital” chairman of the board	17,72
	AB “Kelmės pieninė” member of the board	-
	KITRON ASA chairman of the board	-
	AB “Vilniaus Vingis” chairman of the board	-
	UAB “Ežerų pasaulis”	25,00
	UAB „Baltijos polistirenas”	40,00
	UAB “Survesta” director	-
	UAB „Hermis fondų valdymas” director	-
	UAB “Gulbinų turizmas”	8,33
	UAB “Meditus” member of the board	-
	UAB “Klaipėdos” laikraščio redakcija” chairman of the board	-
	UAB “Naftos gavyba” member of the board	-
	AB “Geonafta” member of the board	-
	UAB “Genčių nafta” member of the board	-
	UAB “Minijos nafta” member of the board	-
	UAB “Diena media” chairman of the board	-
Domininkas Kašys	AB “Kauno duona” member of the board	-
	UAB “Diena Media News”, chairman of the board	-
	UAB “Vespera” director	100,00
Martynas Česnavičius	UAB “Hermis Capital” member of the board	5,08
	UAB “Gulbinų turizmas” director	8,33
	UAB LNK (Laisvas nepriklausomas kanalas) member of the board	-
	UAB “Profinance” chairman of the board	45,00
	AB “Utenos Trikotažas” member of the board	-
	AB “Malsena” member of the board	-
	UAB “Litagros Chemija” member of the board	-
	UAB “Naftos tėkmė” member of the board	-
	AB “Sanitas” member of the board	-
	UAB “Sidabra” member of the board	-
Marius Binkevičius	UAB “Atradimų studija” member of the board	15,00
	AB “Kauno Pieno Centras” member of the board	-
	UAB “Alta Capital Partners” director	-
	UAB “Vienybės Investicija” director	100,00
	UAB “FIS Investicija”	50,00
Mindaugas Šeštokas	Alta Capital Partners Management s.a.r.l.	16,80
	-	-
	-	-
Gediminas Čeika	-	-
Loreta Nagulevičienė	UAB “Audilona”	50,00
	UAB „Eurodialogas”	100,00

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

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

Name	Start date of the office term	End date of the office term
<b>BOARD</b>		
Nerijus Dagilis	2006 05 02	2010 05 02
Domininkas Kašys	2006 05 02	2010 05 02
Martynas Česnavičius	2006 05 02	2010 05 02
Marius Binkevičius	2006 05 02	2010 05 02
Mindaugas Šeštokas	2006 05 02	2008 04 11
<b>ADMINISTRATION (Managing Director and Chief Accountant)</b>		
Gediminas Čeika	2008 01 03	Termless agreement
Loreta Nagulevičienė	2006 01 02	Termless agreement

Mindaugas Šeštokas, managing director of „Kitron“ UAB, subsidiary of „Hermis Capital“, resigns as member of the Management Board "Snaige" AB with effect from 11th of April, 2008.

#### 2.6.2 Information about benefits and loans granted to the members of the management bodies.

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

During 2007 no salaries were paid to the members of the management bodies.

##### 2.6.2.2 About the salaries, tantiemes and other profit benefits paid to the members of the issuer's Board of observers, Board and Administration sourced from the enterprises where the share of the authorized capital owned by the issuer amounts to more than 20 percent

No such payments were made during 2007.

##### 2.6.2.3 The loans, warranties and securities of the performance of liabilities granted to the members of the management body during the accounting period.

No loans, guarantees there issued for the members of managements bodies during the accounting period.

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

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

#### 2.6.4 Issuers and its management bodies members or employees agreements, describing compensation in case the members or employees resign, or are fired without grounded reason, or if their employment would end because of change of control of the Issuer;

## 2.7 Transactions with the related parties

### 2.7.1 Types of transactions

Real estate agreements, unaccustomed sales and purchase agreements, and loans granted.

### 2.7.2 Transactions conditions

On December 22, 2001 AB "Snaigė" enabled sales of 76 thous. of shares to UAB "Snavesta" for the amount of 3,052 thous. LTL (40 Litas per share). The residual amount of 2,136 thous. LTL was not repaid until December 31, 2002. Residual amount was repaid in March of 2003 without interest. UAB "Snavesta" mortgaged 70 thous. of the shares of AB "Snaigė" to secure the residual value.

On March 17, 2002 the Board of AB "Snaigė" enabled sales of 44 thous. of shares to UAB "Snavesta" for the amount of 1,748 thous. LTL (40 Litas per share). The residual amount of 1,223 thous. LTL was not repaid until December 31, 2002. Residual amount was repaid in July of 2003 without interest.

On December 19, 2002 the Company purchased the capital share of 35 % of "General Frost" (Slovakia) from the former Managing Director of AB "Snaigė" for the price of 662 thous. of Litas.

In 2003 the amount of 3,359 thous. of Litas was obtained from UAB "Snavesta" for the shares sold in 2001-2002.

In January of 2004 upon the decision of the Board the Company granted loan of 9,000 Litas to "Snavesta". The loan was secured by the ownership right of UAB "Snavesta" with regard to 51 thous. of the ordinary registered shares of AB "Snaigė", which had been limited until repay of the loan (the shares can neither be sold nor mortgaged). The repay term is April 30, 2004; the established interest rate is higher than the one paid by the Company for the loans granted.

In 2003 the Company leased representative premises in the centre of Vilnius from UAB "Hermis fondų valdymas". The lease charge paid during 2003 amounted to 60 thous. of Litas.

Transactions with the interested parties executed in 2004

Pursuant to the report of the Board No. 1-8 issued on 2004-05-11 the decision was made to change the contractual terms with regard to the loan agreement concluded between the company and UAB "Snavesta". A partial amendment to the loan agreement (No. 04-1) was signed, which postponed the repay term to December 31, 2004. The loan recipient undertook to limit circulation of the shares belonging to the loan recipient and amounting to 20 000 of the ordinary registered shares of AB "Snaigė".

Pursuant to the report of the Board No. 1-24 issued on 2004-10-04 the decision was made to acquire a vehicle from UAB "Hermis fondų valdymas". In October of 2004 vehicle Audi A8 was bought from UAB "Hermis fondų valdymas" for the price of 228 000 LTL.

Pursuant to the report of the Board No. 1-27 issued on 2004-11-15 the decision was made to change the contractual terms of the loan agreement concluded between the Company and UAB "Hermis capital". On 2004-11-15 a partial amendment to the loan agreement (No. 04-1) was signed, which postponed the repay term to December 31, 2005 by providing the opportunity to repay the loan or part thereof prior to the set term upon the two day notice to the loan granter. The loan was repaid.

Pursuant to the report of the Board No. 1-32 issued on 2004-12-23 the decision was made to renew the lease contract with UAB "Hermis fondų valdymas". The lease charge paid during 2004 amounted to 60 480 Litas (VAT excluded). The same amount was paid during 2005.

In 2006 it was decided to acquire 100% of the share capital of Russian company OOO "Liga Servis" (registered in Moscow) from Estonian citizen Mr. S. Butenko for the price of 1000 (one thousand) Litas.

Pursuant to the decision of the Board of February 28, 2006 AB "Snaigė" granted the loan of 5 500 000 (five million five hundred thousand) Litas to UAB "Hermis Capital". The loan was repaid.

Pursuant to the decision of the Board of March 23, 2006 AB "Snaigė" granted the loan of 15 000 000 (fifteen million) Litas to UAB "Hermis Capital". The loan was repaid.

#### Purchases from related parties in 2006:

	<i>Subject</i>	<i>Purchase value, LTL</i>
From companies controlled by AB "Snaigė" shareholders:		
UAB „Hermis Fondų Valdymas“	Rent payments	52 752
From companies controlled by management members, their relatives:		
UAB „Lisiplastas“	Materials	7 072 470
UAB „Baltijos polistirenas“	Materials	2 481 889
UAB „Astmaris“	Materials	6 847 895
UAB „Aljana“	Materials	-
UAB „Lanksti Linija“	Materials	-

#### Reveivables/payables from/to the related parties, 31 December 2006:

	<i>Subject</i>	<i>Receivable/Payable, LTL</i>
<b>Payable:</b>		
UAB „Lanksti Linija“	Trade receivables	1 368 513
<b>Gautina:</b>		
UAB „Lisiplastas“	Trade payables	23 020
UAB „Aljana“	Trade payables	-
UAB „Lanksti Linija“	Trade payables	9 435

Transactions with related parties in 2007:

Transactions with companies controlled by the shareholders of AB "Snaigė":

<i>Company</i>	<i>Subject</i>	<i>Purchase amount, LTL</i>	<i>Sales amount, LTL</i>	<i>Payable, LTL</i>
UAB Hermis Capital	Interest payment	42 011		
UAB Hermis Capital	Loan received	12 500 000		
UAB Hermis Capital	Loan paid back		12 500 000	
UAB Genčių nafta	Interest payment	37 178		
UAB Genčių nafta	Loan received	3 500 000		
UAB Genčių nafta	Loan paid back		3 500 000	

Transactions with the companies controlled by the members of management and their close relatives:

<i>Company</i>	<i>Subject</i>	<i>Purchase amount, LTL</i>	<i>Sales amount, LTL</i>	<i>Payable, LTL</i>
UAB Baltijos polistirenas	Raw materials, supplies	4 399 357		805 689
UAB Astmaris	Raw materials, supplies	7 377 466		961 847
UAB Aljana		0	0	

## 2.8 Information about the issuers business activities

### 2.8.1 Legal principles of the issuer's business activities

AB "Snaigė" acts in accordance with the Statute of the Company, Law on Companies of the Republic of Lithuania and other legal enactments and the normative acts of the Government of the Republic of Lithuania.

### 2.8.2 Membership in associated organisations

AB "Snaigė" is a member of Lithuanian Confederation of Industrialists.

Lithuanian Confederation of Industrialists (LPK) comprises 41 branch and 8 regional associations composed of more than 2,700 enterprises of various type. The Confederation includes not only the majority of industrial enterprises but also banks, sales enterprises, subsidiaries of foreign firms, scientific research institutions and scholastic institutions. The activities of the members of LPK encompass all the main industrial areas; the major part of the goods produced in Lithuania is manufactured by them.

The Lithuanian confederation of industrialists is a non-political and non-governmental organisation that acts independently of the State. The policy of LPK is executed autonomously. The Confederation has significant influence on the Parliament (Seimas) and Government of the Republic of Lithuania.

AB "Snaigė" does not participate in the authorized capital of the Lithuanian Confederation of Industrialists.

AB "Snaigė" is a member and the founder of the International Chamber of Commerce Lithuania (ICC Lithuania). ICC Lithuania is a national committee of the International Chamber of commerce (ICC) in Lithuania unifying more than 40 members. ICC Lithuania participates in commission work of different areas in order to reflect the problems and experience of Lithuanian business society in the international business standards and guidelines created by the ICC Global Board.

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

AB "Snaigė" is a member of "Infobalt EPA" association. This association unites the manufacturers of electrical and electronic equipment, both wholesalers and retailers, for performance of the tasks related to handling of old electrical and electronic equipment articles.

### 2.8.3 Short history of the issuer's activities

AB "Snaigė" was established in 1963 in Alytus. During the first years first 25 refrigerators were produced. Refrigerator models "Snaigė-1M" and "Snaigė-8" were launched for mass production. More than 100 000 refrigerators were produced up to 1968 when a new plant was built in the industrial area of the city. In 1975 the number of produced refrigerators amounted to more than 1 million. In 1977 the company was integrated into manufacturing association "Atlant" of "Minlegpiščemaš" union in Moscow. In 1983 AB "Snaigė" started export of the products to foreign countries.

In 1990 the control of the plant was transferred to the Republic of Lithuania. A new development stage was started marked by search for new markets and new partners. In 1992 privatisation of AB "Snaigė" was initiated according to the privatisation scheme established by the Government of the Republic of Lithuania; the company was registered as a Public Limited Company.

In 1995 the enterprise was retooled, and usage of chlorofluorocarbon was terminated. All the products of AB "Snaigė" were manufactured using environmental friendly materials.

In 1996 a new cover production line was established.

In 1997 English auditing firm "Bureau Veritas Quality International" approved the compliance of the Company's quality management system with the requirements of ISO 9001 quality standard. The international standard ISO 9001 is a quality system providing the opportunity to ensure stable quality of the product. All refrigerators are granted international certificates.

In 1998 the technology of plastic processing was renewed.

In July 2000, three years since certificate was issued, "Bureau Veritas" re-certified the quality management system of AB "Snaigė". The audit reports showed that the Company had been using, updating, maintaining and improving the quality management system and it complies with the requirements of ISO 9001 standard.

AB "Snaigė" was granted the quality management system certificates holding the accreditation marks of Germany, UK and the Netherlands.

The Company is continuously solving environmental issues. In 2001 these efforts were appraised by the environmental management system certificate ISO 14001.

In 2002 AB "Snaigė" purchased OOO „Snaigė – Ukraine“.

In March of 2004 a new plant was launched in Kaliningrad, which allowed increasing export volumes to Eastern Europe.

In October of 2004 the Company purchased OOO „Moroz – Trade“. The activities of this subsidiary company comprise sales and marketing services.

In January of 2006 the Company acquired OOO „Liga Servis“. The activities of this subsidiary company are sales and marketing services.

On 30 December 2006 a subsidiary company UAB "Almecha" was established. The main business activity of "Almecha" is design, manufacturing and installing of machinery and equipment

In December 2006 the Company acquired 100% of OOO "Techprominvest" shares. The main activity of the acquired company is production and sales of refrigerators.

## **2.8.4 Important events in Issuers business during 2007**

### **2.8.4.1 List of the most important events**

January 22 2007 Cooperation agreement signed in Ukraine with major domestic appliances distributor of Donetsk. The result of cooperation – noticeably increased sales of refrigerators in Eastern Ukraine.

17 February 2007 Sales of „Snaigė“ refrigerators started in Uzbekistan.

12 March 2007 Trade agreement signed with one of the largest domestic appliances retail network in Kazakhstan „Sulpak“. The network manages 49 shops. This partnership resulted in sales growth in Kazakhstan.

13 March 2007. In autonomic republic of Crimea, sales of „Snaigė“ refrigerators started through the largest regional domestic appliances retailer „TAIR“.

5 April 2007 Manufacture of refrigerators under „Whirlpool“ brand for Italy and Central Europe markets started in manufacturing plant of Alytus.

25 April 2007 Manufacture of new product line refrigerators „Ice logic“ started in Alytus manufacturing plant.

15 May 2007 Internal project management procedure and training of the basics of project managing was created and approved.

20 June 2007 Workers motivation sistem was established in Alytus and Kaliningrad manufacturing plants. Workers teams were set manufacturing quantity and quality goals, for the achievement of which workers receive moneraty bonuses.

1 August 2007 Methodology of refrigerators testing was modernized. After modernization refrigerator consoles after filling with isolating material reach assembly line on uninterrupted flow. The usage of labor and number of damaged consoles decreased noticably.

17 August 2007 Trade agreement was signed with one of the largest domestic appliance retailers in Kazakhstan „Technodom“, which manages 18 shops in the country.

8 September 2007 AB „Snaige“ aftersale servicing was expanded in three markets – in Padnestr, Belarus, and Romania.

27 November 2007 „Snaige Ice Logic“, the new product line of AB „Snaige“ has won a prize in competition „Innovation prize 2007“. The refrigerators were awarded in „Innovative product“ category.

12 December 2007 Cooperation agreement signed and trade started with the largest domestic appliances retailer „Metro“ in Bulgaria

19 December 2007 In annual competition „Lithuanian product of the year“, under machinery, equipment, electronics and electromechanics industry product category domestic refrigerator RF 34SH S10001 was awarded with golden medal.

#### 2.8.4.2 Awards received during 2007

##### Innovative company

On December 2007 NGO „Lietuvos inovacijų centras“ and Lithuanian confederation for industrialists organized a national competition „Innovation prize 2007“. The aim of the competition – to encourage entrepreneurial thinking, technological development and provide companies with an ability to evaluate their competitiveness and inventions. The new AB „Snaige“ refrigerators line „Ice logic“ has won the „Innovation prize 2007“ under the category of innovative product. The company is constantly paying attention to the science and technological innovations, modernization of refrigerators manufacturing processes, implementation of up-to-date manufacturing technology, application of high environmental standards. The employees of AB „Snaige“ are real specialist in the field, which not only come up with their own creative solutions, but also constantly cooperate with scientists, participate in well known global domestic appliance exhibitions, visit plants of other refrigerators manufacturers, apply attained knowledge in their own company. The refrigerators of the Company successfully compete with recognized domestic appliance manufacturers in more than 40 countries all other the globe, and the Company itself is for the second year in a row recognized as one of the most innovative companies in the country.



##### „Lithuania product of the year“

On December 2007 Lithuanian confederation for industrialists has organized annual competitions „Lithuanian product of the year“. For the seventh time AB „Snaige“ received a product award. Under the equipment, electronics and electromechanics industry products category a domestic refrigerator RF 34SH S10001 received a golden medal award. This product is part of new „Snaige Ice Logic“ product line. High recognition of the product is an evidence that the company is able to flexibly react to the constant changes in the market and successfully compete with other refrigerators producers.



### 2.8.5 Specification of the plant (services)

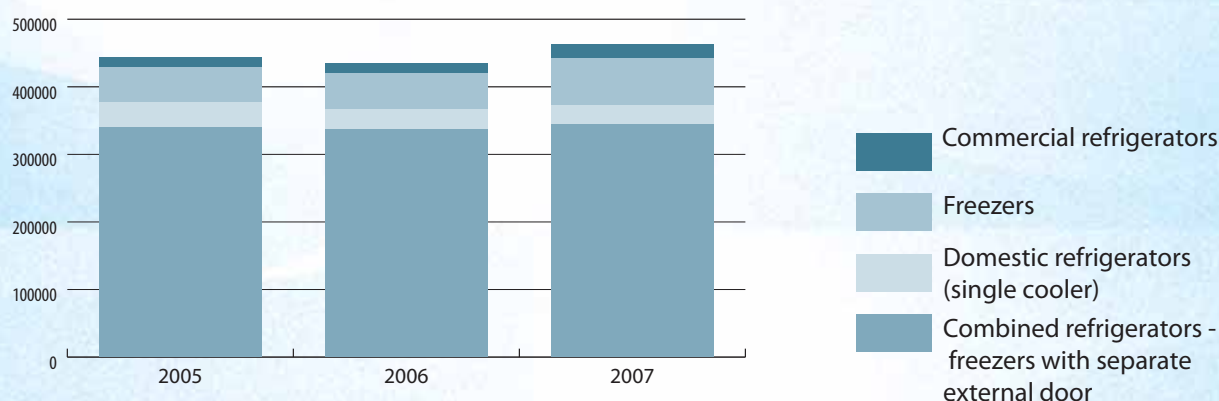
AB "Snaigē" specializes in manufacture of high quality domestic refrigerators and freezers. Beside the refrigerators for commercial purposes, also refrigerators for hotels and restaurants are produced, as well as spare parts of refrigerators, tools and equipment.

The sales figures of the Company's activities for the last three years are as follows:

Type of activities	2007 m.		2006 m.		2005m.	
	units	%	units	%	units	%
Refrigerators sold, units	653 453	100	566 734	100	582 053	100
including:						
Combined refrigerators – freezers with separate external door	535 178	81,9	464 722	82,7	478 863	82,3
Domestic refrigerators (single cooler)	28 625	4,4	29 988	5,3	36 170	6,2
Freezers	70 775	2,9	53 271	9,3	51 882	8,9
Commercial refrigerators	19 318	10,8	15 334	2,69	15 138	2,6

The consolidated sales figures of the plant in Alytus activities for the last three years are as follows:

Type of activities	2007 m.		2006 m.		2005m.	
	units	%	units	%	units	%
Refrigerators sold, units	462 354	100	435 232	100	443 480	100
including:						
Combined refrigerators – freezers with separate external door	343 636	74.3	336 639	77.3	340 290	77.3
Domestic refrigerators (single cooler)	28 625	6.2	29 988	6.9	36 170	6.9
Freezers	70 775	15.3	53 271	12.2	51 882	12.2
Commercial refrigerators	19 318	4.2	15 334	3.5	15 138	3.5



The refrigerators are sold for negotiated prices. They are sold to various countries according to individual contracts. The contract prices differ depending on the foreign country, therefore they are not fixed prices. The contract prices are confidential.

The main indicators of the Company's activities and dynamics (consolidated data):

<i>Financial Figures</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Profit before tax indicator, %	-2,8%	-2,9%	5,21%
General mark-up, %	12,0%	14,3%	18,66%
EBITDA mark-up, %	3,1%	3,9%	11,23%
Solvency ratio, %	98,7%	113,0%	147,32
Debt to assets ratio, %	62,72%	63,92%	57,87%
Return on average shareholders' equity, % <sup>1</sup>	-12,37%	-10,78%	15,55%

<i>Shares indicators</i>	<i>2007 m.</i>	<i>2006 m.</i>	<i>2005 m.</i>
Earnings per share, LTL	-0,48	-0,46	0,59
Average annual share market price, LTL	9,57	12,94	17,02
EBITDA per share, LTL	0,53	0,60	1,79
EBITDA multiplier (EBITDA per share / Average annual share market price)	0,06	0,05	0,11
Total dividends, in thous. LTL	-	-	-
Dividends per share, LTL	-	-	-
Average net book share value, LTL	3,84	4,03	4,48

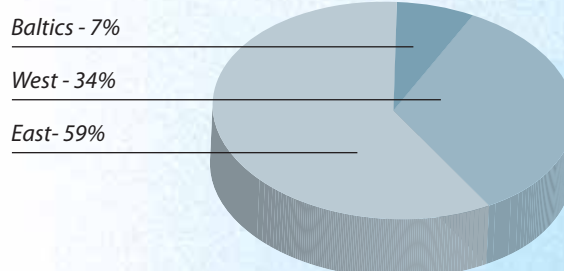
<sup>1</sup>Calculated as group's net profit divided by average shareholder equity (average of shareholders' equity at the beginning and at the end of accounting period)

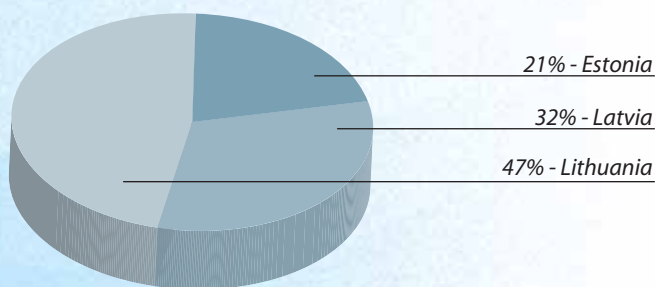
#### 2.8.6 Issuer's business overview for 2007

During 2007 the company has sold a record number of refrigerators – 653 thous. LTL. According to the set strategy, the company has significantly strengthened its position in the most important sales markets: Ukraine, Russia, Kazakhstan. Last year sales in Russia have increase by 53%, in Ukraine by 18%, Kazakhstan by 14%. These results were achieved by consistent and persistent work of the whole AB „Snaige“ team while developing products distribution network, entering into profitable contracts with clients and executing sales promotion programs.

AB „Snaige“ is the only refrigerators manufacturer not only in Lithuania, but in all the Baltic countries. The parent company owns 4 subsidiaries situated in Lithuania and abroad. Over 1800 workers are employed in two plants of AB „Snaige“. The production capacity of the Lithuanian plant is around 500 thous., in Kaliningrad – 300-350 thous. Refrigerators per year. The company is producing high quality domestic refrigerators, refrigerators – window cases, refrigerators – minibars, and vine refrigerators for businesses, hotels, and freezers and spare parts.

Sales structure in 2007



*Sales in Baltics***The Baltics**

In 2007 the sales in the Baltic countries have decreased by 12%. AB „Snaige“ has sold 43 thous. Refrigerators in these countries and have received sales revenues of 32 m.LTL. Sales have decreased in the second half of the year due to the contracted markets in Latvia and Estonia. However, due to high profitability and historical importance the Baltic countries still remain an important market for AB „Snaige“.

In 2007 over 20 thous. Refrigerators were sold in Lithuania, sales revenues have reached more than 13 m.LTL. In 2007 the Company's products were the leaders in the market by sales, the market share of AB „Snaige“ has reached 17%. The most popular products in the country were of middle size, double-doors, with freezer in the lower part. In Lithuania AB „Snaige“ competes with Turkish „Beko“, Korean „Samsung“, Swedish „Electrolux“, Italian „Ardo“ and „Whirlpool“ refrigerators. The tendency of drop in prices of traditionally expensive refrigerators (Electrolux, Samsung) is observed in the market.

The buyers of „Snaige“ refrigerators appreciate the quality of the products (in manufacturing only high quality materials from reliable suppliers are used), durability, long guarantee period.

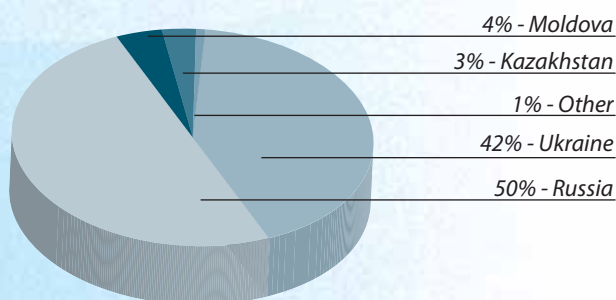
In 2007 almost 14 thous. Refrigerators were sold in Latvia, sales revenues have reached almost 8 m.LTL. The overall size of the market has increased slightly (data from „GfK Marketing Services Baltic“). The company takes a leading position in the country by the market share (25%). The production of AB „Snaige“ competes with „Samsung“, „Electrolux“, „Beko“, „Zanussi“, „Whirlpool“, „Ardo“, „Daewoo“, „LG“, etc.

In recent times in Estonia there could be one main competitor of AB „Snaige“ identified which is Samsung. Exceptionally active marketing and aggressive price cutting strategy of Samsung were the main reasons why the sales of this producer were slightly higher than „Snaige“. In 2007 AB „Snaige“ sold over 9 thous. Refrigerators and the sales revenues reached 5 m.LTL.

**Eastern Europe**

When compared to 2006, sales of refrigerators in Eastern Europe has increased by 36%. In 2007 the Company has sold over 389 thous. Refrigerators to the Eastern Europe countries and has received sales revenues of 249 m.LTL, which is 33% larger than in 2006.

The largest part of AB „Snaige“ production was exported to Eastern Europe countries: Ukraine and Russia. In Ukraine the sales increased by 18% in 2007. Around 165 thous. Refrigerators were sold in these markets, sales revenues have reached around 97 m.LTL. Large sales growth was determined by doubled number of product models displayed in Ukraine's national networks: „Fokstrot“ (up to 3 models displayed in one shop), „ABV Technika“ (from 2 to 4 models in each shop), renewed cooperation with the second largest retail network in Ukraine – „Eldorado“, part-

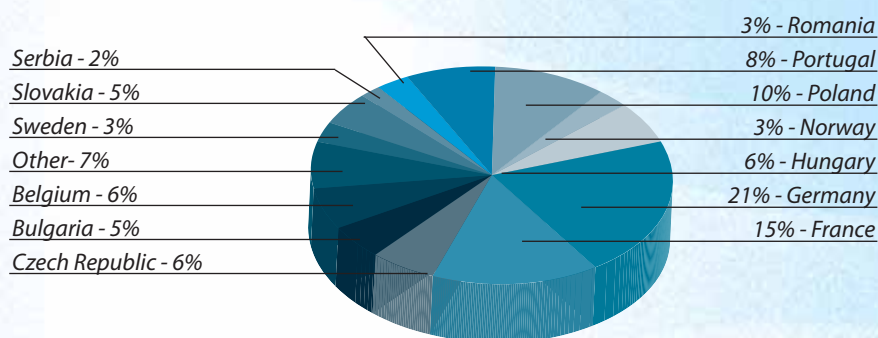
*Export to Eastern countries 2007*

nership with new distributor in Doneck „Technoplus“ was started. In Ukraine, Snaige is the 4 most recognized brand in the country. Exceptional active marketing and public relationship campaigns enabled the company to increase the brand awareness of AB „Snaige“. Ukraine clients recognize „Snaige“ refrigerators as of high quality and reliable. In Russia sales, when compared with 2006 have increased by 53%. 198 thous. refrigerators were sold, 136 m.LTL of sales revenues were received from sales in Russia. The market of Russia has attracted other major refrigerator producers, which are expanding the logistics centers in the country, develop distribution networks, open new factories. These new players in the market have increased the overall level of competition in the country. The global refrigerator producers have broader possibilities to start various marketing campaigns, keep low prices, present market with larger number of different products. Beside that, the brands of the largest producers – Electrolux, LG, Beko, Siemens, Indesit – are more known in the market than the brand of „Snaige“. Despite tough competition, more active marketing and sale campaigns resulted in growth of sales quantities and revenues.

### Western Europe

In 2007 the sales in the Western Europe have decreased by 3%. 269 thous. Refrigerators were sold in the market, and 148 m.LTL of sales revenues received. The largest part of the products were sold in Germany, France, Poland.

Export to western countries in 2007

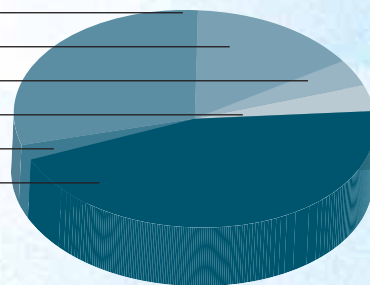


### Snaige products portfolio

RF – refrigerators with freezers in the lower part;

„Snaigė“ product portfolio

FR - 30%  
F - 15%  
C - 4%  
CD - 4%  
R - 2%  
RF - 45%



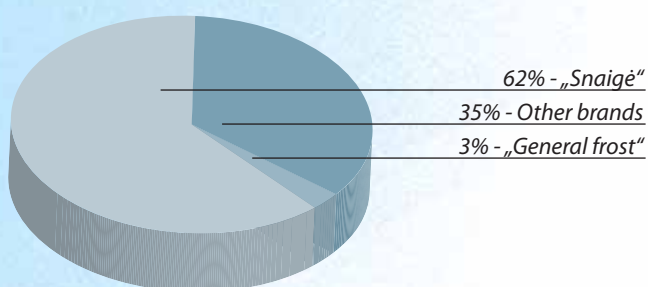
FR – refrigerators with freezers in the upper part;  
R – one door refrigerators with freezers, mini bars;  
F – freezers;  
C – refrigerators without freezers;  
CD – refrigerators – show cases.

## Snaige brand portfolio

AB „Snaigė“ has registered two trading marks : „Snaigė“, „General frost“. Besides these, the plant is producing refrigerators under other brands of trade partners and retail networks:

- Alaska - METRO, the largest domestic appliance retail network in Europe.
- General Frost - TESCO, the second largest domestic appliance retail network in Europe.
- Far - CONORAMA, the largest domestic appliance retail network in France.
- Sverin - QUELLE, one of the largest domestic appliance retailer in Germany.
- Elvita - E5 Group, the largest domestic appliance retail network in Scandinavia.
- Carad - ELDI, one of the largest domestic appliance retail network in Belgium.
- Elon (Sweden)
- Casino (France)
- Punkt One (Denmark)

„Snaigė“ trade marks portfolio



In 2007 the largest part of the products there sold in the Eastern markets (59%). During the year the weight of these markets in the overall sales portfolio has increased by 9 percentage points. 34% of the products were exported to the western countries, the remaining part of 7% was sold in the Baltics.

### 2.8.7 Supply

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

The major suppliers are listed below: ACC, Danfos Compressors GmbH, Embraco Europe S.R.L., Kenmore UK, Geko-Kart, CFF, AO Severstallat, Arcelor-Mittal, KME Europa metal AG, KM Ibertybos S.A., Sintur s.z o.o., Ilpea, Basf, Dipol, Bay Systems Northern Europe, UAB Alytaus ARA, UAB Lisiplast, UAB „Hoda“.

The priorities set in the purchase strategy of the Company are high quality assurance and effective logistics. The increasing competition between the suppliers stimulates continuous improvement of the purchased product.

### 2.8.8 Risk factors related to the business of the Issuer

**Credit risk** – at the moment Issuer's activities are incurring loss. Credit risk related to the deposits in banks is limited, as the Issuer is cooperating only with the largest Lithuanian banks. On the 31st December 2007 the debt to assets ratio was 0.63. On the 31st December 2007 financial debts were equal to 50 178 thous. LTL. Part of non-current assets (for 52 099 thous. LTL), according to a factoring with recourse agreement, accounts receivable with balance sheet value on 31 December 2007 of 18 842 thous. LTL were pledged to the factoring agency, part of inventories (for 19 300 thous. LTL) and part of receivables into bank account (amount up to 10 000 000 LTL) are put in pledge to cover loans. Loan repayment is going according to the timetable. More detailed information about the financial liabilities of the Issuer can be found in the audited financial statement of 2006, which is added as the appendix to this prospectus.



## Information about financial debts:

<i>Credit line/loan</i>	<i>In total, thous. LTL</i>	<i>Maturity up to 1 year</i>	<i>Maturity 1-2 years</i>	<i>Maturity &gt;2 years</i>
4449527 EUR Credit line - 6 months variable rate LIBOR + 1,2 %	2 139	2 139		
2148854 EUR loan – variable 6 months rate LIBOR + 1,1%	1 484	1 484		
Credit line - variable 1 mmonth rate EURIBOR + 1,15%	8 278	8 278		
887886 EUR loan 4.85%	3 066		3 066	
3357449 USD loan 6.07%	7 914		7 914	
7297328 LTL loan 4.85%	7 297		7 297	
20000000 LTL creadit line variable 6 months rate VILIBOR +1,15	20 000	20 000		
<b>In total :</b>	<b>50 178</b>	<b>31 901</b>	<b>18 277</b>	

**Market risk** – Issuer's companies are involved in production and sales of domestic and commercial use refrigerators. Investors must accept the risk that due to unfavorable changes in realization and production markets the Issuer and its controlled companies might suffer losses, which will worsen the financial situation.

**Currency risk** – part of company's income is received in US Dollars which has a free float exchange rate with respect to Lithuanian Litas. In case the exchange rate will dramatically change due to some extraordinary events in US Economy Company's financial situation might.

**Political risk** – Issuer is involved in production during which hazardous chemical substances are a byproduct. Environment protection is politically heavy regulated in Lithuania and European Union

**Operational risk** – is a risk to incur direct/indirect losses due to inadequate or inoperative internal processes, systems, or technologies, actions of employees, representatives, other external actions. A part of operational risk is the legal risk, which occurs in case of inappropriate execution or implementation of various treaties, contracts, agreements, cases, and laws.

**Technological risk** – this risk comprises the physical and moral depreciation of technological equipment. The consequences of this type of risk are indirect and direct.

#### **2.8.9 Termination or reduction of production volume with the critical effect on the issuer's performance during recent 2 economical years**

The work of the company and production plant was stoped from 27 December 2007 till 5 January 2008 due to the Christmas holidays.

#### **2.8.10 Patents, licences and contracts**

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

### 2.8.11 Teismo ir trečiųjų teismo (arbitražo) procesai

Currently the dispute is being solved in Norway, the value of which is around 717 281 LTL for the fire damage. It is suspected but not proved that fire might have started due to the defect of refrigerator manufactured by AB „Snaigė“. Currently the court procedure is in progress regarding the fire in France, damage value around 118 000 EUR. It is suspected, that fire has started due to the overheating of refrigerator compressor, which was manufactured by AB „Snaigė“. However, it is not proved so far. Process is in progress.

### 2.8.12 Investment policy

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

	TECHPROMINVEST	MOROZ TRADE	LIGA SERVIS	SNAIGE – UKRAINE	ALMECHA
Head-office address	Rusija	Rusija	Rusija	Ukraina	Alytus, Lietuva
Type of activities	manufacture of refrigerators	sales and marketing services	sales and marketing services	sales and marketing services	production of other equipment
Share of the authorized capital available to AB „Snaigė“, %	100 %	100%	100	99 %	100 %
The authorized capital (LTL)	12 468 840	947	1028	88875	1 375 785
Share of the authorized capital unpaid by the issuer	Completely paid	Completely paid	Completely paid	Completely paid	Completely paid

#### 2.8.12.2 The major investment projects amounting to more than 10 percent of the issuer's authorized capital, which have been implemented during 3 recent financial (economical) years: types, volumes and financing sources of investments, and geographical allocation thereof

Each year AB „Snaigė“ invests into development of technical progress and manufacture of new, ecological-friendly, cost-effective and modern products. Three new products were developed, and the current products improved. In the process of acquisition of new products the new technologies were assimilated, and the current ones improved. In 2004 the funds invested for acquisition of new products and technologies, and for improvement of the current technology amounted to 10 mill. LTL.

In 2004 new projects were implemented to improve the production technologies, to increase performance level, and to advance product quality and work environment.

The most important projects are listed below:

- Two new filling modules of PPU resulted in increase of the production capacity by 16%, the opportunity to produce perspective models with the height of 2030 mm and depth of 610 mm, and reduction of material consumption.
- Electro-contact spot welder with the autonomous cooling system resulted in possibility to establish exact compression time, current increase time, welding current, time, and cooling time while welding the pipes of cooling system, high quality of component welding, and reduction in energy costs.
- New equipment for filling the R60 cupboards with thermal insulation, using cyclopentane as a foaming agent resulted in quality improvement, increase of production capacity and reduction of net cost of refrigerators.
- Packed printing of pictures using Teca-print equipment resulted in improved quality of pictures and component view, reduction of work and material consumption, and increase of production capacity.
- Pneumatic lifts implemented in casting equipment resulted in reduced consumption of compressed air for granule supply to the casting machines.
- Updated production line of side panels „OLMA“ resulted in increased versatility of the line by applying wider range of side panels for production, reduced time used for line adjustments and launching, increased production capacity of side panels.
- Machine for cooling pipe flexing, capable to flex 7 pipes at a time, resulted in reduced work consumption and increased production capacity.
- Transportation complex of filled PPU cupboards, stage I: the filled PPU cupboards are joined to the single flow out of two different PPU filling lines for transferring them to the sort warehouse, and are supplied to assembly line in a centralized manner.

The main investment projects of 2005:

The total investments of the company in 2005 amounted to 11.6 mill. LTL, 7.86 mill. LTL of which were invested into manufacture of new products.

There were six projects implemented at AB "Snaigė" in 2005, according to the investment program. Three of them have been already finished and implemented (CD 480, RF 390-1703 and RF 390-4703, RF 390-5703). The activities of other projects are continued in 2006.

#### **Commercial Refrigerator CD 480**

CD 480 is a 203 cm high, 480 liters capacity professional commercial refrigerator with an advertising plate mounted (removable) on the glass door. The refrigerator places 553 (0.33 l) or 274 (0.5 l) bottles. Beside that, the design of the refrigerator provides for many user-friendly elements: self-closing door, vertical illumination within the whole height of the refrigerator, possibility to mount the shelves in horizontal or leaned position, etc.

This project served as a basis for manufacture of various commercial refrigerators.

#### **RF 390-1703 in Alytus Plant**

This project was meant for satisfying the demand of two-meter-height, two-freeze-chambers refrigerators in the EU market. The production line of the two-freeze-chambers refrigerators have been finalized in the company.

The production line of this refrigerator was prepared in Kaliningrad plant in 2004. Since export of the refrigerators from Russia is not cost-effective, it was decided to manufacture the products in Alytus. Thus, starting from 2005 manufacture of refrigerators RF 390 was launched in Lithuania.

RF 390 is a 2-meter high, 365 liters volume two-freeze-chambers refrigerator, maintaining all the best features of "Snaigė" refrigerators, as well as variety of modifications.

#### **RF 390-4703 and RF 390-5703**

In order to complement the line of the "TOP" class refrigerators and considering the increasing customers' needs and technological progress, we developed a two-freeze-chambers fridge freezer with switch valve. The project was completed at the end of 2005.

**RF 390-4703 and RF 390-5703** are the variations of RF 390 with a valve-operated freezing system. Those freezing system is much more progressive than the products with two-compressors freezing system.

A one-compressor system is exceptional for the following reasons:

1. the temperature of the refrigerator and the freezer can be adjusted with the accuracy of one degree in each separate freeze chamber;
2. a one compressor freezing system with a switch valve consumes less electrical power than the refrigerators with two compressors system;
3. the refrigerator or the freezer chamber can be switched off and used independently from each other.

Both chambers of RF 390-5703 can be manually operated independently from each other. Added value is provided to the RF 390-4703 by electronic control system, low energy consumption and convenient details.

#### **RF 390, RF 360, RF 315, RF 310, RF 300, RF 270 new design**

Recently a trend of angular domestic appliances has been observed. Besides, technical and energetic requirements are rapidly increasing, which are not possible to satisfy by the current design of the "Snaigė" refrigerators. Therefore presently the new refrigerator design is being developed, complying with the mainstream trends and the existing and prospective requirements.

The idea of new design was created in 2004, which encompasses all three versions listed below:

- the door is mounted up to the top of the refrigerator, and control panel is mounted under the door, on the upper angle;
- the upper part of the door includes a window, where the control panel can be seen;
- the door is mounted with the additional finishing plate, where the control panel is mounted.

The construction basis of all the variations is the same: the side panels are mounted up to the top, thicker insulation, updated internal chamber design and construction. Internal illumination is ensured in the upper part, and the shelves are mounted in the special formed grooves. Various handles may be used with this design (vertical, horizontal, integrated), which further enhances the choice of the available variations.

Manufacture of the refrigerators of the first design variation was started in 2005.

Investments into new technologies of AB „Snaigė“ amounted to 1.38 mill. LTL in 2005. New progressive technologies were implemented in the company, which enlarge production capacity, comply with the environmental requirements, improve quality of the products and work conditions. Within the process of development of new products new technologies were implemented and the existent ones improved.

Main investment projects in 2006:

According to investment programs in 2006 the further development of 6 models of new-design RF two-freeze-chambers refrigerators was continued. The development will not only provide with the renewed design, but will also create the base platform for the new generation refrigerators allowing reaching higher energy efficiency. In addition to that, in the future small additional investment will enable company to produce new exterior design features according to the future demand.

To allow production of the new design refrigerators, the connective components production line was modernized, two new molding machines were purchased, 30 molding forms, 27 stamps, 13 sets of vacuum-forms, 6 sets of punches PPU, 5 sets of forms PPU, were manufactured, helium regeneration system and aluminum tubes cutting line were modernized.

In 2006 total amount of 7,189 thous. LTL was invested into development of new products.

In addition to that, during 2006 existing technologies were modernized and new ones implemented – glue covering of AI vaporizer sheets instead of using double-side glue-type, isolation of filled-up PPU, modernization of case and door painting-repairing line, centralization of nitrogen supply using nitrogen production generator, and other improvements.

2007 main investment projects

AB „Snaigė“ has successfully started new design refrigerator production. New refrigerators are: RF39, RF36, RF34, RF32, RF31, RF30, RF27 which are characterized by squared doors till the upper edge of the fridge, and integrated handle.

In addition, II type new design production line. Refrigerators are built with vertical or horizontal screwed door handles.

In 2007, AB „Snaigė“ has invested 20.101,2 thous. LTL for the upgrade of production lines and new design refrigerators production. Invested was mainly allocated of the creation of new products and new automatic freely programmable casing parts production line.

Company has successfully adopted new and currently most advanced used technologies available in the European Union. These technologies comply with all the environmental regulations, increase the quality and working conditions, lower production costs, allow for the flexible changes in output and assortment.

Important projects in 2007

- Refrigerators with side wall from black and stainless steel automatic production line. Project price: 4.764,22 thous. LTL;
- Refrigerator front doors from black and stainless steel automatic production line. Project price: 5.002,75 thous. LTL;
- Refrigerator upper cover from black and stainless steel automatic assembly line. Project price 3776,67 thous. LTL;
- Capillary hose manufacturing equipment. Project value 75,0 thous. LTL
- cooling system production line upgrade. Project price 30,0 thous. LTL;
- refrigerator plastic parts production line. Project price 2.898,30 thous. LTL;
- refrigerator casing production line. Project price 256,60 thous. LTL;

The rest of investment consisted of new design for refrigerators creation and production lines upgrades that were 3.870,46 thous. LTL worth.

Moreover company's resources were also invested in:

- Production technical service and upgrading of worn out equipment, improvement of working conditions - 379,40 thous. LTL;
- Electric network upgrade and service, acquisition of a new high pressure compressor - 339,4 thous. LTL;
- Acquisition of 2 new forklift trucks and a truck to improve logistics effectiveness in the warehouse - 187,1 thous. LTL;
- Acquisition of tools needed for after sale technical service in Snaigė-servisas division - 41,7 thous. LTL;
- Acquisition of new IT equipment - 357,4 thous. LTL.



Total amount of investment - 23 656,3 thous LTL.

AB SNAIGĖ planned investments for the year 2008:  
R&D of new technology acquisition of new equipment it is planned to invest 4512,3 thous. LTL.

It is planned to invest in these projects:

- New products R&D - 2.531,5 thous. LTL;
- Electric network upgrade and service - 448,3 thous. LTL;
- Production line service and upgrade, working conditions improvement - 801,5 thous. LTL;
- Improve logistics effectiveness – 321,0 thous. LTL;
- Snaigė-servisas division development– 61,0 thous. LTL;
- IT systems development – 349,0 thous. LTL

All investment projects are undertaken to improve production quality and to lower production cost.



### 2.8.12.3 New „Snaige Ice Logic“ refrigerators product line



The most important event for the Company in 2007 was launch of new 7 refrigerator models product line „Sniage Ice Logic“.

The new models of AB „Snaige“ refrigerators are exceptional due to most recent technological solutions and modern design. The quality and design of newly launched „Snaige Ice Logic“ refrigerators was certified by one of the world's most famous Italy's engineering center „AE srl – Appliance Engineering“.

Outside design of refrigerator was created according to the newest trends in the refrigerator design, distinguish by straight lines, square forms and sharp edges. Internal design distinguish by new and more convenient spacing of the shelves and other internal elements.

The new „Snaige Ice Logic“ refrigerators are comfortable and functional also due to variable opening direction of the doors, practical control unit, multifunctional section, innovative shelf for bottles, effective illumination of the refrigerators inside and other elements.



„Snaige Ice Logic“ refrigerators are classified under most power-efficient A+ energy consumption category. These refrigerators have unique cooling system, which due to special inner design allows to reach noticeably higher energy effectiveness class without additional costs. Such a refrigerator will use 31% less energy per year.



„Snaige Ice Logic“ refrigerators have installed antibacterial safety system, protecting against hazardous bacteria which stimulate deterioration processes causing harmful diseases. Internal walls of the refrigerators are saturated with harmless special material with silver ions which protects from hazardous bacteria.



The new AB „Snaige“ refrigerators are made from the parts manufactured by well recognized producers „BASF“, „Dow“, „ACC“, „Danfoss“, „Climate control“, „Parker Hannifin Ltd.“, etc. Moreover, in the manufacturing the Company uses modern equipment manufactured by well recognized machinery producers. These above mentioned factors ensure maximum quality of manufactured products.



#### Automatic defrost system

The new refrigerators are equipped with automatic defrosting system, which vaporizes water. The drainage system collects humidity in special reservoirs above compressor which later evaporates. Moreover, refrigerators with automatic defrosting system always have optimal level of humidity, so food kept in the refrigerators stays fresh for longer time.



### Ecologic and safe

In accordance with Kyoto protocol requirements on global warming and climate change cooling equipment of AB „Snaige“ refrigerators is manufactured only from environmentally safe materials. As a result, manufactured refrigerators do comply all the environmental requirements. Materials used do not erode ozone and do not add to global warming. The freezing unit of the refrigerator is filled with izobutane (R600a) – natural gas, and for insulation of the refrigerator no harmful ciklopentane is used. Refrigerators of AB „Snaige“ comply with European RoHS (Requirements on Hazardous Substances) requirements. It means that these refrigerators do not contain highly unhealthy materials like lead, mercury, polibromint difenil ether.



### Low noise level

Due to exceptional technical solutions and high quality materials the refrigerators of AB „Snaige“ comply with strict low-noise standards of European Union.

The new manufacturing lines of AB „Snaige“, which are as modern as production lines of other well recognized global refrigerator producers, are equipped with highly innovative technologies and up to date devices.

The major part of the equipment of the new refrigerators manufacturing line are produced with world-famous producer Meccanica Beretta. This equipment is fully automated and highly efficient. Metal sheets processing machine and metal sheet press are made in Germany. Automatic line for joining elements production was made by Italy's manufacturer Olma and AB „Snaige“. In addition to that the Company has installed aluminium tubes cutting and helium vaporizers leakage testing equipment.

The new product line „Snaige Ice logic“ during short time has become popular amongst clients. After the launch of production two new „Snaige ice logic“ models got onto top 6 list of most bought refrigerators in Lithuania.

### 2.8.13 Environment report

AB „Snaige“ is one of the most advanced manufacturing companies of Lithuania in the field of environment protection. Our vision – ecological products, clean technology and clean environment.

The activities of the company are regulated by environment protection management system, which complies with international ISO 14001 standard requirements. The system is working since 1995, and last year certificate bureau Bureau Veritas Certification Lietuva has extended the validity of the system for additional three years.

When developing a new product, the com-



pany gives a priority for the manufacturing processes which save raw materials, for safe transportation, waste elimination and quality of products. In manufacturing the company tries to use materials which later can be recycled. The company complies with European Parliament and European Commission directive 2005/32/EB, which regulated design of the products.

The refrigerators of „Snaige“ are manufactured from ecological materials which do not have any harmful elements. For example, every plastic part of a refrigerator is marked (according to ISO), so that it can be reused one more time, recycle according to directive 2002/96/EB describing electrical and electronic equipment waste requirements.

Technological product surface coating process is ecologically clean: solid covering and drying with natural gas is used. Cooling system is filled with natural cooling gas R600a, which does not deteriorate ozone and for insulation of the refrigerator no harmful cyclopentane is used.

The major part of the AB „Snaige“ products are of highly power efficient class A and A+. Such refrigerator consumes up to 30% less electricity per year than other typical refrigerators.

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

Recycling companies are provided with information about dismantling of no longer usable products and their utilization.

The company has old refrigerators utilization system. Starting with 2006 the company started to utilize large electric household equipment – refrigerators and fridges – waste.

AB „Snaige“ fully complies with the requirement of Kyoto protocol about the global warming and climate change. Materials used in manufacturing do not deteriorate ozone and do not add to global warming.

The company saves electricity, water, heat: during decade the usage of these energy sources was decreased by three times.

#### **2.8.14 The strategy of the activities and the prospective changes thereof during next financial (economical) year**

- To increase Company's profitability while concentrating trade export flows in the most profitable markets
- To decrease the costs of goods sold for the products manufactured:
  - while forming agreements with alternative materials, parts suppliers offering lower price for their production;
  - while improving manufacturing technology;
  - while optimizing number of assortment units;
  - while decreasing spoilage rate;
  - while more effectively using secondary materials;
  - while rejecting non-economic technological processes;
  - while unifying construction, design and realization of the products.
- To increase efficiency of manufacturing while establishing efficiency programs and motivational employee encouragement programs, improving manufacturing planning.
- To optimize operational costs.

#### **2.9 Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market**



## Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

The public company „Snaigė“, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	NO	The operational strategy of the Company has only been to a partial extent reflected in the annual report and the annual statement, as well as selected press releases, the operations strategy is not published in the internet website of the Company since the website has not been designed for the publication of this kind of information.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	The operational strategy of the Company is considered and approved by the Board of the Company; the strategy targets the need to ensure profitable performance with an ultimate view to increase the shareholders' equity. The compliance with the provisions of the Company's operational strategy is supervised by the Manager of the Company.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	NO	The Company has not formed the Supervisory Board as the shareholders have refused to form such.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	The Board of the Company monitors and assesses the performance of the Company's Manager by analysing the financial statement submitted by the Company's Manager, also the organisation of the activities, data on the changes in equity, and has an authority to point out to the Manager the inappropriate execution of the above provisions.
<b>Principle II: The corporate governance framework</b>		
<b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	NO	Upon the decision of the shareholders since May 2006 the Supervisory Board is not formed.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	YES	The Board of the Company is responsible for the formation of the Company's operational strategy, organisation of the enforcement thereof, the representation and the protection of the shareholders' interest.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	NO	Only the Board is formed in the Company (upon the shareholders' decision of May 2006).
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. <sup>1</sup>	YES	These principles apply to the Board to the extent they do not contradict the essence and the purpose of the Board.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. <sup>2</sup>	YES	There are five Members of the Board and in the opinion of the shareholders this is sufficient.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	NO	The Supervisory Board is not elected.

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

<sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.

YES

The Chairman of the Company is not and has not been the manager of the Company.

**Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting**

**The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup>**

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.

YES

The collegial management body – the Board is elected in the general meeting of shareholders in which the candidates to the Members of the Board introduce themselves to the shareholders, provide information of the positions they hold in other companies and their professional qualifications. All present in the meeting are provided a possibility to propose other candidates to the Members of the Board.

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.

NO

The Rules of Procedure of the Company does not provide for this position.

3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.

NO

The annual report does not indicate the competence of the Members of the Board directly related to their work in the collegial management body.

3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.

YES

The Members of the Board have sufficient experience, qualification and knowledge. For the purpose of deciding to elect them Members of the Board the general meeting of shareholders do assess the professional qualification of the candidates.

3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.

NO

No individual training programmes have been prepared based on the assumption that the newly elected Members of the Board have sufficient knowledge and experience.

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.

NO

Until now the independence of the Members of the Board has not been assessed, and the contents of the concept of "adequacy" of the independent Members of the Board has not been discussed.  
The Company has not taken any decision concerning the implementation of these provisions in the future.

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

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

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

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:

- 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;
- 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;
- 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);
- 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);
- 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;
- 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;
- 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;
- 8) He/she has not been in the position of a member of the collegial body for over than 12 years;
- 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.

NO

Until now the independence of the Members of the Board has not been assessed, and the contents of the concept of "adequacy" of the independent Members of the Board has not been discussed.

The Company has not taken any decision concerning the implementation of these provisions in the future.

NO

The board has not defined the concept of independence.

NO

No such practice exists.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	No such practice or requirements existed.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds <sup>6</sup> . The general shareholders' meeting should approve the amount of such remuneration.	NOT APPLICABLE	
<b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b>		
<b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance <sup>8</sup> .	YES	These functions are performed by the Board elected by the general meeting of shareholders. The Board shall submit to the general meeting of shareholders the annual report on the activities of the Company, evaluate the results of the business activities of the Company and assess the performance of the Manager of the Company.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	YES	In performing their duties the Members of the Board are guided by the interests of the Company and there have not been any cases allowing an assumption to the contrary.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	YES	Members of the Board act in accordance with the Rules of Procedure of the Board and allocate sufficient time for the performance of their duties.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	YES	There haven't been any cases of the conflict of interests between the shareholders and the Board. Neither the Articles of Association nor the Rules of Procedure of the Board of the Company have defined a specific procedure for communication with the shareholders. The Company has put in place the procedure of the provision of information to the shareholders in accordance with the Law on Companies, and this has been provided in the Articles of Association of the Company.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	NO	There has been no suggestion to include such point into the articles of association.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should	YES	Since the collegial management body – the Board is elected by the general meeting of shareholders, in its decision making function the Board is independent from the manager of the Company.

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

<sup>7</sup>See Footnote 3.

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

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

ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.

NO

The committees of the appointment of the directors of the Company, the remuneration and audit committees have not been formed given a very small number of the Members of the Board, and absence of such practice and requirements in the past. The functions specified in this item are performed by the Board within the limits of its competence.  
In the event the shareholders pass a decision to increase the number of Members of the Board by new independent members, the Company will be able to set up the committees in question.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.

NO

These provisions are not followed as the committees have not been set up.

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.

NO

The committees have not been set up and the issue of the formation of the committees has not been discussed.

4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.

NO

The Committees have not been set up.

4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.

NO

The Committees have not been set up.

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

## 4.12. Nomination Committee.

NO

Not formed (explanation in item 4.7.).

## 4.12.1. Key functions of the nomination committee should be the following:

- Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;
- Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;
- Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;
- Properly consider issues related to succession planning;
- Review the policy of the management bodies for selection and appointment of senior management.

4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.

## 4.13. Remuneration Committee.

NO

Not formed (explanation in item 4.7.).

## 4.13.1. Key functions of the remuneration committee should be the following:

- Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;
- Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;
- Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;
- Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);
- Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:

- Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;
- Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;
- Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.

## 4.14. Audit Committee.

NO

Not formed (explanation in item 4.7.).

## 4.14.1. Key functions of the audit committee should be the following:

- Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);
- At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;
- Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;
- Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;
- Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;
- Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	NO	The Board does not perform the assessment of its activities and does not make any announcements in this relation.
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**Principle V: The working procedure of the company's collegial bodies**

**The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**

5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	YES	In accordance with the Law on Companies the right of convening the meeting is conferred to each Member of the Board. The notice on the general meeting to be convened shall be sent by the initiator of the meeting in advance, according to the regulations of the board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month <sup>11</sup> .	YES	The meetings of the Board shall be convened in accordance with the Schedule of the meetings approved in advance for the year (once in a quarter), in addition, extraordinary meetings may be convened.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	YES	All materials required according to the agenda shall be sent to the Members of the Board by electronic mail; normally the agenda is not changed since in accordance with the Regulations of the Company the decisions may be passed and voting may be organised by way of electronic means; Members of the Board do have a possibility in the same manner to supplement the agenda upon their common agreement.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	NO	Not relevant, as the Supervisory Board is not formed.

**Principle VI: The equitable treatment of shareholders and shareholder rights**

**The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	YES	The capital of the Company is made up of shares conferring to the holders thereof equal voting and ownership rights, and the right to receive dividends.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	YES	The Company provides its investors information about the rights conferred by the newly issued shares by making a public announcement to this effect.

<sup>11</sup>The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting <sup>12</sup> . All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	NO	The Articles of Association of the Company do not provide for such right granted to the general meeting of shareholders, and the Board of the Company passes such decisions without the consent of the shareholders.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	YES	When convening the general meeting of shareholders, the venue, date and time of the meeting are established with a view to ensuring that the shareholders could participate in the meetings. The shareholders have a possibility to familiarise themselves with the draft resolutions in the Company, and the time and place are indicated in the notice of the meeting.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	YES	It is published in advance.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	The shareholders of the Company may exercise their rights individually in person, via their proxies also by voting in writing in advance. The Company confers to its shareholders the rights provided for by the Law on Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	NO	Until present the use of the modern technologies when voting in the general meeting of shareholders was not practiced as no such request has been expressed on the part of the shareholders.

#### **Principle VII: The avoidance of conflicts of interest and their disclosure**

**The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	NO	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	NO	No such cases have occurred; however, the procedure for concluding such transactions in the Company is not governed in any way.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	NO	No such cases have occurred; however, the procedure for concluding such transactions in the Company is not governed in any way.

<sup>12</sup>The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-term assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<sup>13</sup>The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	YES	This provision is being followed only in cases where the Board considers the issue of the remuneration of the Member of the Board – the Head of the Company.
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#### Principle VIII: Company's remuneration policy

**Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	NO	The annual report of the Company does not contain the statement on remunerations since this kind of information is considered by the Company confidential.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	NO	The annual report of the Company does not contain the statement on remunerations since this kind of information is considered by the Company confidential. Information on the changes in the Company's compensation policy may be published in case such decision is passed.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	NO	The annual report of the Company does not contain the statement on remunerations since this kind of information is considered by the Company confidential. Information on the changes in the Company's compensation policy may be published in case such decision is passed.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	NO	This information was not published, but it will be possible to publish it in the future, except part of the information considered to constitute a commercial secret of the Company.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	NO	Currently this information is not published, but in the future it may be decided to publish it.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	NO	This information is confidential and the Company does not publish it.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;	NO	This information is confidential and the Company does not publish it.

- If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;

- Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;

- Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.

8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:

- The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;

- The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;

- The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;

- All changes in the terms and conditions of existing share options occurring during the financial year.

8.7.3. The following supplementary pension schemes-related information should be disclosed:

- When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;

- When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.

8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.

8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.

NO

The Company does not practice the remuneration by director stocks or options.

8.9. The following issues should be subject to approval by the shareholders' annual general meeting:

- Grant of share-based schemes, including share options, to directors;
- Determination of maximum number of shares and main conditions of share granting;
- The term within which options can be exercised;
- The conditions for any subsequent change in the exercise of the options, if permissible by law;

- All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.

NO

No such practice is being enforced in the Company.

8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.

NO

No such practice is being enforced in the Company.

8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	NO	No such practice is being enforced in the Company.
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	NO	No such practice is being enforced in the Company.

#### Principle IX: The role of stakeholders in corporate governance

**The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	The management bodies of the Company seek to ensure the rights of all interest holders and, to an extent possible, takes their opinion into account.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	YES	Interest holders are authorised to participate in the management of the Company and in the process of taking the decisions relevant to the Company to the extent permitted by the laws of the Republic of Lithuania.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	These provisions are being complied with to the extent governed by the Laws of the Republic of Lithuania.

#### Principle X: Information disclosure and transparency

**The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**

10.1. The company should disclose information on: <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul> This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	YES	The Company discloses the relevant information, in the established manner, to the Securities Commission, Vilnius Stock Exchange, ELTA, BNS, and the daily "Lietuvos rytas".
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	YES	The Company discloses the information on the consolidated results of the entire enterprise group.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	NO	Until present this kind of information is not being disclosed, furthermore, part of the information (remuneration of the members of the Company's supervisory and management bodies, the compensation of the Manager paid from the Company and other income) is considered confidential by the Company and is not disclosed.

10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	YES	Until present this kind of information is not being provided.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	YES	The information is disclosed only to a limited extent, only to the institutions specified in item 10.1., and for the time being not published in the website of the Company. The information is normally published prior to or after the trading session of the Vilnius Stock Exchange. Following the disclosure of material events the information is additionally disclosed in the media providing more extensive commentaries.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	YES	It is published.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	YES	It is published.

#### **Principle XI: The selection of the company's auditor**

##### **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**

11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	YES	The recommendation is being followed.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	YES	The audit company is proposed to the general meeting of shareholders by the Board of the Company.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	NOT APPLICABLE	