The issuer's employees, administrative manager and the members of the management bodies who are responsible for the composition of the annual financial account of 2007 and the the annual report of the year 2007, as well as the issuer's consultants hereby confirm that as far as it is known to them, annual consolidated financial reports, formed according to applied accounting standards, reflects reality and correctly shows issuers and whole consolidated companies' assets, liabilities, financial position, profit or loss, and that consolidated annual report correctly presents business development and activities overview, issuers and consolidated companies' state together with description of main risks and uncertainties faced.

The Managing Director of AB "Snaigė" **Gediminas Čeika**

The Finance Director of AB "Snaigė" **Neringa Menčiūnienė**

Date of preparation of the report: April 17, 2008
Place of preparation: UAB FMĮ "Orion Securities" (Tumėno str. 4, Vilnius).

ERNST & YOUNG

Ernst & Young Baltic UAB
Subačiaus g. 7
LT-01127 Vilnius
Lietuva
Tel. (8 5) 274 22 00
Faks. (8 5) 274 23 33
Vilnius@lt.ey.com
www.ey.com/lt

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Registras – Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus 7
LT-01127 Vilnius
Lithuania
Phone: + 370 5 274 22 00
Fax: + 370 5 274 23 33
Vilnius@lt.ey.com
www.ey.com/lt

Code of legal person 110878442
VAT payer code LT108784411
Register of Legal Persons

Independent Auditor's Report to the Shareholder of AB Snaigė

We have reviewed AB Snaigė (hereinafter the Company) and its subsidiaries (hereinafter the Group) Consolidated Annual Report for the year ended 31 December 2007. The report is the responsibility of the Company's management. Our responsibility is to present report on the Consolidated Annual Report based on our review. We have audited the financial statements of AB Snaigė for the year ended 31 December 2007 in accordance with International Standards of Auditing. On 11 April 2008 we have expressed qualified opinion on these financial statements.

Our review of the Consolidated Annual Report for the year ended 31 December 2007 was limited primarily to analytical procedures and discussions with the Company's personnel and was limited to financial information only. The scope of review provides less assurance than the audit for the purpose of expressing an audit opinion on this report. Accordingly, we do not express an audit opinion.

The Consolidated Annual Report for the year ended 31 December 2007 includes operating plans and forecasts. The actual results in the future might be different from the current management's estimations as events and circumstances frequently do not occur as expected.

Based on our review, we have not noted any material inconsistencies between the financial information included in it and the financial statements, prepared in accordance with IFRS adopted by European Union, for the year ended 31 December 2007.

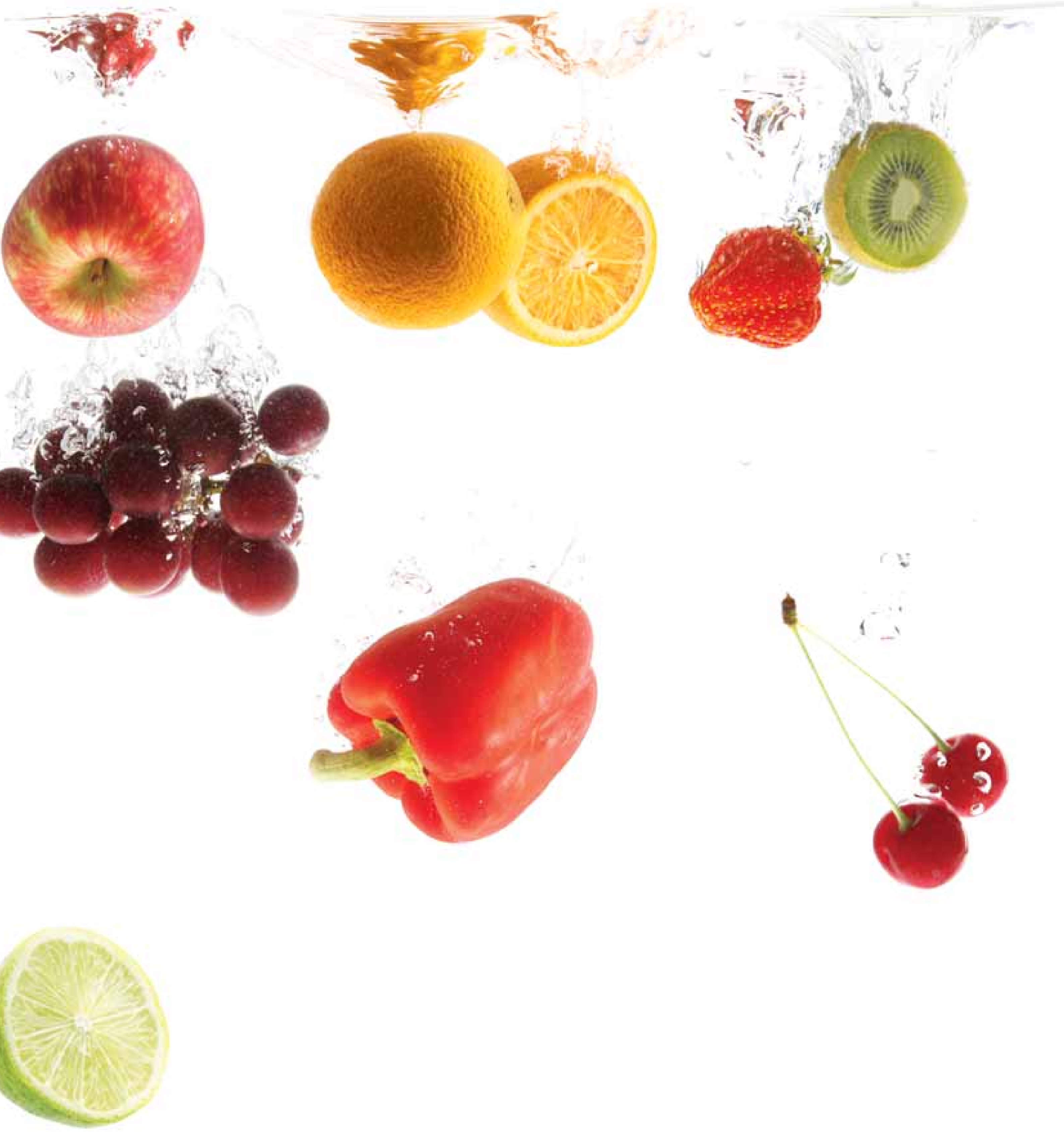
UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

The review was completed on 19 April 2008.

SNAIGĖ

Consolidated annual report 2007



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 achivements and severe losses. The company during 2007 has sold a record number of refrigerators – 653 thous. Units and jas 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 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.
Just as we have expected, the lauch 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 slaes 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 exchaneg rate and rising prices off raw materials the company has lost nearly 15 mLTL and incurred 11.4 mLTL consolidated net loss.
The situation was aggravated by high level of competition among domestic appliance manufacturers, high 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 with further on 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 mLTL and to earn 4.6 mLTL 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 companeis 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 noticably, 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 proceses.
Despite negative influence of USD exchange rate fluctuation and rise in prices of raw materials on profitability indeces, AB „Snaige"has not lost its optimizm. 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 mLTL 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, decreases manufacturing costs and labor intensiveness of the processes, allow to flexibly develop and adjust assortment of manufactured refrigerators
The new „Sniage 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 refirgerators 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 bacame second best sold refrigerator in Lithuania. In the end of the alst 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 manufacture 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"

Content

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

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

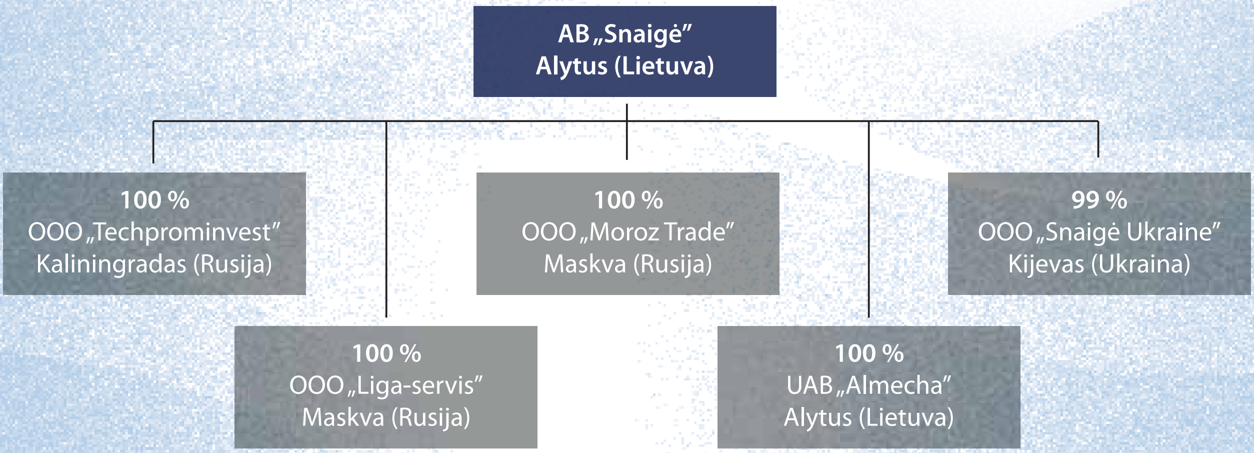
Legal organisation status – legal entity, public limited company

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 „Snaige" group consist of parent refrigerator manufacturing company „Snaige" 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 "Snaige-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 Depositary) 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 pilled 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.

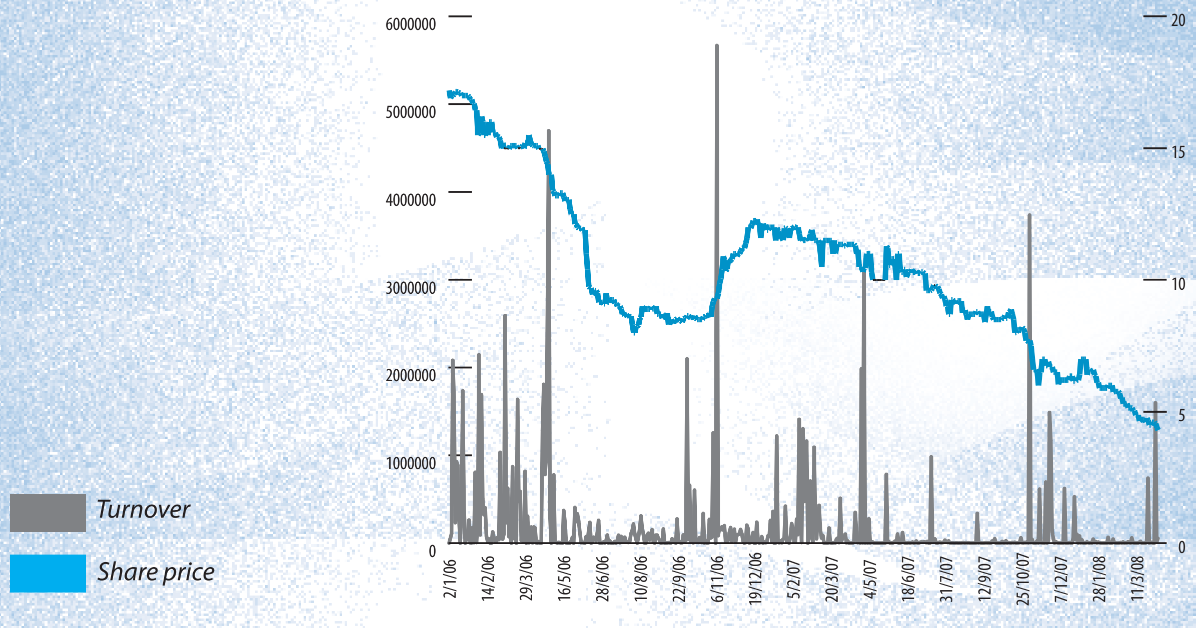
1.7.2 Trade of the issuer's securities in stock exchanges and other organized markets

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	200-03-31	600 671	2 812 040



Trade in Company's convertible bonds

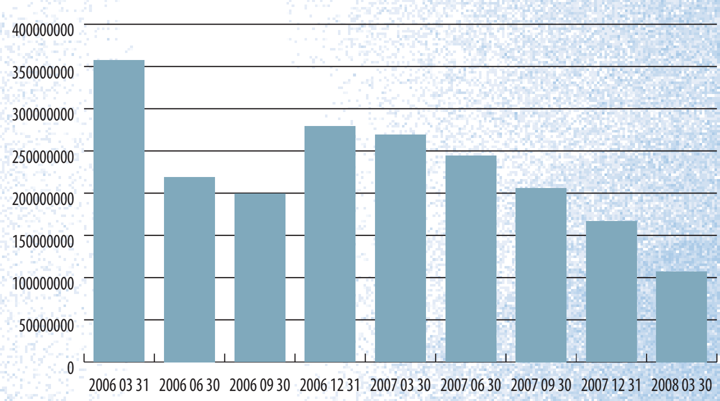
On the time of the preparation of this report the AB„Snaigė“ convertible bonds were not yet included into Vilnius stock exchange debt securities list.

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) max	Price (LTL) min	Amount of securities (pcs.)	Sum (LTL)	Amount of transactions	Amount of securities(pcs.)	Amount of transactions	
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) Litas 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.
AB „Snaigė" subsidiary companies do not have any shares in AB „Snaigė".

1.9 Dividends paid

Table 10. Dividends paid

Year	*Dividends paid out , LTL*	*Amount of dividends per share, LTL*	*Percentage of the nominal value of a share*
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 situaten 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 Granted rights and their usage of the securities

All the shares are equal.
Separately from all the other rights mentioned in other laws, according to the joint-stock companies law each issuer's shareholder has such rights:
 Recieve profit share (dividends);
To receive company's working capital, when the fixed capital is cut down in order to pay out company's capital to its shareholders;
To receive shares, when the fixed capital is raised out of the company's capital, except the exeptions stated in the 42 article, 3 part of the law;
Priority right to acquire company's shares or bonds, except when the general shareholders meeting according with the law decides to cancel the shareholders priority right;
To lend the company by the law, but the company can not pawn any of its property. In such case, the interest cannot be higher than the average interest offered by the banks in the debtors living or working area, valid during the time period of the loan agreement. In such case the company and the shareholder are forbidden from agreement with the higher interest rates;
 to receive part of property in the case of company's liquidation process;
 other property rights set by the Lithuanian laws.
The person has specified rights in the joint-stock company, who was the shareholder in the company on the tenth working day after the corresponding agreement was set during the general meeting.
The issuers shareholders non-property rights include (but does not limit oneself):
 The right to participate in the general shareholders meeting;
 The right according with shares to vote in the general shareholders meeting;
 The right to receive information about the issuerss activities according with the joint-stock companies law;
 The right to appeal in court, in order to compensate the loss, which has accumulated due to the improper usage of rights or position by the issuer's managing director or a board member as it is obligatory by the law, as well as any other case set by law.
The rights that are granted with the issuer's shares cannot be limited or restricted any other way that is not stated in the law. The issuer's statutes does not foresee any exceptions.

2.1.2 The authorized capital registered in the enterprise register

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

2.1.3 Changes in authorized capital during the last 3 years

Registration of changed authorized capital	*The size of the authorized capital before the change*	*Change*	*Reason for change*	*The size of the authorized capital after the changed*
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

2.1.4 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 3 600 000 LTL.

2.1.4.1 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 con vert 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 ex press 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.

2.1.4.2 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, 3 600 000 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.

2.1.4.3 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 3 600 000 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.

2.1.4.4 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 transferof 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 ų 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	-

2.4 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 emplooyees of the company were studing 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. While initiating and executing competence and work enhancement, training projects to encourage inititative of employees, creativity and ambitions for constant improvement of their own and overal company's activities.

Company's employees are encouraged to suggest and implement rational proposals in the areas of technology, manufacturing, business activity maangement 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 maangements, negotiation, customer relationship management, marketing, employee evalutaion and carrer 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. 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 objectivly 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. To develop loyalty of employees while establishing and continuosly 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 loalty increase plans are discussed individually with each employee after acounting for employee's personal future plans, needs, etc.

4. To help company' smanagement team to achieve business goals while analizing 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. 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, posibility 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. 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, mictrotraumas, and professionall illness is constantly decreasing, and every accident is scrutinized in order to form action plans for risk factors elemination.

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
In total:	**1 528**	**100**	**1 680**	**1 657**	**100**	**1 544**	**1 726**	**100**	**1 356**

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
Total:	**1 528**	**100**	**1 657**	**100,0**	**1 726**	**100,0**

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*	*%*
heads	12	0.5	11	0,5 %	11	0,5 %
experts	443	18	454	20,3 %	461	20,1 %
workers	2 006	81.5	1766	79,2 %	1820	79,4 %
Total:	**2 461**	**100**	**2 265**	**100,0 %**	**2 231**	**100,0 %**

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

2.5 Significant agreements

Non of the significant agrements between the issuer, shareholders, workers and etc. were changed.

2.6 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 mofify the articles have to be submitted to the register of the enterprises during the period specified by the law.

2.7 Information about the Issuer's management bodies

2.7.1 The Issuer's body

The company body is formed out of:
- Pubic shareholder meeting (further – shareholder meeting);
- The board is formed out of five members and is chosen for a four year period;
- The head of the company – managing director.

The calling of public shareholder meeting and the competence does not distinguish from the public shareholders meeting calling rights and competence mentioned in the law of the joint-stock companies.
The company's board is chosen and revoked in a public shareholder meeting as it is stated in the law of the joint-stock companies. The board has the right to issue the bonds. The competence of the board in accordance with more questions does not vary from the competence set in the law of the joint-stock companies. The company's board work procedures are set by the board work regulation law.
Managing directors competence, his assignments and revokation procedure does not distinguish from the one stated in the law of the joint-stock companies.

2.7.2 Members of the management bodies

2.2.2.1 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, %*
BOARD				
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	-	-	-
ADMINISTRATION (managing director , Finance Director)				
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 ManagingDirector.
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.

2.7.2.2 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.

Name	*Education, qualification*	*Workplaces and positions during the recent 10 years*
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".

2.7.2.3 *Name*	*Name of organisation, position*	*Share of the capital and votes available in other companies, in %*
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	-
	AB "Kauno duona" member of the board	-
	UAB "Diena Media News", chairman of the board	-
Domininkas Kašys	UAB "Vespera" director	100,00
	UAB "Hermis Capital" member of the board	5,08
	UAB "Gulbinų turizmas" director	8,33
Martynas Česnavičius	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	-
	UAB "Atradimų studija" member of the board	15,00
	AB "Kauno Pieno Centras" member of the board	-
Marius Binkevičius	UAB "Alta Capital Partners" director	-
	UAB "Vienybės Investicija" director	100,00
	UAB "FIS Investicija"	50,00
	Alta Capital Partners Management s.a.r.l.	16,80
Mindaugas Šeštokas	-	-
Gediminas Čeika		
Loreta Nagulevičienė	UAB "Audilona"	50,00
	IĮ „Eurodialogas"	100,00

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

No records are present.

2.7.2.5 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*
BOARD		
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
ADMINISTRATION (Managing Director and Chief Accountant)		
Gediminas Čeika	2008 01 03	Termless agreement
Loreta Nagulevičienė	2006 01 02	Termless agreement

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.

2.7.3 Information about benefits and loans granted to the members of the management body , managing director and finance director.

2.7.3.1 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. As well as salaries recieved by managing director and finance director.

During 2007 no salaries were paid to the members of the management bodies. Over the year of 2007 2 256 150 LTL was paid as a salary to the heads of the company.
Over the year of 2007 managing director and finace director recieved such salary:

- Mindaugas Šeštokas – AB „Snaigė" managing director. Salary recieved - 459 063 LTL.
- Loreta Nagulevičienė – AB „Snaigė" finance direktor. Salary recieved - 170 799 LTL.

The issuer and its sister companies due not accumulate payments for pensions and similar things.

2.7.3.2 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.

2.7.3.3 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.

2.7.4 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 aggreements.

2.7.5 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 employement would end because of change of control of the Issuer;

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

2.8 Transactions with the related parties

2.8.1 Types of transactions

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

2.8.2 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.

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:

	Subject	*Purchase value, LTL*
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:

	Subject	*Receivable/Payable, LTL*
Payable:		
UAB „Lanksti Linija"	Trade receivables	1 368 513
Gautina:		
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 "Snaige":

Company	*Subject*	*Purchase amount, LTL*	*Sales amount, LTL*	*Payable, LTL*
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 mmembers of management and their close relatives:

Company	*Subject*	*Purchase amount, LTL*	*Sales amount, LTL*	*Payable, LTL*
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	

2.9 Information about the issuers business activities

2.9.1 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.

2.9.2 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.

2.9.3 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.

2.9.4 Important events in Issuers business during 2007

2.9.4.1 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 – noticably increased sales of refrigerators in Eastern Ukraine.

17 February 2007 Sales of „Snaige" refriagerators started in Uzbekhistan.

12 March 2007 Trade aggreement 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 „Snaige" refrigerators started through the largest regional domestic appliances retailer „TAIR".

5 April 2007 Manufacture of refrigerators under „Whirpool" 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 uninterupted 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.

2.9.4.2 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 industiralists has organized annual competitions „Lithuanian product of the year“. For the seventht 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 refirgerators producers.

2.9.5 Specification of the plant (services)

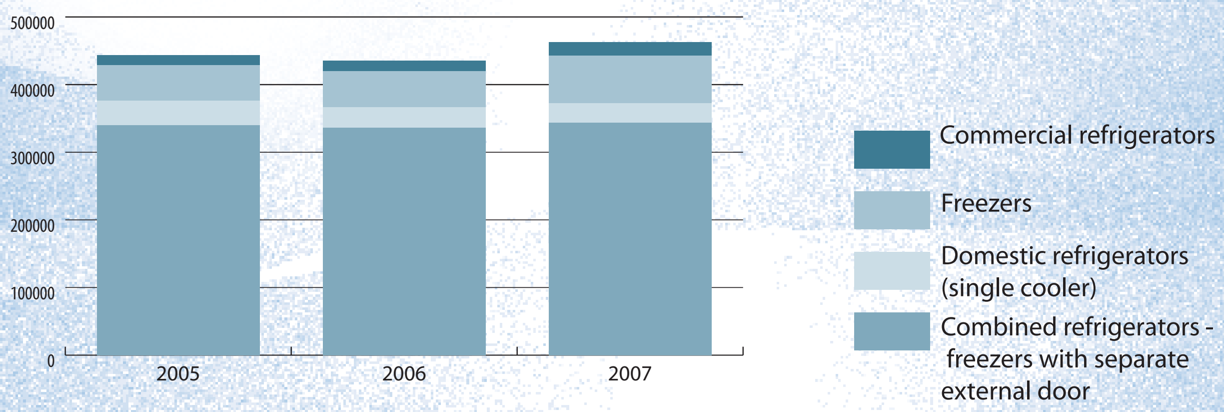
AB "Snaigė" specializes in manufacture of high quality domestic refrigerators and freezers. Beside the refrigerators for commercial purposes, also refrigerators for hotels and restaurants are produced, as well as spare parts of refrigerators, tools and equipment.

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):

Financial Figures	*2007*	*2006*	*2005*
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, %[1]	-12,37%	-10,78%	15,55%

Shares indicators	*2007 m.*	*2006 m.*	*2005 m.*
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

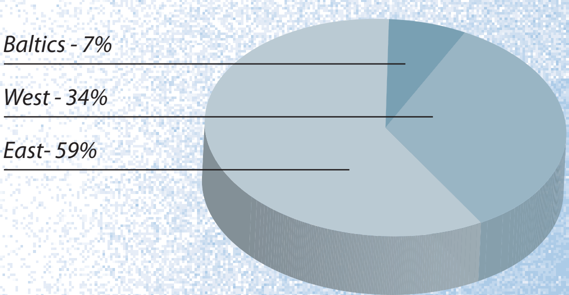
[1]Calculated as group's net profit divided by average shareholder equity (average of shareholders' equity at the beginning and at the end of accounting period)

2.9.6 Issuer's business overview for 2007

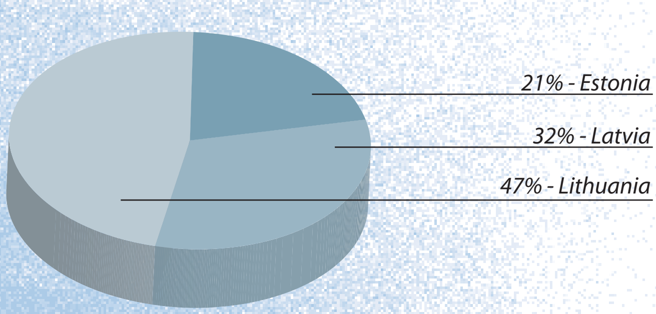
During 2007 the company has sold a record number of refrigerators – 653 thous. LTL. According to the set strategy, the company has significantly strengthened its position in the most important sales markets: Ukraine, Russia, Kazakhstan. Last year sales in Russia have increase by 53%, in Ukraine by 18%, 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, refirgerators – window cases, refrigerators – minibars, and vine refrigerators for businesses, hotels, and freezers and spare parts.

Sales stucture in 2007



Sales in Baltics



The Baltics

In 2007 the sales in the Baltic coutnries 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", Corean „Samsung", Swedish „Electrolux", Italian „Ardo" and „Whirpool" 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 quility materials from reliable suppliers are used), durability, long guarantee period.

In 2007 almost 14 thous. Refrigerators were sold in Latvie, sales revenues have reached almost 8 m.LTL. The overal 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", „Whirpool", „Ardo", „Daewoo", „LG", etc.

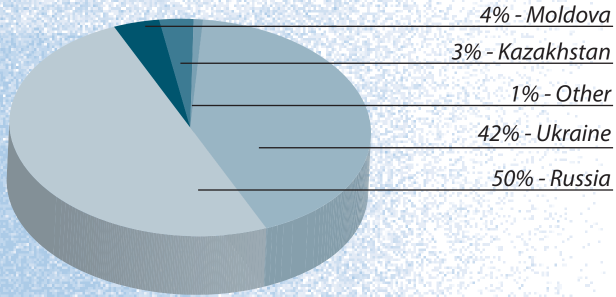
In recent times in Estonia there coul be one main competitor of AB „Snaige" identified which is Samsung. Exceptionally active marketing and aggressive price cutting strategy of Samsung were the main reasons why the sales of this producer were slightly higher than „Snaige". In 2007 AB „Snaige" sold over 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-

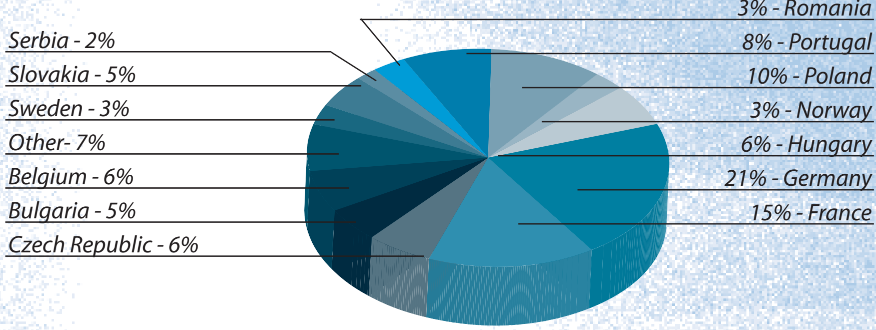
Export to Eastern countries 2007



nership with new distributor in Doneck„Technoplius" 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 overal level of competition in the country. The global refrigerators producers have broader possibilities to start various marketing cvampaigns, 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.

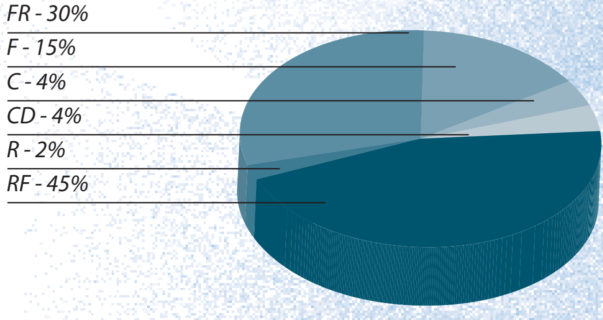
Export to western countries in 2007



Snaige products portfolio

RF – refrigerators with freezers in the lower part;

„Snaigė" product portfolio



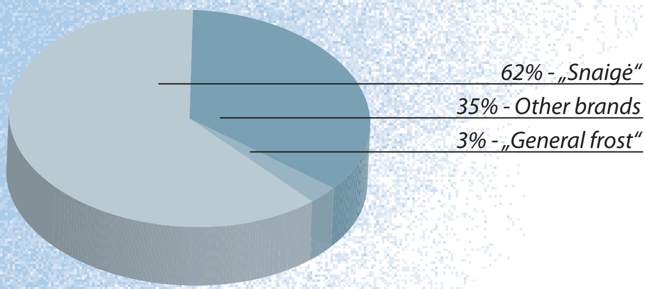
FR – refrigerators with freezes in the upper part;
R – one door refrigerators with freezers, mini bars;
F – freezers;
C – refrigerators without freezers;
CD – refirgerators – show cases.

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 alrgest 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 weigh of these markets in the overall sales protfolio has icnreased by 9 percentage points. 34% of the products were exported to the western coutnries, the remaining part of 7% was sold in the Baltics.

2.9.7 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 Ibertubos 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.

2.9.8 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:

Credit line/loan	*In total, thous. LTL*	*Maturity up to 1 year*	*Maturity 1-2 years*	*Maturity >2 years*
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		
In total :	**50 178**	**31 901**	**18 277**	

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.

2.9.9 Goals of financial risk management

Credit risk

Credit risk –financial risk related with granting payment postponement to direct customers. The main goal of financial risk management – to minimize bad debt and postponement probability by evaluating each customer asking for the postponement.

Interest rate risk

Interest rate risk – financial risk related with company's received loans interest rate and flunctuations. The goal of interest rate management – to secure that the company gets the lowest possible interest rates to finance its activities, as well as to minimize the loss of possible interest rate flunctuations.

Liquidity risk

Liquidity risk – financial risk that the company will not be able to settle on time with its suppliers and creditors for their services, products and loans granted with its owned capital. The goal of liquidity risk management – to make sure the existence of needed cash flow in order to settle on time with the company's creditors and suppliers.

Currency risk

Currency risk – part of company's income is received in USD. Therefore, exists the loss risk due to exchange rate flunctuations between USD and Litas. The goal of currency risk management – to minimize undergoing loses due to currency exchange rate flunctuations by using specific financial instruments and certain price policies.

2.9.10 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.

2.9.11 Patents, licences and contracts

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

2.9.12 Legal proceedings and third party (arbitration) trials

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 „Snaige". 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 „Snaige". However, it is not proved so far. Process is in progress.

2.9.13 Investment policy, research and development activities

2.9.13.1 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

2.9.13.2 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 Al 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 research and development activities as well as 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;
- mprove 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.

2.9.13.3 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 moder 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 shalves 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 shelve for botles, effective illumination of the refrigerators inside and other elements.

„Snaige Ice Logic" refrigerators are clasified under most power-efficient A+ energy consumption category. These refrigerators have unique cooling system, which due to special inner design allows to reach noticably 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 bacterias which stimulate deterioration processes causing harmfull diseases. Internal walls of the refrigerators are saturated with harmless special material with silver ions whih protects from hazardous bacterias.

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 equiped 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 harmfull ciklopentane is used.

Refrigerators of AB„Snaige" comply with European Europe directive RoHS (Requirements on Hazardous Substances) requirements. It menat 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 refirgerators producers, are equiped with highly innovative technologies and up to date devices.

The major part of the equipment of the new refrigerators manufacturing line are producer 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 cuting 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 „Sniage ice logic" models got onto top 6 list of most bought refrigerators in Lithuania.

2.9.14 Environemt 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 Certifikation Lietuva has extended the validity of the system for additional three years.

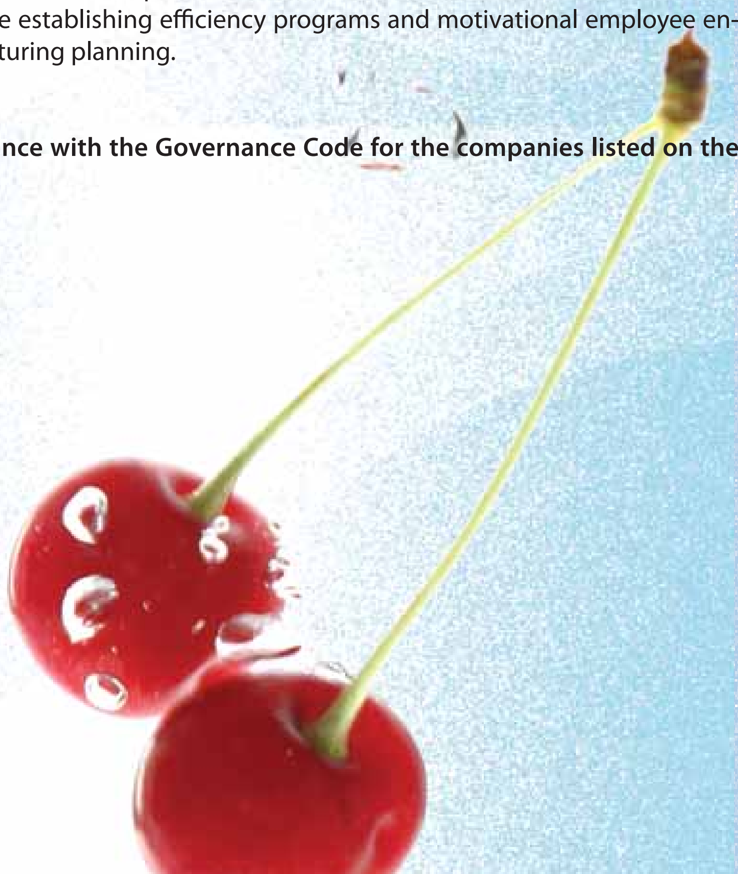
When developing a new product, the com-

pany gives a priority for the manufacturing processes which save raw materials, for safe transportation, waste elimination and quality of products. In manufacturing the comapny 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" ae manufactured from ecological materials which do not have any harmfull 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 electronical euipment 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 do not deteriate ozone and for insulation of the refrigerator no harmfull ciklopentane 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 electriciy per year than other typical refrigerators.
When buying a refrigerators, customers are provided with information related to environment protection. It is adviced, 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 friges – 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 ad to global warming.
The company saves electricity, water, heat: during decage the usage of these energy sources was decreased by three times.

2.9.15 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 aggreements 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



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

The public company „Snaige", 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
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	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.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	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.[1]	YES	These principles apply to the Board to the extent they do not contradict the essence and the purpose of the Board.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	YES	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.

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

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

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	YES	The Chairman of the Company 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.[3]

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	YES	The collegial management body – the Board is elected in the general meeting of shareholders 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 [4]number of independent [5]members.	NO	Until now the independence of the Members of the Board has not been assessed, and the contents of the concept of "adequacy" of the independent Members of the Board has not been discussed. The Company has not taken any decision concerning the implementation of these provisions in the future.

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

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

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

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become 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.	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.
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	NO	The board has not defined the concept of independence.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	NO	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[6]. The general shareholders' meeting should approve the amount of such remuneration.	NOT APPLICABLE	
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance[8].	YES	These functions are performed by the Board elected by the general meeting of shareholders. The Board shall 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.

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

[7]See Footnote 3.

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

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

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.

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

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	NO	Not formed (explanation in item 4.7.).
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • 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.	NO	Not formed (explanation in item 4.7.).

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.
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[11].	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-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	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.

[11] 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[12]. 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	No such cases have occurred; however, the procedure for concluding such transactions in the Company is not governed in any way.
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	
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.

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

[13]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.

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: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	YES	The Company discloses the relevant information, 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 of 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	

2.11 Data about publicly declared information

Data about publicly declared information can be found on the issuers web page http://www.snaige.lt, as well as on Vilnius stock exchange web page http://www.baltic.omxnordicexchange.com/

2.12 Recent and the most important events of the Issuer

2.12.1 Recent important events in Issuer's business

10 April 2008. Notification about disposal of a block of shares.
1. Snaige AB code 249664610, Pramonės str. 6, LT-62001 Alytus
(name, code, registered address, home office address, State of the issuer)
2. [x] The reason for crossing the threshold: disposal
(specify the relevant reason)
[x] Selling of shares
the trigger event (indicate the specific event)
3. Hansa Eastern European Fund, code of management company 10194399, address Liivalaia 12, Tallinn, Estonia
(name of the person/ company having acquired/ disposed voting rights)

4. ____
(name of shareholder if different from indicated by point 3)

5. The date of transaction (specify) and 01-04-2008
Date of which the threshold was crossed (specify if different) 04-04-2008
6. Threshold that was crossed or reached (specify) 5 %
7. Data provided

Voting rights given by shares

Class of shares, ISIN code	Number of shares and votes held previous to the acquisition of disposal of the block of shares**		The number of shares and voting rights held at the date of crossing the threshold				
	Number of shares (units)	Number of votes (units)	Number of shares (units)	Number of voting rights (units)		Number of voting rights (%)	
			directly	directly	indirectly	directly	indirectly
PVA LT0000109274	1365999	5.73%	965999	965999	-	4.05%	
		Total (A)	965999	965999	-	4.05%	

Data on the securities that subject to a formal agreement upon a request of the owner thereof grants the right to acquire in the future the shares already issued by the issuer

Name of securities	Date of expiry of the securities	The data of conversion and (or) the exercise of the rights granted by the securities	The number of voting rights held after the exercise of the votes granted by the securities (units)	The number of voting rights held after the exercise of the votes granted by the securities (%)
		Total (B)	-	-

Total number of voting rights (A+B)

	Number of voting rights (units)	Number of voting rights (%)
Total	965999	4.05%

10.* In case owners of convertible bonds wish to convert bonds to ordinary registered shares on 06-04-2009, the total number of shares issued would change, therefore voting rights held might change in the future.

Jone Sceponaviciute
AB Bankas Hansabankas
Head of Securities Department

7 April 2008. The subscription of "Snaige" AB convertible bonds has ended. On 4 April 2008 the subscription of „Snaige" AB convertible bonds with maturity of 367 days, annual interest rate of 14% has ended. During the subscription period the whole issue of nominal value of LTL 20 000 000 (EUR 5 792 400) was successfully subscribed.

28 April 2008.

Resignation of the Member of the Management Board

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.

20 March 2008. Notice of the annual general meeting of shareholders. On March 20 2008 the Management board of „Snaige" AB decided to convene the Annual General Meeting of shareholders „Snaigė" AB (code 249664610, headquartes, Pramones str. 6, Alytus) on April 26, 2008 at 1:00 pm in the hall of the company (Pramonės str. 6, Alytus). Registration starts 0:30 pm, ends-0:50 pm.

On the agenda:

1. The annual report on the company's activities for the year 2007.

2.Auditor's report on company's financial statements of the year 2007.

3.Approval of company's annual financial statements of the year 2007.

4.Approval of the 2007 profit appropriation.

5.Regarding the buy-back of the company's own shares.

Shareholders who at the end of the accounting day of the General Meeting of Shareholders, i.e. April 18 2008, will be on the shareholders list of the Company have a right to participate and vote at the General Meeting of Sharesholders personally or by proxy, or repesented by the person with whom an agreement on the transfer of voting rights is concluded.

The shareholders attending the meeting must provide person's identification document. The authorized representatives of the shareholders must additionally posses a proxy approved by the procedure prescribed by law.

17 March 2008. Supplemented consodidated interim financial report for 12months of 2007. Snaige AB presents a supplemented consolidated unaudited interim financial report for twelve months of 2007 prepared in accordance with the Rules on Periodic Disclosure of Information on Issuers' Activities and Their Securities

as approved by the Securities Commission of the republic of Lithuania. The profit and loss account has been supplemented with interim reporting period (last quarter) data.

14 March 2008. On convertible bonds issue prospectus of AB „Snaige". The prospectus of AB „Snaige" convertible bonds issue with maturity of 367 days, nominal value of the whole issue of 20 LTL million(EUR 5.79 million) was approved by Securities Commission on 14 March 2008.

The main facts about the issued convertible bonds:

- Maturity of the bonds: 367 days.
- Nominal value of one bond: 100,00 Lt.
- Number of issued bonds: 200 000 units.
- Annual interest rate: 14%
- Redemption price: 100,00 LTL.
- Shares, to which bonds can be converted: AB "Snaige" ordinary shares.
- Conversion rate: 1:18 (one bond is converted into 18 shares)
- Subscription period: 15 March 2008 - 4 April 2008
- Preemptive right period: 15 March 2008 - 28 March 2008
- Beginning of the bonds validity period: 5 April 2008
- Bonds redemption date: 6 April 2009

Bond holders will have a right to convert the bonds to ordinary shares of AB "Snaigė" at the date of the redemption (6 April 2009).

The shareholders of AB „Snaigė“ will have a preemtive right to acquire the issued bonds during the first 14 subscription days (15 March 2008 - 28 March 2008). During the remaining subscription period (29 March 2008 - 4 April 2008) the remaining investors will have a right to acquire the bonds.

Investors are invited to sign the Bonds purchase agreements during the Bonds subscription period at UAB FMĮ „Orion Securities“, A.Tumėno g.4B, LT - 01109, Vilnius, Lithuania during working hours from 8.30 till 17.30.

7 March 2008. Decisions of shareholders extraordinary general meeting. Extraordinary general meeting of shareholders held on Martch 7th in 2008 passed the following decision:

1. Issue of convertible bonds and increase of authorized capital

1. A.To issue convertible bonds (hereinafter CB) of the Company under the following conditions:

1.1. Amount of issued CB is 200 000 (two hundred thousand) units;

1.2. Nominal value of one CB is 100,- Lt (one hundred Litas);

1.3. Overall value of issued CB is 20 000 000Lt (twenty million Litas);

1.4. Term for distribution of CB is 21 (twenty one) day after the day of approval of the prospectus at the Securities Commission of the Republic of Lithuania (this day is not included)).

1.5. The shareholders of the Company has the right to acquire CB by the right of priority proportional to the nominal value of the shares they own at the day of this Meeting during the period of 14 (fourteen) days after the start of distribution of the CB. After the end of this period the right to acquire CB also have all other persons until the end of the term of distribution;

1.6. CB give the following rights: after termination of the term for buying out of the shares to get agreed interest or change CB to the Company‘s shares by the resolution of this Meeting and by the ratio set forth by the contract of subscription for the CB;

1.7. The CB are changed to the following shares:

1.7.1. class - ordinary personal shares;

1.7.2. Number - 18 (eighteen) units;

1.7.3. Nominal value is - 1,- Lt (one Litas);

1.7.4. Rights are granted:

1.7.4.1. to participate in the managemnet of the Company

1.7.4.2. to receive dividends;

1.7.4.3. to receive a part of the company‘ property after its liquidation;

1.7.4.4. to receive shares free of charge if the authorized capital of the Company is increaesed from the Company‘s means;

1.7.4.5. to acquire issued shares or bonds of the Company by the right of priority barring exceptions set forth by the articles of the Company and legal acts;

1.7.4.6. to lend to the Company according to the procedures set forth by the law;

1.7.4.7. to sell or pass round otherwise all or a part of own shares, to leave them by testament to other persons;

1.7.4.8. to participate and vote at the General Meeting of the Shareholders. The right to vote may be prohibited or limited in cases set forth by the legal acts of the Republic of Lithuania, also when the ownership right of the share is disputable;

1.7.4.9. to receive information about activities of the Company by the procedure set forth by the Articles of the Company or legal acts;

1.7.4.10. other property and non-property rights ste forth by the Articles of the Company or by the legal acts.

1.8. The ratio to change CB to the shares is 1:18 (one CB is changed to 18 shares);

1.9. The date for buying out of the CB is the 367th day after the termination of the term for distribution of the CB. The CB are changed to the shares at the day of the buying out of the CB.Bonds holders can express the desire to convert CB no later than 5 working days prior the date ofterm of buying out CB.

1.10. Maximum annual rate interest is 16 % (sixteen per cent);

1.11. The procedure for paying interest : the interest is paid once while buying out the CB;

1.12. The CB are bought out in Litas or Euros;

B. After termination of the term for buying out the CB and CB changed to the Company‘s shares being available the authorized capital of the Company is increased by the sum of nominal value of changed shares.

2. Change of the Articles of the Company

2.1. To change the article 9.1.11 of the Articles of the Company into the following wording:

“The information regulated by the Company is published and inserted into the Central Database of Regulated Information by the procedure set forth by the article 28 of the Securities Law of the Republic of Lithuania“

To approve the new wording of the Articles of the Company.

2.2. After termination of the term for buying out the CB and CB changed to the Company's shares being available to change the Articles of the Company and to approve their new wording having set the amount of increased authorized capital and number of shares.

3. Authorization.

To authorize (with the right to renew authorization) and to oblige the Director General of the Company:

3.1. to sign contract with the dealer of public turnover of securities UAB FMĮ

“Orion securities“, code 1220 33915, concerning actions related to implementation of resolution of this Meeting to issue CB;

3.2. to sign contracts for bonds leaving to define other provisions of the contracts to his own discretion;

3.3. having changed the wording of the point 9.1.11 of the Articles of the Company to sign the changed Articles of the Company and submit to the registrar of the register of legal persons;

3.4. to sign the changed Articles of the Company with increased authorized capital and number of shares and submit to the registrar of the register of legal persons;

3.5. to carry all other actions related to implementation of the resolutions of this Meeting.

29 February 2008. Snaige, AB consolidated interim financial report for 12 months of 2007 and the preliminary consolidated unaudited results for the year 2007

1. The preliminary consolidated unaudited results for the year 2007

Revenue and other operating income:	LTL 413,54million (EUR 119.77 million),
Loss before tax:	LTL -10.61 million (EUR - 3.07million),
Net loss:	LTL -9.74 million (EUR -2.82 million),
EBITDA:	LTL 13.93 million (EUR 4.03 million).

In the previous year sales revenues of AB „Snaige“ have increased by 16%, however, the increase was not large enough to cover the incurred losses, which resulted due to the increasing prices of raw materials and falling dollar exchange rate. In the previous year due to increased raw material prices and fall of the dollar exchange rate the company has lost approximately almost 15 million Litas.

This year AB „Snaige“ started to use financial instruments in order to hedge against currency exchange risk.

The previous year profitability was affected by increasing prices of raw materials which, if compared to 2006, have increased by 11%. In order to avoid increase in raw material prices the company has started to look for alternative suppliers and materials, began implementation of various cost cutting and effectiveness enhancement programs. Such efforts helped at least partially reduce losses incurred due to the increase in the prices of raw materials.

2. Snaige AB presents consolidated unaudited interim financial report for twelve months of 2007 and confirmation of responsible persons (attached).

25 February 2008. CORRECTION: Project of shareholders extraordinary general meeting resolutions. Correction: Project of resolutions is supplemented by new sentence in paragraph 1.9 and previous phrase "Convertible shares" changed by phrase "Convertible bonds".

There are suggested following projects for the meeting of shareholders on 7 March 2008 by decision of the Company's Management Board.

1. Issue of convertible bonds and increase of authorized capital

1.A.To issue convertible bonds (hereinafter CB) of the Company under the following conditions:

1.1. Amount of issued CB is 200 000 (two hundred thousand) units;

1.2. Nominal value of one CB is 100,- Lt (one hundred Litas);

1.3. Overall value of issued CB is 20 000 000Lt (twenty million Litas);

1.4. Term for distribution of CB is 21 (twenty one) day after the day of approval of the prospectus at the Securities Commission of the Republic of Lithuania (this day is not included)).

1.5. The shareholders of the Company has the right to acquire CB by the right of priority proportional to the nominal value of the shares they own at the day of this Meeting during the period of 14 (fourteen) days after the start of distribution of the CB. After the end of this period the right to acquire CB also have all other persons until the end of the term of distribution;

1.6. CB give the following rights: after termination of the term for buying out of the shares to get agreed interest or change CB to the Company's shares by the resolution of this Meeting and by the ratio set forth by the contract of subscription for the CB;

1.7. The CB are changed to the following shares:

1.7.1. class - ordinary personal shares;

1.7.2. Number - 18 (eighteen) units;

1.7.3. Nominal value is - 1,- Lt (one Litas);

1.7.4. Rights are granted:

1.7.4.1. to participate in the management of the Company

1.7.4.2. to receive dividends;

1.7.4.3. to receive a part of the company' property after its liquidation;

1.7.4.4. to receive shares free of charge if the authorized capital of the Company is increased from the Company's means;

1.7.4.5. to acquire issued shares or bonds of the Company by the right of priority barring exceptions set forth by the articles of the Company and legal acts;

1.7.4.6. to lend to the Company according to the procedures set forth by the law;

1.7.4.7. to sell or pass round otherwise all or a part of own shares, to leave them by testament to other persons;

1.7.4.8. to participate and vote at the General Meeting of the Shareholders. The right to vote may be prohibited or limited in cases set forth by the legal acts of the Republic of Lithuania, also when the ownership right of the share is disputable;

1.7.4.9. to receive information about activities of the Company by the procedure set forth by the Articles of the Company or legal acts;

1.7.4.10. other property and non-property rights set forth by the Articles of the Company or by the legal acts.

1.8. The ratio to change CB to the shares is 1:18 (one CB is changed to 18 shares);

1.9. The date for buying out of the CB is the 367th day after the termination of the term for distribution of the CB. The CB are changed to the shares at the day of the buying out of the CB. Bonds holders can express the desire to convert CB no later than 5 working days prior the date of term of buying out CB.

1.10. Maximum annual rate interest is 16 % (sixteen per cent);

1.11. The procedure for paying interest : the interest is paid once while buying out the CB;

1.12. The CB are bought out in Litas or Euros;

B. After termination of the term for buying out the CB and CB changed to the Company's shares being available the authorized capital of the Company is increased by the sum of nominal value of changed shares.

2. Change of the Articles of the Company

2.1. To change the article 9.1.11 of the Articles of the Company into the following wording:

"The information regulated by the Company is published and inserted into the Central Database of Regulated Information by the procedure set forth by the article 28 of the Securities Law of the Republic of Lithuania"

To approve the new wording of the Articles of the Company:

2.2. After termination of the term for buying out the CB and CB changed to the Company's shares being available to change the Articles of the Company and to approve their new wording having set the amount of increased authorized capital and number of shares.

3. Authorization.

To authorize (with the right to renew authorization) and to oblige the Director General of the Company:

3.1. to sign contract with the dealer of public turnover of securities UAB FMĮ "Orion securities", code 1220 33915, concerning actions related to implementation of resolution of this Meeting to issue CB;

3.2. to sign contracts for bonds leaving to define other provisions of the contracts to his own discretion;

3.3. having changed the wording of the point 9.1.11 of the Articles of the Company to sign the changed Articles of the Company and submit to the registrar of the register of legal persons;

3.4. to sign the changed Articles of the Company with increased authorized capital and number of shares and submit to the registrar of the register of legal persons;

3.5. to carry all other actions related to implementation of the resolutions of this Meeting.

15 February 2008. Project of shareholders extraordinary general meeting resolutions. There are suggested folowing projects for the meeting of shareholders on 7 March 2008 by decision of the Company's Management Board.

1. Issue of convertible shares and increase of authorized capital

1. A. To issue convertible shares (hereinafter CS) of the Company under the following conditions:

1.1. Amount of issued CSs is 200 000 (two hundred thousand) units;

1.2. Nominal value of one CS is 100,- Lt (one hundred Litas);

1.3. Overall value of issued CSs is 20 000 000Lt (twenty million Litas);

1.4. Term for distribution of CSs is 21 (twenty one) day after the day of approval of the prospectus at the Securities Commission of the Republic of Lithuania (this day is not included)).

1.5. The shareholders of the Company has the right to acquire CSs by the right of priority proportional to the nominal value of the shares they own at the day of this Meeting during the period of 14 (fourteen) days after the start of distribution of the CSs. After the end of this period the right to acquire CSs also have all other persons until the end of the term of distribution;

1.6. CSs give the following rights: after termination of the term for buying out of the shares to get agreed interest or change CSs to the Company's shares by the resolution of this Meeting and by the ratio set forth by the contract of subscription for the CSs;

1.7. The CSs are changed to the following shares:

1.7.1. class - ordinary personal shares;

1.7.2. Number - 18 (eighteen) units;

1.7.3. Nominal value is - 1,- Lt (one Litas);

1.7.4. Rights are granted:

1.7.4.1. to participate in the managemnet of the Company

1.7.4.2. to receive dividends;

1.7.4.3. to receive a part of the company' property after its liquidation;

1.7.4.4. to receive shares free of charge if the authorized capital of the Company is increaesed from the Company's means;

1.7.4.5. to acquire issued shares or bonds of the Company by the right of priority barring exceptions set forth by the articles of the Company and legal acts;

1.7.4.6. to lend to the Company according to the procedures set forth by the law;

1.7.4.7. to sell or pass round otherwise all or a part of own shares, to leave them by testament to other persons;

1.7.4.8. to participate and vote at the General Meeting of the Shareholders. The right to vote may be prohibited or limited in cases set forth by the legal acts of the Republic of Lithuania, also when the ownership right of the share is disputable;

1.7.4.9. to receive information about activities of the Company by the procedure set forth by the Articles of the Company or legal acts;

1.7.4.10. other property and non-property rights ste forth by the Articles of the Company or by the legal acts.

1.8. The ratio to change CSs to the shares is 1:18 (one CS is changed to 18 shares);

1.9. The date for buying out of the CSs is the 367th day after the termination of the term for distribution of the CSs. The CSs are changed to the shares at the day of the buying out of the CSs;

1.10. Maximum annual rate interest is 16 % (sixteen per cent);

1.11. The procedure for paying interest : the interest is paid once while buying out the CSs;

1.12. The CSs are bought out in Litas or Euros;

B. After termination of the term for buying out the CSs and CSs changed to the Company's shares being available the authorized capital of the Company is increased by the sum of nominal value of changed shares.

2. Change of the Articles of the Company

2.1. To change the article 9.1.11 of the Articles of the Company into the following wording:

"The information regulated by the Company is published and inserted into the Central Database of Regulated Information by the procedure set forth by the article 28 of the Securities Law of the Republic of Lithuania" To approve the new wording of the Articles of the Company:

2.2. After termination of the term for buying out the CSs and CSs changed to the Company's shares being available to change the Articles of the Company and to approve their new wording having set the amount of increased authorized capital and number of shares.

3. Authorization.

To authorize (with the right to renew authorization) and to oblige the Director General of the Company:

3.1. to sign contract with the dealer of public turnover of securities UAB FMĮ "Orion securities", code 1220 33915, concerning actions related to implementation of resolution of this Meeting to issue CSs;

3.2. to sign contracts for bonds leaving to define other provisions of the contracts to his own discretion;

3.3. having changed the wording of the point 9.1.11 of the Articles of the Company to sign the changed Articles of the Company and submit to the registrar of the register of legal persons;

3.4. to sign the changed Articles of the Company with increased authorized capital and number of shares and submit to the registrar of the register of legal persons;

3.5. to carry all other actions related to implementation of the resolutions of this Meeting.

4 February 2008. On convening The extraordinary general meeting of shareholders. On January 31, 2008 the Management board of „Snaige" AB decided to convene the Extraordinary General Meeting „Snaigė" AB (code 249664610, headquarters, Pramones str. 6, Alytus) shareholders on March 7, 2008 at 10:00 in the main meeting hall of the company (Pramonės str. 6, Alytus). Registration starts 9:30 pm, ends- 9:50 pm. On the agenda:

1. Issuing convertible debentures and increasing the authorized capital.
2. Amendments of the Articles of Association.
3. Deputation of authority.

Shareholders who at the end of the accounting day of the General Meeting of Shareholders, i.e. February 29 2008, will be on the shareholders list of the Company have a right to participate and vote at the General Meeting personally or by proxy, or represented by a person with whom an agreement on the transfer of voting rights is concluded.

The shareholders attending the meeting must provide personal identification document. The authorized representatives of the shareholders must additionally posses a proxy approved by the procedure prescribed by law.

30 January 2008. AB Snaige signed a liquidity provider agreement with Orion Securities. AB Snaige signed a liquidity provider agreement with Orion Securities.

1.2.2 Important events in Issuer's business

28 December 2007. Apointment of a new Managing Director. 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.

29 November 2007. Decisions of shareholders extraordinary general meeting. Extraordinary general meeting of shareholders on November 29, 2007, passed to conclude the contract with UAB "Ernst &Young Baltic" concerning the audit AB "Snaigė" financial statement and consolidated financial statement of the year 2007. The contract price LTL 228.000 (EUR 66 033).

29 November 2007. CORRECTION: Corrected interim information for the 1st half of the year of 2007. Snaige AB presents unaudited consolidated financial statements of the first half year 2007, which has been corrected according to the notes provided by Lithuanian Securities Commission.

29 November 2007. Financial accountability of nine months of 2007 and confirmation of responsible persons. Presenting the confirmation of responsible persons of „ Snaige" AB and interim consolidated and unaudited financials accountability of nine months of year 2007.

16 November 2007. Corrected interim information for the 1st half of the year of 2007. AB "Snaige" presenting corrected consolidated financial statements of the first half year 2007, interim report and responsible persons confirmation.

16 November 2007. Project of shareholders extraordinary general meeting decisions. We propose to give assent to the proposal of the Board at the General meeting of shareholders, which shall be convoked on November 29, 2007, to conclude the contract with UAB “Ernst &Young Baltic“ concerning the audit Snaige AB financial statement and consolidated financial statement of the year 2007. The contract price LTL 228.000 (EUR 66 033).

13 November 2007. Regarding investors. Updating information published on the 25th of May 2007 about interest of potential investors in the company, we would like to inform that no negotiations or meetings with potential investors take place at present.

31 October 2007. Consolidated unaudited results for the 9 month period 2007.

Revenue and other operating income:	LTL 305.8 million (EUR 88.57 million),
Operating profit :	LTL 15 million (EUR - 4.3 million),
Profit before tax:	LTL 0.11 million (EUR -0.03 million),
Net loss:	LTL -0.19 million (EUR-0.05 million),
EBITDA:	LTL 18.2 million (EUR 5.27 million).

During the 9-month period of 2007, AB Snaige got 22 percent sales revenue more than the same period of the last year. Operating profit was increased by 60 percent and reached LTL 15 million. Despite that, due to dollar exchange rate decrease and cost of raw material growth, Company earned only LTL 106 thousand of profit.

During 9-month period of 2007, due to dollar exchange rate decrease and cost of raw material growth, Company lost LTL 15 million.

24 October 2007. On convening The extraordinary general meeting of shareholders. On October 23, 2007 the Management board of„Snaige“AB decided to convene the Extraordinary General Meeting of shareholders„Snaigė“ AB (code 249664610, headquartes, Pramones str. 6, Alytus) on November 29, 2007 at 3:00 pm in the hall of the company (Pramonės str. 6, Alytus). Registration starts 2:30 pm, ends- 2:50 pm.

On the agenda:

SELECTION OF THE AUDITORS COMPANY AND DEFINITION OF PAYMENT TERMS CONDITIONS FOR THE AUDIT SERVICES.

Shareholders who at the end of the accounting day of the General Meeting of Shareholders, i.e. November 22, 2007, will be on the shareholders list of the Company have a right to participate and vote at the General Meeting of Sharesholders personally or by proxy, or repesented by the person with whom an agreement on the transfer of voting rights is concluded. The shareholders attending the meeting must provide person‘s identification document. The authorized representatives of the shareholders must additionally posses a proxy approved by the procedure prescribed by law.

2 October 2007. Revised interim information for the I quarter of the year 2007. Presenting revised unaudited consolidated financial statements for the I quarter of the year 2007 and confirmation of the responsible persons.

31 August 2007. AB "snaige" publishes Consolidated Interim Report and financial statements for the first half 2007 AB "Snaige" publishes consolidated financial statements of the first half year 2007, interim report and responsible persons confirmation.

3 August 2007. Consolidated unaudited results for first half year 2007.

Consolidated unaudited results for first half year 2007:

Revenue and other operating income:	LTL 180.4 million (EUR 52.25 million),
Loss before tax:	LTL -0.88 mln. (EUR - 0.25 million),
Net loss:	LTL -1.26 mln. (EUR -0.36 million),
EBITDA:	LTL 11.0 million (EUR 3.2 million).

The decrease of the consolidated profit of AB "Snaigė" was mostly determined by the increase in prices of raw materials and energetic resources. The decrease of the exchange rate of USD had some impact as well. Considerable part - 25 % - of our production we export to Ukraine and payments are in USD. However, financial results of the II quarter and rising sales in the main markets let us think in optimistic way: sales in Ukraine increased by 33%, in other Eastern Europe countries - 34%. In Russia sales increased even four times. In the II quarter of 2007 company reached non-audited profit before taxes of LTL 1.7 million , thus increased by LTL 1.37 mill. in comparison with the same period last year then non-audited profit before taxes was LTL 320 000.

28 May 2007. Financial statements for the I quarter 2007. Presenting the intermediate consolidated unaudited financial statements for the I quarter of the year 2007.

25 May 2007. Due to interest of investors. Once potential investors express interest in the company, the audit of operational and financial activities is carried out and meetings between top management and investors are initiated.

25 May 2007. On prospectus for 2006. The company's prospectus for the year 2006 has been submitted to Securities Commission and Vilnius Stock Exchange.

27 April 2007. Consolidated unaudited results for first guarter of the year 2007.

Revenue and other operating income:	LTL 73.34 million (EUR 21.24 million),
Loss before tax:	LTL -2.57 mln. (EUR -0.74 million),
Net loss:	LTL -3.80 mln. (EUR -1.1 million),
EBITDA:	LTL 3.33 million (EUR 0.97 million)

Unaudited turnover of Snaige AB increased by million LTL 20 in the first quarter of 2007 to compare with same period of last year. The company operates more successful than it was planned in the business plan and expects to achieve planned consolidated EBITDA of LTL 32 million.

April 26, 2007. Decisions of annual general meeting:

The annual general meeting of shareholders held on April 26th in 2007 passed the following decision

1. To approve the annual report on the company's activities for the year 2006.
2. To take in to consideration for shareholders auditor's conclusion while voting regarding approval of company's yearly financial statements.
3. To approve company's financial statements for year 2006.
4. To approve distribution of company's profit for the year 2006.

Retained earnings at the beginning of the year	LTL 55 772 622 (EUR 16 152 868).	
Net profit for year 2006 is	LTL 10 659 081 Lt (EUR 3 087 083).	
Transfers from reserves	LTL 26 899 000 (EUR 7 790 489).	
Profit for distribution	LTL 93 330 703 LTL (EUR 27 030 440).	
Profit for distribution to the reserve for acquisition of the company's own shares	LTL 10 000 000 (EUR 2 896 200).	
Profit distribution to the investment reserves	LTL 23 647 600 (EUR 6 848 818).	
Profit distribution, to other reserves	LTL 440 000 (EUR 127 433),	
including:	support, charity	LTL 90 000 (EUR 26 066),
social, cultural needs	LTL 350 000 (EUR 101 367).	
Profit distribution , to dividends	LTL 0 (EUR 0).	
Profit distribution, to bonuses of the board members	LTL 0 (EUR 0).	
Retained earnings at the end of financial year 2006	LTL 59 243 103 (EUR 17 157 989).	

5. To buy out ordinary registered shares of Snaige AB worth LTL 1 by nominal value (ISIN code LT 0000109274) by means of a voluntary tender offer in accordance with the procedure prescribed by legal acts regulating securities market and execute the said tender offer on the Vilnius Stock Exchange; The purpose for the acquisition of the

shares is to maintain and increase the price of the company's shares; To buy out up to 10 percent of the company's shares in the national securities market for LTL 10 000 000 (ten million), i.e. this is the share of profit allocated to the reserve for the acquisition of own shares; The Company will buy shares till October 26, 2008; The maximum and minimum acquisition price: the minimum buying price of the shares is LTL 5, the maximum buying price of the shares is LTL 16; The minimum selling price of own shares is LTL 16 per share. To ensure equal opportunities for all shareholders to buy the shares of the company. The company's own shares bought by the company will be traded only on the Vilnius Stock Exchange. To authorize the Board of the company to establish and decide on the specific conditions and terms of the voluntary tender offer, the volumes and prices of the shares to be acquired, and the selling prices and conditions of the shares.

All other issues, which are not provided for in this decision shall be delegated to the Board of the Company.

April 27, 2007. Consolidated unaudited results for first quarter of the year 2007:

Revenue and other operating income:	LTL 73.34 million (EUR 21.24 million),
Loss before tax:	LTL -2.57 mill. (EUR -0.74 million),
Net loss:	LTL -3.80 mill. (EUR -1.1 million),
EBITDA:	LTL 3.33 million (EUR 0.97 million)

Unaudited turnover of Snaige AB increased by million LTL 20 in the first quarter of 2007 to compare with same period of last year. The company operates more successful than it was planned in the business plan and expects to achieve planned consolidated EBITDA of LTL 32 million.

April 17, 2007. Audited Annual Financial Statement and Annual Report for the year 2006.

April 13, 2007. Project of shareholders general meeting decisions:

There are suggested following projects for the meeting of shareholders on April 26th in 2007 by decision of the Company's Management Board of 02-04-2007.

1. The annual report on the company's activities for the year 2006. Suggestion: To approve the annual report on the company's activities for the year 2006.

2. Auditor's conclusion about company's financial statements report of the year 2006. Suggestion: To recommend for shareholders to consider auditor's conclusion while voting regarding approval of company's yearly financial statements.

3. Approval of company's annual financial statement of the year 2006. Suggestion: To approve company's financial statements for year 2006.

4. Approval of the 2006 profit appropriation. Suggestion: To approve distribution of company's profit for the year 2006.

Retained earnings at the beginning of the year	LTL 55 772 622 (EUR 16 152 868)
Net profit for year 2006 is	LTL 10 659 081 (EUR 3 087 083)
Transfers from reserves	LTL 26 899 000 (EUR 7 790 489)
Profit for distribution	LTL 93 330 703 LTL (EUR 27 030 440)
Profit for distribution to the reserve for acquisition of the company's own shares	LTL 10 000 000 (EUR 2 896 200)
Profit distribution to the investment reserves	LTL 23 647 600 (EUR 6 848 818).
Profit distribution, to other reserves	LTL 440 000 (EUR 127 433),
including: support, charity	LTL 90 000 (EUR 26 066),
social, cultural needs	LTL 350 000 (EUR 101 367).
Profit distribution , to dividends	LTL 0 (EUR 0).
Profit distribution, to bonuses of the board members	LTL 0 (EUR 0).
Retained earnings at the end of financial year 2006	LTL 59 243 103 (EUR 17 157 989).

5. Regarding the buy-back of the company's own shares. Suggestion: To buy out ordinary registered shares of Snaige AB worth LTL 1 by nominal value (ISIN code LT 0000109274) by means of a voluntary tender offer in accordance with the procedure prescribed by legal acts regulating securities market and execute the said tender offer on the Vilnius Stock Exchange; The purpose for the acquisition of the shares is to maintain and increase the price

of the company's shares; To buy out up to 10 percent of the company's shares in the national securities market for LTL 10 000 000 (ten million), i.e. this is the share of profit allocated to the reserve for the acquisition of own shares; The Company will buy shares till October 26, 2008; The maximum and minimum acquisition price: the minimum buying price of the shares is LTL 5, the maximum buying price of the shares is LTL 16; The minimum selling price of own shares is LTL 16 per share. To ensure equal opportunities for all shareholders to buy the shares of the company. The company's own shares bought by the company will be traded only on the Vilnius Stock Exchange. To authorize the Board of the company to establish and decide on the specific conditions and terms of the voluntary tender offer, the volumes and prices of the shares to be acquired, and the selling prices and conditions of the shares.

All other issues, which are not provided for in this decision shall be delegated to the Board of the Company.

March 21, 2007. Notice of the annual general meeting of shareholders:

On March 20 2007 the Management board of „Snaige"AB decided to convene the Annual General Meeting of shareholders „Snaigė" AB (code 249664610, headquarters, Pramones str. 6, Alytus) on April 26, 2007 at 2:00 pm in the hall of the company (Pramonės str. 6, Alytus). Registration starts 1:30 pm, ends- 1:50 pm.

On the agenda:

1. The annual report on the company's activities for the year 2006.
2. Auditor's report on company's financial statements of the year 2006.
3. Approval of company's annual financial statements of the year 2006. The board company's activity report of the year 2006.
4. Approval of the 2006 profit appropriation.
5. Regarding the buy-back of the company's own shares. Shareholders who at the end of the accounting day of the General Meeting of Shareholders, i.e. April 19 2007, will be on the shareholders list of the Company have a right to participate and vote at the General Meeting of Sharesholders personally or by proxy, or represented by the person with whom an agreement on the transfer of voting rights is concluded.

The shareholders attending the meeting must provide person's identification document. The authorized representatives of the shareholders must additionally posses a proxy approved by the procedure prescribed by law.

February 15, 2007. Consolidated unaudited preliminary results for the year 2006 and forecast for the year 2007:

1. Results for the year 2006

Total turnover and other operating income	LTL 357.0 million (EUR 103.4 million);
Pre-tax profit (loss)	LTL -10.1 million (EUR -2.9 million);
EBITDA	LTL 13.7 million (EUR 4.0 million)

2. Forecast for the year 2007

Revenue and other operating income:	LTL 468.8 million (EUR 135.8 million);
Pre-tax profit	LTL 10.2 million (EUR 3.0 million);
Net profit	LTL 8.4 million (EUR 2.4 million);
EBITDA	LTL 34.3 million (EUR 9.9 million)

Negative consolidated result was driven by difficulties in Russian market – high stocks of goods and price reduction at distributors. Also because of increased risk the company made bad debts accruals for sales in 2004-2005 for amount LTL 9,8 million (EUR 2.8 million).

January 19, 2007. The amended Charter has been registered after the increase of the authorized capital:

On January 18, 2007 the Charter of Snaige AB with the increased authorized capital was registered in the Entities Register. The authorized capital of the company after the increase has reached LTL 23 827 365 (EUR 6 900 882). The nominal value of a share is 1 LTL.

January 5, 2007. Decisions of shareholders extraordinary general meeting:

Extraordinary general meeting on January 5, 2007 passed resolution to conclude the contract with UAB "Deloitte Lietuva" concerning the audit of AB "Snaigė" financial statement and consolidated financial statement. To conclude the contract for the duration of 1 year and set the contract price for one year of no more than LTL 130 000 (EUR 37651).

SNAIGĖ

AB SNAIGĖ

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

Ernst & Young Baltic UAB
Subačiaus g. 7
LT-01127 Vilnius
Lietuva
Tel. (8 5) 274 22 00
Faks. (8 5) 274 23 33
Vilnius@lt.ey.com
www.ey.com/lt

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Registras – Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus 7
LT-01127 Vilnius
Lithuania
Phone: + 370 5 274 22 00
Fax: + 370 5 274 23 33
Vilnius@lt.ey.com
www.ey.com/lt

Code of legal person 110878442
VAT payer code LT108784411
Register of Legal Persons

Independent auditors' report to the shareholders of AB Snaigė

Report on the Financial Statements

We have audited the accompanying 2007 consolidated financial statements of AB Snaigė and its subsidiaries (hereinafter the Group) which comprise the balance sheets as at 31 December 2007, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our audit opinion.

Basis for Qualified Opinion

a) Until 1 January 2006 the Group's companies capitalised LTL 10,975 thousand expenditures of newly installed spare parts for equipment and LTL 7,935 thousand expenditures of reconstructing and repairing buildings, without derecognizing the carrying amount of replaced parts and of the previous reconstructions. We were not provided with sufficient evidence that would allow us to assess the carrying amounts of the replaced spare parts and of the previous reconstructions, which should be derecognized as at 31 December 2007.

b) As at 31 December 2007 the Group accounted for goodwill as an intangible asset with the carrying amount of LTL 11,929 thousand, which resulted from the acquisition of shares of the subsidiary OOO Techprominvest. In our opinion, the goodwill as at 31 December 2007 is impaired; however, the Group did not account for the impairment of goodwill and did not provide goodwill impairment disclosures in these financial statements, as required by IAS 36. If this impairment was accounted for, the carrying value of the Group's goodwill would decrease as at 31 December 2007, net loss for the year 2007 would increase and the shareholder's equity as at 31 December 2007 would decrease by LTL 11,929 thousand.

c) As at 31 December 2007 the Group did not account for payroll related liabilities to the Group's management amounting to LTL 420 thousand, which, in our opinion, should have been recognized as the Group's expense in 2007. If this adjustment was accounted for, current liabilities of the Group as at 31 December 2007 would increase, net loss for the year 2007 would increase and the shareholders' equity as at 31 December 2007 would decrease by LTL 420 thousand.

d) As at 31 December 2007 the Group, according to the agreement, which is valid until 28 February 2009, classified factoring liabilities with the carrying amount of LTL 18,277 thousand (as at 31 December 2006 – LTL 15,554 thousand) as non-current liabilities. According to IAS 1, liabilities can be classified as non-current only if the Group has an unconditional right to postpone the payment for 12 months after the balance sheet date. Because the settlement term of the factoring liabilities is shorter, then, in our opinion, these liabilities should have been presented as current liabilities. If this adjustment was accounted for, current liabilities of the Group as at 31 December 2007 would increase and non-current liabilities would decrease by LTL 18,277 thousand (as at 31 December 2006 – LTL 15,554 thousand).

Qualified Opinion

In our opinion, except for the effect of such adjustments, if any, as might have been determined, had we been able to obtain sufficient audit evidence regarding the matters described in section *Basis for Qualified Opinion* paragraph (a) above, and except for the matters described in section *Basis for Qualified Opinion* paragraphs (b) to (d) above, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of Matter

Without further qualifying our opinion, we draw your attention to the fact that, considering the effect of the matters described in section *Basis for Qualified Opinion,* as of 31 December 2007 the current liabilities of the Group exceeded its current assets by LTL 20,390 thousand; furthermore, in 2007 and 2006 the Group operated with losses. These reasons indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. As management of the Group has discussed in Note 30, the Group has taken steps to secure financing of the Group's operations; therefore, no adjustments have been made in these financial statements related to this material uncertainty.

Report on Other Legal and Regulatory Requirements

At the end of our audit the management was still drafting the Management Report, therefore in this report we could not present our assessment of the Management Report.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

The audit was completed on 11 April 2008.

Consolidated income statement

	Notes	2007	2006
Sales	4	410,130,831	351,826,739
Cost of sales		(361,043,596)	(301,511,532)
Gross profit		**49,087,235**	**50,315,207**
Other income	5	2,672,199	4,614,883
Selling and distribution expenses	6	(26,942,139)	(27,623,665)
Administrative expenses	7	(26,425,180)	(32,947,424)
Other expenses	8	(2,112,583)	(2,331,509)
Operating (loss)		**(3,720,468)**	**(7,972,508)**
Finance income	9	11,970,517	21,125,945
Finance expenses	10	(19,878,683)	(23,281,310)
(Loss) before tax		**(11,628,634)**	**(10,127,873)**
Income tax	11	212,699	(457,394)
Net (loss)		**(11,415,935)**	**(10,585,267)**
Attributable to:			
The shareholders of the Company		(11,412,480)	(10,581,640)
Minority interest		(3,455)	(3,627)
Basic and diluted earnings (loss) per share	26	(0.48)	(0.46)

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

Managing Director	Gediminas Čeika		11 April 2008
Financial Director	Loreta Nagulevičienė		11 April 2008

Consolidated balance sheet

	Notes	As at 31 December 2007	As at 31 December 2006 (restated)
ASSETS			
Non-current assets			
Intangible assets	12	17,451,146	17,356,669
Property, plant and equipment	13	97,925,574	103,531,482
Deferred income tax asset	11	3,882,203	3,873,712
Total non-current assets		**119,258,923**	**124,761,863**
Current assets			
Inventories	14	63,184,898	55,871,283
Trade receivables	15	49,442,815	63,458,025
Prepaid income tax		4,088,043	2,921,943
Other current assets	16	5,553,840	6,014,877
Cash and cash equivalents	17	3,984,560	4,805,080
Total current assets		**126,254,156**	**133,071,208**
Total assets		**245,513,079**	**257,833,071**

(cont'd on the next page)

Consolidated balance sheet (cont'd)

	Notes	As at 31 December 2007	As at 31 December 2006 (restated)
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the Company			
Share capital	18	23,827,365	23,070,405
Share premium		12,727,270	3,643,750
Legal reserve	19	2,398,571	2,337,913
Reserves	19	34,087,600	26,899,000
Foreign currency translation reserve	19	(903,947)	(986,705)
Retained earnings		19,381,382	38,043,120
		91,518,241	**93,007,483**
Minority interest		**3,913**	**7,368**
Total equity		**91,522,154**	**93,014,851**
Liabilities			
Non-current liabilities			
Grants and subsidies	20	3,014,916	3,849,340
Warranty provision	21	1,892,800	3,081,965
Deferred income tax liability	11	294,334	706,000
Non-current borrowings and financial lease obligations	22, 23	20,841,891	35,472,342
Total non-current liabilities		**26,043,941**	**43,109,647**
Current liabilities			
Current borrowings, current portion of non-current borrowings and financial lease obligations	22, 23	32,758,823	33,181,143
Trade payables		82,319,881	67,346,955
Advances received		442,023	794,895
Warranty provision	21	2,640,850	1,250,954
Other current liabilities	25	9,785,407	19,134,626
Total current liabilities		**127,946,984**	**121,708,573**
Total equity and liabilities		**245,513,079**	**257,833,071**

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

Managing Director	Gediminas Čeika		11 April 2008
Financial Director	Loreta Nagulevičienė		11 April 2008

Consolidated statement of changes in equity

		Attributable to the shareholders of the Company								
	Notes	Share capital	Share premium	Legal reserve	Reserves	Foreign currency translation reserve	Retained earnings	Total	Minority interests	Total equity
Balance as at 31 December 2005		**23,070,405**	**3,643,750**	**2,337,913**	**26,588,000**	**(1,288,563)**	**48,922,761**	**103,274,266**	**23,994**	**103,298,260**
Net (loss) for the year		-	-	-	-	-	(10,581,640)	(10,581,640)	(3,627)	(10,585,267)
Income (expenses) for the year recognised directly in equity	19	-	-	-	-	301,858	-	301,858	-	301,858
Total recognised income and expenses in 2006		-	-	-	-	301,858	(10,581,640)	(10,279,782)	(3,627)	(10,283,409)
Transfer to reserves	19	-	-	-	311,000	-	(311,000)	-	-	-
Minority profit allocated to cover previous losses of minority absorbed by the Company		-	-	-	-	-	12,999	12,999	(12,999)	-
Balance as at 31 December 2006		**23,070,405**	**3,643,750**	**2,337,913**	**26,899,000**	**(986,705)**	**38,043,120**	**93,007,483**	**7,368**	**93,014,851**
Net (loss) for the year		-	-	-	-	-	(11,412,480)	(11,412,480)	(3,455)	(11,415,935)
Income (expenses) for the year recognised directly in equity	19	-	-	-	-	82,758	-	82,758	-	82,758
Total recognised income and expenses in 2007		-	-	-	-	82,758	(11,412,480)	(11,329,722)	(3,455)	(11,333,177)
Transfer to reserves	19	-	-	60,658	7,188,600	-	(7,249,258)	-	-	-
Increase of share capital	1	756,960	9,083,520	-	-	-	-	9,840,480	-	9,840,480
Balance as at 31 December 2007		**23,827,365**	**12,727,270**	**2,398,571**	**34,087,600**	**(903,947)**	**19,381,382**	**91,518,241**	**3,913**	**91,522,154**

Managing Director	Gediminas Čeika		11 April 2008
Financial Director	Loreta Nagulevičienė		11 April 2008

Cash flow statement

	2007	2006 (restated)
Cash flows from (to) operating activities		
(Loss) before tax	(11,628,634)	(10,127,873)
Adjustments for non-cash items:		
Depreciation and amortisation	20,647,304	20,144,648
Amortization of grants and subsidies	(1,179,704)	(1,303,092)
Result from disposal of non-current assets	(259,449)	(2,098,920)
Write-off of non-current assets	312,495	12,557
Write-off of inventories	461,217	-
Change in allowance for trade receivables	(441,778)	9,836,546
(Gain) loss on change in fair value of derivative financial instruments	(591,126)	(4,760,721)
Change in warranty provision	200,731	210,324
Foreign currency exchange loss (gain), net	2,225,077	473,474
Interest income	-	(33,767)
Interest expenses	3,679,536	3,716,161
	13,425,669	16,069,337
Changes in working capital:		
(Increase) decrease in inventories	(7,774,832)	4,889,301
Decrease (increase) in trade and other receivables	15,509,151	(5,803,068)
Increase in trade payables and other payables	14,951,738	16,826,309
Income tax (paid)	(1,328,243)	(5,588,264)
Interest (paid)	(3,679,536)	(3,716,161)
Interest received	-	33,767
Net cash flows from operating activities	**31,103,947**	**22,711,221**
Cash flows from (to) investing activities		
(Acquisition) of non-current assets	(19,054,406)	(23,300,206)
Proceeds from disposal of non-current assets	6,439,322	2,524,228
Net cash flows (to) investing activities	**(12,615,084)**	**(20,775,978)**

(cont'd on the next page)

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

Cash flow statement (cont'd)

	2007	2006 (restated)
Cash flows from (to) financing activities		
Subsidies received	345,280	43,500
Proceeds from borrowings	11,394,945	32,170,072
(Repayment) of borrowings	(29,224,049)	(33,998,502)
Financial lease (payments)	(1,825,559)	(531,015)
Net cash flows (to) financial activities	**(19,309,383)**	**(2,315,945)**
Net increase (decrease) in cash flows	**(820,520)**	**(380,702)**
Cash and cash equivalents at the beginning of the year	**4,805,080**	**5,185,782**
Cash and cash equivalents at the end of the year	**3,984,560**	**4,805,080**

	2007	2006
Supplemental cash flow information:		
Non-cash investing and financing activity:		
Property, plant and equipment acquisitions financed by financial lease	4,601,892	217,613
Non-cash shares issue (set off against other current liabilities)	9,840,480	-

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

Managing Director	Gediminas Čeika		11 April 2008
Financial Director	Loreta Nagulevičienė		11 April 2008

Notes to the financial statements

1 General information

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

Pramonės Str. 6,
Alytus,
Lithuania.

The Company is engaged in producing refrigerators and refrigerating equipment. The Company was registered on 1 April 1963. The Company's shares are traded on the Baltic Main List of the Vilnius Stock Exchange.

As at 31 December 2007 and 2006 the shareholders of the Company were:

	2007		2006	
	Number of shares held	**Percentage**	**Number of shares held**	**Percentage**
UAB Survesta	4,935,810	20.71%	4,910,900	21.29%
Other shareholders	18,891,555	79.29%	18,159,505	78.71%
Total	23,827,365	100%	23,070,405	100%

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2007 and 2006.

In 2007 the share capital was increased by issuing 756,960 ordinary shares with the par value of LTL 1 each. The price of shares is LTL 13. The shares were paid for by a set-off of accounts payable for OOO Techprominvest shares acquired in 2006. The increased share capital was registered on 18 January 2007.

Subsidiaries did not hold any shares of the Company as at 31 December 2007 and 2006. The Company did not hold its own shares.

The Group consists of AB Snaigė and the following subsidiaries (hereinafter the Group):

Company	Country of incorporation	Percentage of the shares held by the Group	Size of investment (cost)	Profit (loss) for the reporting year	Shareholders' equity
OOO Techprominvest	Russia (Kaliningrad)	100%	12,648,840	(9,283,924)	(18,225,544)
TOB Snaige Ukraina	Ukraine	99%	88,875	55,800	403,576
OOO Moroz Trade	Russia	100%	947	(129,446)	(7,625,347)
OOO Liga Servis	Russia	100%	1,028	184,654	289,892
UAB Almecha	Lithuania	100%	1,375,785	598,210	1,973,466

1 General information (cont'd)

As at 31 December 2007 and 2006, the Board of the Company comprised two members from the management of the Company and three representatives of UAB Hermis Capital and UAB Survesta (subsidiary of UAB Hermis Capital).

The subsidiary OOO Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. Since the acquisition date, the Company held 85% of OOO Techprominvest share capital. In 2006 AB Snaigė acquired the remaining 15% of OOO Techprominvest share capital, the acquisition was settled by 756,960 ordinary shares of AB Snaigė, which were issued with this purpose in 2007. The subsidiary is involved in the production of refrigerators and freezers, the major part of which are sold in Russia.

The part of share capital of OOO Techprominvest, controlled by the Group, is pledged to a bank as collateral for loans. The Company is obligated to not dispose of a part of shares of the subsidiary OOO Techprominvest to third parties without a prior written permission of the bank and to not vote in the shareholders' meetings on disposal of non-current assets, rent and pledging to third parties.

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

On 13 May 2004, OOO Moroz Trade (Moscow, Russia) was established. The Company acquired 100% of shares of OOO Moroz Trade in October 2004. The subsidiary provides sales and marketing services in the Russian market.

OOO Liga Servis (Moscow, Russia) was established on 7 February 2006. The subsidiary provides sales and marketing services in the Russian market.

UAB Almecha (Alytus, Lithuania) was established on 9 November 2006. The main activities of the company are production of refrigerating components and equipment.

As of 31 December 2007 the number of employees of the Group was 2,479 (as of 31 December 2006 – 2,265).

The Group's management authorised these financial statements on 11 April 2008. The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and request that the management prepares a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's financial statements for 2007 are as follows:

2.1 Basis of preparation

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

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures:

- IFRS 7 Financial Instruments: Disclosures.
- Amendments to IAS 1 Capital Disclosures.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 Scope of IFRS 2.
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures. This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements. This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are presented in Note 28.

IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies". This interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. The interpretation had no impact on the financial position or performance of the Group.

IFRIC 8 Scope of IFRS 2. This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are not issued to employees, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives. IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim Financial Reporting and Impairment. The Group adopted IFRIC Interpretation 10 as at 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

- IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes; therefore this IFRS will not have significant impact for Group's accounting.

- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009 once adopted by the EU). IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 supersedes IAS 14 Segment Reporting.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

- IAS 1 Presentation of Financial Statements – Revised (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). IAS 1 has been revised to enhance the usefulness of the information presented in the financial statements. Revision includes number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements in a case of their retrospective restatement.

- IAS 23 Borrowing Costs – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

- IAS 27 Consolidated and Separate Financial Statements – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). Revised standard requires that changes in ownership interest in a subsidiary are accounted for as equity transactions. Also, accounting for losses incurred by the subsidiary was changed: such losses will be allocated between the controlling and non-controlling interests even if the losses exceed the non-controlling equity investment in the subsidiary. On a loss of control of a subsidiary, any retained interest will be re-measured to fair value and will impact the gain or loss recognised on disposal. In addition, revised standard provides more guidance as to when multiple arrangements should be accounted for as a single transaction. These most significant changes introduced by the revised standard will be applied prospectively, except for the multiple arrangements that have been accounted for as a single transaction – these arrangements require retrospective assessment.

- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

- IFRS 3 Business Combinations – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). The scope of IFRS 3 has been revised to include combinations of mutual entities and combinations without consideration (dual listed shares). Also a number of changes are introduced in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period when the acquisition occurs, and future revenues reported. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standard will not be restated.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007 once adopted by the EU). The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity.

- IFRIC 12 Service Concession Agreements (effective for annual periods beginning on or after 1 January 2008 once adopted by the EU). The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements.

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008 once adopted by the EU). This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

- IFRIC 14 IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008 once adopted by the EU). This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan.

Under the condition that the standards and interpretations have been endorsed by the European Commission, the Group intends to adopt these IFRSs and IFRIC in the period they become effective.

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group's financial statements in the period of initial application, except for IAS 1 Presentation of Financial Statements – Revised and IAS 23 Borrowing costs – Revised.

IAS 1 Presentation of Financial Statements – Revised

This standard sets out new requirements on the presentation of the statement of changes in equity and introduces a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income" and requires a separate disclosure of all items reclassified from other comprehensive income to profit and loss as well as disclosure of the income tax relating to each component of other comprehensive income. Also, requirements related to the presentation of the financial statements in a case of their retrospective restatement are amended and new terminology, replacing "balance sheet" with "statement of financial position" and "cash flow statement" with "statement of cash flows", although the titles are not obligatory, is introduced. The Group is still estimating the impact of the adoption of this revision.

IAS 23 Borrowing costs - Revised

Currently all borrowing costs are expensed as incurred. The revised standard requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. When the Group adopts this standard, borrowing costs related to qualifying assets will be capitalised. The Group is still estimating the impact of the adoption of this revision.

2.2 Going concern

The financial statements for the year ended 31 December 2007 are prepared under the assumption that the Group will continue as a going concern.

2.3 Presentation currency

The Group's financial statements are presented in local currency of the Republic of Lithuania, Litas (LTL), which is the Company's functional and the Group's and Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the foreign currency exchange rate currency ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The functional currency of the foreign operations Techprominvest OOO, Moroz Trade OOO and Liga Servis OOO is Russian rouble (RUB) and of Snaige Ukraina TOB - Ukrainian hryvnia (UAH). As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of AB Snaige (LTL) at the rate of exchange on the balance sheet date and their income statements are translated at the average monthly exchange rates for the reporting period. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Lithuanian litas is pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2 Accounting principles (cont'd)

2.3 Presentation currency (cont'd)

The applicable exchange rates of the functional currencies as of the 31 December were as follows:

	2007	2006
RUB	0.096085	0.0997
UAH	0.46649	0.5219

2.4 Principles of consolidation

The consolidated financial statements of the Group include AB Snaigė and its controlled entities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement.

The purchase method of accounting is used for acquired businesses. The Company accounts for the acquired identifiable assets, liabilities and contingent liabilities of another company at their fair value at acquisition date. The difference of the fair value of the acquired net assets and acquisition costs is accounted for as goodwill.

Acquisitions of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration paid and the book value of the share of the net assets acquired is recognised as goodwill.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The excess of the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment remaining after the reassessment of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination is recognised in the income statement immediately.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Subsidiaries are consolidated from the date when the Group acquires the actual control rights and are stopped being consolidated from the date these rights are renounced.

All other investments are accounted for according to TAS 39 "Financial instruments: recognition and measurement", as discussed in section 2.7.

Intercompany balances and transactions, including unrealised profits and losses, are eliminated on consolidation.

Consolidated financial statements are prepared by applying the same accounting principles to similar transactions and other events under similar circumstances.

2 Accounting policies (cont'd)

2.5 Intangible assets, except for goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives (3 years).

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

Research and development costs

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortization periods from 1 to 8 years are applied by the Group. During the period of development, the asset is tested for impairment annually.

Licenses

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

Software

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

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

2.6 Property, plant and equipment

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

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

2 Accounting principles (cont'd)

2.6. Property, plant and equipment (cont'd)

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

Buildings and structures	15 - 63 years
Machinery and equipment	5 - 15 years
Vehicles	4 - 6 years
Other non-current assets	3 - 8 years

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

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

2.7 Investments and other financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Group's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group have the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

2 Accounting principles (cont'd)

2.8 Inventories

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

Inventories in transit are accounted for in accordance with INCOTERMS-2000.

2.9 Receivables

Receivables are initially recorded at the fair value of the consideration given. Receivables are subsequently carried at amortised cost, less impairment.

2.10 Cash and cash equivalents

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

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

2.11 Borrowings

Borrowing costs are expensed as incurred.

Borrowings are initially recognised at fair value of proceeds received, net of expenses incurred. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings. The borrowings are classified as non-current if the completion of a refinancing agreement before the balance sheet date provides evidence that the substance of the liability at the balance sheet date was non-current.

2.12 Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

2 Accounting principles (cont'd)

2.13 Factoring

Factoring transaction is a funding transaction wherein the group transfers to factor claim rights for determined fee. The companies alienate rights to receivables due at a future date according to invoices. Factoring transactions of the Group comprise factoring transactions with regress (recourse) right (the factor is entitled to returning the overdue claim back to the Group) and without regress (recourse) right (the factor is not entitled to returning the overdue claim back to the Group). Factored accounts receivable (with regress right) and related financing are recorded in accounts receivable caption and borrowings and financial lease obligations caption.

2.14 Financial lease and operating lease

Financial lease – the Group as lessee

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

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

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

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

Operating lease – the Group as lessee

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

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

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

2.15 Grants and subsidies

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

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

2 Accounting principles (cont'd)

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Were discounting is used, the increase in the provision due to the passage of time is recognised as an interest costs.

2.17 Income tax

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

The standard income tax rate in Lithuania is 15%. On 1 January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one tax year beginning on 1 January 2006, companies have to pay an additional 4% tax calculated based on the income tax principles, and for the following year a 3% tax starting from 1 January 2007. Starting from 2007 the standard income tax rate in Lithuania will remain constant – 15%.

Tax losses can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments that can be carried forward for 3 consecutive years. The losses from disposal of securities and/or derivative financial instruments can only be used to reduce the taxable income earned from the transactions of the same nature.

The standard income tax rate in Russia – 24%.

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

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

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

2.18 Revenue recognition

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

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

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

In these consolidated financial statements intercompany sales are eliminated.

2.19 Expense recognition

Expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted as the amount paid or due to be paid, excluding VAT. In those cases when long period of payment is established and the interest is not distinguished, the amount of expenses shall be estimated by discounting the amount of payment using the market interest rate.

2 Accounting principles (cont'd)

2.20 Segment information

In these financial statements business segment is considered component of the Group participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

Geographical segment is considered component of the Group participating in production of an individual product or provision of a service or a group of related products or services, in particular economic environment the risk and returns whereof are different from other economic environments.

Business activities of the Group are structured as a sole primary business segment – manufacture of refrigerators and freezers. Financial segment information is presented in these financial statements in Note 4.

2.21 Impairment of assets

Financial assets

Financial assets as well as goodwill are reviewed for impairment at each balance sheet date.

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

Other assets

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

2.22 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation (Notes 2.6. and 13), amortisation (Notes 2.5. and 12), evaluation of impairment and provisions (Notes 2.6., 2.21. and 15), evaluation of deferred income tax valuation allowance and deferred tax recognition (Note 11). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.23 Contingencies

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

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

2 Accounting principles (cont'd)

2.24 Subsequent events

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

2.25 Offsetting and comparative figures

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

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

3 Correction of errors

As at 31 December 2006, considering that the banks have not demonstrated to take any actions to request an early repayment of the loans, under the non-current liabilities caption the Group accounted for LTL 3,761 thousand liabilities in accordance with loan agreement covenant, which were not fulfilled by the Group; therefore, the banks had the right to change the amounts of loans stated in the agreements as well as the maturity of the loans. According to IAS 1 requirements, liabilities can be classified as non-current only if the Group has an unconditional right to postpone the payment for 12 months after balance sheet date. Therefore, the aforementioned liabilities are presented in these financial statements as current liabilities.

	As stated in the financial statements for the year 2006	Adjustments	Amounts after adjustments in these financial statements
Non-current borrowings and financial lease obligations	39,233,456	(3,761,114)	35,472,342
Current borrowings and current portion of non-current borrowings and financial lease obligations	29,420,029	3,761,114	33,181,143
Total borrowings and financial lease obligations	68,653,485	-	68,653,485

In 2006 financial statements, the deferred income tax of the Group was accounted for at the net value under the non-current asset caption. As the deferred income tax asset and deferred income tax liabilities are related to income taxes of different Group companies and are paid to different tax authorities, as at 31 December 2006 deferred income tax was adjusted as follows:

	As stated in the financial statements for the year 2006	Adjustments	Amounts after adjustments in these financial statements
Deferred income tax asset	3,167,712	706,000	3,873,712
Deferred income tax liabilities	-	(706,000)	(706,000)
Deferred income tax, net	3,167,712	-	3,167,712

The presented liabilities and deferred income tax adjustments had no effect on net profit (loss) of the previous periods and for profit (loss) per share.

4 Segment information

The Group's sole business segment (primary reporting format) is the production of refrigerators and specialised equipment.

Segment information is presented in respect of the Group's geographical segments (secondary reporting format) (in LTL thousand):

Group	Total segment sales revenue		Inter-segment sales		Sales revenue		Total assets by its location		Acquisition of property, plant and equipment and intangible assets	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Russia	172,421	120,345	(36,344)	(25,262)	136,077	95,083	84,748	100,268	3,315	11,292
Ukraine	98,612	82,794	(1,541)	(886)	97,071	81,908	294	662	12	11
Western Europe	82,254	77,277	-	-	82,254	77,277	-	-	-	-
Eastern Europe	46,436	48,072	-	-	46,436	48,072	-	-	-	-
Lithuania	35,764	24,919	(16,903)	(992)	18,861	23,927	160,471	156,903	20,329	17,894
Other CIS countries	15,846	11,017	-	-	15,846	11,017	-	-	-	-
Other Baltic states	13,307	14,366	-	-	13,307	14,366	-	-	-	-
Other countries	279	177	-	-	279	177	-	-	-	-
Total	464,919	378,967	(54,788)	(27,140)	410,131	351,827	245,513	257,833	23,656	29,197

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

5 Other income

	2007	2006
Income from transportation	1,579,462	1,316,589
Gain on disposal of property, plant and equipment	259,449	2,098,920
Income from rent of premises	239,159	366,308
Income from rent of equipment	205,314	225,721
Other	388,815	607,345
	2,672,199	4,614,883

6 Selling and distribution expenses

	2007	2006
Transportation	10,711,892	9,171,078
Warranty service costs	3,897,548	3,457,183
Market research, sales promotion and commissions to third parties	3,520,616	2,369,840
Advertising	2,825,664	3,650,914
Salaries and social insurance	2,171,340	2,047,112
Rent of warehouses and storage cost	1,728,915	3,946,329
Insurance	587,789	630,154
Production dispatch cost	380,301	430,536
Certification cost	248,100	174,881
Business trips	138,011	353,234
Depreciation and amortization	125,969	139,163
Other	605,994	1,253,241
	26,942,139	27,623,665

7 Administrative expenses

	2007	2006
Salaries and social insurance	12,473,058	10,029,621
Depreciation and amortization	2,544,080	2,758,694
Taxes, other than income tax	1,618,460	1,943,303
Communication expenses	650,236	1,044,504
Utilities	643,129	394,558
Business trips	640,501	848,986
Rent and maintenance of premises	627,251	332,965
Trainings	552,610	215,983
Stationery	480,244	589,264
Bank services	455,343	453,264
Security	438,045	312,524
Insurance	414,885	323,715
Car maintenance	386,571	383,259
Other consultation cost	326,003	73,892
Legal services	297,780	23,073
Utilisation of refrigerators	294,101	202,665
Bonuses, payments accrued for the reporting period	290,587	300,000
Maintenance of computers and software	194,129	73,907
Charity, Christmas presents, etc.	105,232	249,219
Personnel recruitment costs	76,699	70,585
Change of allowance for receivables	(441,778)	9,836,546
Other	3,358,014	2,486,897
	26,425,180	32,947,424

Change of allowance for receivables in the years 2007 and 2006 are mainly related to overdue receivables from clients in Russia and Ukraine (Note 15).

11 Income tax (cont'd)

	2007	2006 (restated)
Deferred income tax asset		
Tax losses carried forward	3,793	3,093
Allowance for receivables	2,820	2,311
Accruals	203	-
Warranty provision	867	932
Difference of tax basis and carrying amount of inventories	-	704
Property, plant and equipment	-	15
Other	7	68
Deferred income tax asset before valuation allowance	7,690	7,123
Less: valuation allowance	(2,767)	(3,249)
Deferred income tax asset, net	4,923	3,874
Deferred income tax liability		
Capitalised development and repair costs	(858)	(706)
Difference of tax basis and carrying amount of inventories	(477)	-
Deferred income tax liability	(1,335)	(706)
Deferred income tax, net	3,588	3,168
Stated in balance sheet:		
Deferred income tax asset	3,882	3,874
Deferred income tax liability	(294)	(706)

Presentation of deferred income tax components in 2006 was changed to correspond to the presentation of the current reporting period (Note 3).

Deferred income tax asset and liability were calculated at the rate of 15% and 24%. The changes of temporary differences in the Group were as follows:

	Balance as at 31 December 2006 (restated)	Recognised in income statement	Effect of changes in foreign currency rate	Balance as at 31 December 2007
Tax losses carried forward	3,093	794	(94)	3,793
Allowance for receivables	2,311	509	-	2,820
Accruals	-	208	(5)	203
Warranty provisions	932	(74)	9	867
Other	68	(61)	-	7
Property, plant and equipment	15	(14)	(1)	-
Difference of tax basis and carrying amount of inventories	704	(1,220)	39	(477)
Capitalised development and repair costs	(706)	(152)	-	(858)
Valuation allowance	(3,249)	525	(43)	(2,767)
Deferred income tax, net	3,168	515	(95)	3,588

11 Income tax (cont'd)

Deferred income tax assets are recognized in the amount, which is expected to be realised. As at 31 December 2007, the Group did not recognise deferred income tax asset from LTL 5,268 thousand tax loss carry forward, which can be utilized until 2017.

LTL 3,882 thousand deferred income tax asset is related to the Group's subsidiary OOO Techprominvest, which incurred tax losses in 2007 and 2006. This deferred income tax asset was recognised based on the forecasting of the Group's management for the near future periods, however, not exceeding the amount expected to be realised.

As at 31 December 2007 the balance of tax losses can be carried forward until 2017.

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

	2007	2006 (restated)
Profit before tax	(11,629)	(10,128)
Income tax expenses computed using the statutory tax rate (18% and 19%)	(2,093)	(1,924)
Non-deductible expenses	1,246	983
Change of income tax valuation allowance	(482)	-
Effect of unrecognized tax losses	1,264	1,830
Difference in income taxes rates of subsidiaries	(145)	(457)
Effect of change of income tax rate	(3)	25
Income tax expenses (income) recorded in income statement	(213)	457

12 Intangible assets

	Goodwill	Development cost	Software, licenses	Total
Cost:				
Balance as at 31 December 2006	12,312,707	9,874,025	2,287,811	24,474,543
Additions	-	1,933,013	177,000	2,110,013
Disposals	-	(541,179)	(11,647)	(552,826)
Effect of change in foreign currency exchange rate	(383,923)	-	-	(383,923)
Balance as at 31 December 2007	11,928,784	11,265,859	2,453,164	25,647,807
Accumulated amortisation:				
Balance as at 31 December 2006	-	5,358,433	1,759,441	7,117,874
Charge for the year	-	1,152,591	295,591	1,448,182
Disposals and write-off	-	(358,783)	(10,612)	(369,395)
Balance as at 31 December 2007	-	6,152,241	2,044,420	8,196,661
Net book value as at 31 December 2007	**11,928,784**	**5,113,618**	**408,744**	**17,451,146**
Net book value as at 31 December 2006	**12,312,707**	**4,515,592**	**528,370**	**17,356,669**

12 Intangible assets (cont'd)

	Goodwill	Development costs	Software, licenses	Total
Cost:				
Balance as at 1 January 2006	2,472,227	8,439,250	2,181,447	13,092,924
Additions	9,840,480	1,655,246	395,465	11,891,191
Disposals and write-offs	-	(223,471)	(286,101)	(509,572)
Other reclassifications	-	3,000	(3,000)	-
Balance as at 31 December 2006	12,312,707	9,874,025	2,287,811	24,474,543
Accumulated amortisation:				
Balance as at 1 January 2006	-	4,076,898	1,646,688	5,723,586
Charge for the year	-	1,279,161	351,463	1,630,624
Disposals and write-offs	-	-	(236,336)	(236,336)
Other reclassifications	-	2,374	(2,374)	-
Balance as at 31 December 2006	-	5,358,433	1,759,441	7,117,874
Net book value as at 31 December 2006	**12,312,707**	**4,515,592**	**528,370**	**17,356,669**
Net book value as at 1 January 2006	**2,472,227**	**4,362,352**	**534,759**	**7,369,338**

The amortisation charge in 2007 amounting to LTL 22 thousand was included into the refrigerator manufacturing costs. The remaining part amounting to LTL 1,426 thousand (LTL 1,631 thousand in 2006) was included into operating expenses in the income statement.

13 Property, plant and equipment

	Land, buildings and structures	Machinery and equipment	Vehicles	Construction in progress	Total
Cost:					
Balance as at 31 December 2006	45,530,655	117,393,084	19,430,677	6,416,586	188,771,002
Additions	-	15,172,327	6,373,958	-	21,546,285
Disposals and write-offs	-	(6,170,659)	(6,836,273)	-	(13,006,932)
Reclassifications	881,501	6,982,921	(1,468,151)	(6,396,271)	-
Effect of change in foreign currency exchange rate	(999,316)	(1,056,938)	(54,068)	(20,315)	(2,130,637)
Balance as at 31 December 2007	45,412,840	132,320,735	17,446,143	-	195,179,718
Accumulated depreciation:					
Balance as at 31 December 2006	5,229,469	68,207,715	11,802,336	-	85,239,520
Charge for the year	1,771,514	15,230,945	2,196,663	-	19,199,122
Disposals and write-offs	-	(5,302,447)	(1,395,548)	-	(6,697,995)
Reclassifications	-	(322,864)	322,864	-	-
Effect of change in foreign currency exchange rate	(104,243)	(353,789)	(28,471)	-	(486,503)
Balance as at 31 December 2007	6,896,740	77,459,560	12,897,844	-	97,254,144
Net book value as at 31 December 2007	**38,516,100**	**54,861,175**	**4,548,299**	**-**	**97,925,574**
Net book value as at 31 December 2006	**40,301,186**	**49,185,369**	**7,628,341**	**6,416,586**	**103,531,482**

13 Property, plant and equipment (cont'd)

	Land, buildings and structures	Machinery and equipment	Vehicles	Construction in progress	Total
Cost:					
Balance as at 1 January 2006	44,716,932	109,947,583	19,187,118	678,428	174,530,061
Additions	-	7,566,243	4,000,010	5,739,239	17,305,492
Disposals	(259,060)	(1,374,980)	(1,205,523)	-	(2,839,563)
Reclassifications	1,175,607	1,373,357	(2,548,964)	-	-
Effect of change in foreign currency exchange rate	(102,824)	(119,119)	(1,964)	(1,081)	(224,988)
Balance as at 31 December 2006	45,530,655	117,393,084	19,430,677	6,416,586	188,771,002
Accumulated depreciation:					
Balance as at 1 January 2006	3,352,982	54,948,684	10,756,676	-	69,058,342
Charge for the year	1,799,725	14,484,982	2,240,218	-	18,524,925
Disposals	(25,537)	(1,297,920)	(1,020,290)	-	(2,343,747)
Reclassifications	102,299	71,969	(174,268)	-	-
Balance as at 31 December 2006	5,229,469	68,207,715	11,802,336	-	85,239,520
Net book value as at 31 December 2006	**40,301,186**	**49,185,369**	**7,628,341**	**6,416,586**	**103,531,482**
Net book value as at 1 January 2006	**41,363,950**	**54,998,899**	**8,430,442**	**678,428**	**105,471,719**

The depreciation charge of the Group's property, plant and equipment for 2007 amounts to LTL 19,199 thousand (LTL 18,525 thousand for 2006). The amount of LTL 17,955 thousand for 2007 (LTL 17,258 thousand for 2006) was included into production costs. The remaining amount of LTL 1,244 (LTL 1,267 thousand for 2006) was included into operating expenses in the Group's income statement.

At 31 December 2007, buildings of the Group with the carrying amount of LTL 32,460 thousand (2006 – LTL 21,311 thousand), machinery and equipment with the net book value of LTL 19,639 thousand (2006 – LTL 40,751 thousand) were pledged to banks as a collateral for the loans (Note 22).

14 Inventories

	2007	2006
Raw materials and spare parts and production in progress	43,163,462	36,004,615
Finished goods	19,735,912	19,652,890
Other	285,524	213,778
	63,184,898	55,871,283

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

In order to secure bank loans, the Group pledged inventories with the gross value of LTL 19,300 thousand as at 31 December 2007 (as at 31 December 2006 – LTL 29,300 thousand) (Note 22).

Inventories amounting to LTL 360,820 thousand were recognized as an expense in 2007 (LTL 301,402 in 2006).

15 Trade receivables

	2007	2006
Trade receivables, gross	60,970,170	75,427,158
Less: allowance for doubtful trade receivables	(11,527,355)	(11,969,133)
	49,442,815	63,458,025

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

As at 31 December 2007, trade receivables with the carrying value of LTL 11,527 thousand (as at 31 December 2006 – LTL 11,969 thousand) were impaired and fully provided for.

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

	2007	2006
Balance at the beginning of the period	(11,969,133)	(2,157,392)
Charge for the year	(470,287)	(10,106,331)
Write-off of trade receivables	35,208	-
Effect of the change in foreign currency exchange rate	411,918	35,042
Recovered amounts	464,939	259,548
Balance in the end of the period	(11,527,355)	(11,969,133)

Receivables are written off when it becomes evident that they will not be recovered.

The ageing analysis of trade receivables as at 31 December 2007 and 2006 is as follows:

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2007	42,241,977	5,771,742	235,805	726,957	189,244	277,090	49,442,815
2006	58,596,920	3,741,773	504,087	13,399	914	600,932	63,458,025

According to the factoring agreement with recourse, the amounts receivable were pledged to the factors of the Group. As at 31 December 2007 and 2006 the carrying amount of receivables pledged to the factors amounted to LTL 18,842 thousand and LTL 16,035 thousand, respectively.

16 Other current assets

	2007	2006
VAT receivable	2,485,763	3,745,675
Prepayments and deferred charges	1,205,433	1,236,485
The foreign currency forwards at fair value	587,526	-
Compensations receivable from suppliers	216,728	86,241
Receivable for property, plant and equipment sold	-	80,000
Other receivables	1,058,390	866,476
	5,553,840	6,014,877

Compensations are receivables from suppliers for low-quality goods.

17 Cash and cash equivalents

	2007	2006
Cash at bank	3,977,330	4,777,706
Cash on hand	7,230	27,374
	3,984,560	4,805,080

The accounts of the Group in foreign currency and litas up to LTL 10,000 thousand are pledged as a collateral for bank loans (Note 22).

18 Share capital

According to the Law on Companies of the Republic of Lithuania, the Company's total equity cannot be less than 1/2 of its share capital specified in the Company's by-laws. As at 31 December 2007and 2006 the Company was in compliance with this requirement.

19 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with Lithuanian Business Accounting Standards, are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2007 and 2006 the legal reserve of the Group was fully formed.

Non-restricted reserves

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

As at 31 December 2007 other distributable reserves amounted to LTL 10,000 thousand (in 2006 – LTL 10,000 thousand) and comprised a reserve for own shares acquisition, a reserve for investments of LTL 23,648 thousand (as at 31 December 2006 – 16,338 thousand) and other reserves for charity and support of LTL 90 thousand (as at 31 December 2006 – 151 thousand) and LTL 350 thousand (as at 31 December 2006 – 410 thousand) for social and cultural needs.

Foreign currency translation reserve

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

Exchange differences are classified as equity in the consolidated financial statements until the disposal of the investment. Upon disposal of the corresponding investment, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

20 Grants and subsidies

Balance as at 31 December 2005	10,315,100
Received during the year	43,500
Balance as at 31 December 2006	10,358,600
Received during the year	345,280
Balance as at 31 December 2007	10,703,880
Accumulated amortisation as at 31 December 2005	5,206,168
Amortisation during the year	1,303,092
Accumulated amortisation as at 31 December 2006	6,509,260
Amortisation during the year	1,179,704
Accumulated amortisation as at 31 December 2007	7,688,964
Net book value as at 31 December 2007	**3,014,916**
Net book value as at 31 December 2006	**3,849,340**

The subsidies were received for the renewal of production machinery and improvements of buildings in connection with the elimination of CFC 11 element from the production of polyurethane insulation and filling foam, a subsidy for elimination of green house gases in the manufacturing of domestic refrigerators and freezers and a grant for export development programme. Subsidies are amortised over the same period as the machinery and improvements or recognized as income when compensatory costs are incurred. The amortisation of subsidy is included in production cost against depreciation of machinery and improvements.

21 Warranty provision

The Group provides a warranty of up to 10 years for the production sold. The provision for warranty repairs was formed based on the expected cost of repairs and statistical warranty repair rates and divided respectively into long-term and short-term provisions.

Change in warranty provisions during the reporting period can be specified as follows:

	2007
As at 1 January	4,332,919
Charge for the year	7,214,394
Utilized	(6,886,600)
Foreign currency exchange effect	(127,063)
As at 31 December	4,533,650

Warranty provisions are accounted for as at 31 December as:

	2007
- non-current	1,892,800
- current	2,640,850

	2006
- non-current	3,081,965
- current	1,250,954

22 Borrowings

	31 December 2007	31 December 2006
		(restated)
Non-current borrowings		
Bank borrowings secured by the Group's assets	18,277,198	35,159,824
	18,277,198	35,159,824
Current borrowings		
Current portion of non-current bank borrowings	31,900,584	32,847,062
	31,900,584	32,847,062
	50,177,782	68,006,886

Non-current loans in the amount of LTL 18,277 are arranged at fixed interest rate based on the factoring agreement with recourse. The factoring agreement is valid until 28 February 2009. The rest of the loans have floating interest rates of 6-month LIBOR +1% margin, 6-month LIBOR + 1.1% margin, 6-month LIBOR + 1.2% margin, 1 month EURIBOR + 1.15% margin and 6-month VILIBOR + 1.1% margin.

At 31 December 2007, buildings with the carrying amount of LTL 32,460 thousand (2006 – LTL 21,311 thousand), machinery and equipment with the net book value of LTL 19,639 thousand (2006 – LTL 40,751 thousand), inventories with the net book value of LTL 19,300 thousand (2006 – LTL 29,300 thousand), cash inflows into the bank accounts up to LTL 10,000 (2006 – LTL 10,000 thousand) and the major part of OOO Techprominvest shares are pledged as a collateral for loans from banks.

The Group was in default of certain loan covenants for loans amounting to LTL 23,623 as at 31 December 2007 (as at 31 December 2006 – LTL 22,783 thousand). During 2007 these loans were repaid on time; the banks did not take any action regarding non-compliance with the loan covenants. Liabilities related to these agreements as at 31 December 2007 and 2006 are accounted for under the current liabilities caption. As of the issue date of these financial statements, the banks had not initiated any action due to non-compliance with the loan covenants.

Borrowings at the end of the year in national and foreign currencies:

	2007	2006
Borrowings denominated in:		
EUR	19,197,912	38,868,183
USD	7,914,180	6,754,755
LTL	23,065,690	22,383,948
	50,177,782	68,006,886

As at 31 December 2007 the Group had unused funds in credit lines and overdrafts amounting to LTL 466 thousand (LTL 2,232 thousand as at 31 December 2006).

23 Financial lease obligations

Principal amounts of financial lease payables at the 31 December 2007 and 2006 are denominated in euros.

The interest rate on the financial lease obligations in euros varies depending on the 6-month EURRIBOR + 1.1% and 1,5%, 6-month LIBOR EUR + 1% and 1.2%.

Future minimal lease payments under the above-mentioned financial lease contracts as at 31 December 2007 are as follows:

	2007	2006
Within one year	994,064	406,073
From one to five years	2,747,158	336,211
Total financial lease obligations	3,741,222	742,284
Interest	(318,290)	(95,685)
Present value of financial lease obligations	3,422,932	646,599
Financial lease obligations are accounted for as:		
- current	858,239	334,081
- non-current	2,564,693	312,518

The assets leased by the Group under financial lease contracts consist of machinery, equipment and vehicles. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The terms of financial lease are from 3 to 5 years. The distribution of the net book value of the assets acquired under financial lease is as follows:

	As at 31 December 2007	As at 31 December 2006
Machinery and equipment	4,446,602	-
Vehicles	333,851	1,152,091
	4,780,453	1,152,091

24 Operating lease

The Group has concluded several contracts of operating lease of land, premises and equipment. The terms of lease do not include restrictions of the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. In 2007 the lease expenses of the Group amounted to LTL 329 thousand (LTL 223 thousand in 2006).

Minimal future lease payments according to the signed lease contracts are as follows:

	2007	2006
Within one year	115,938	299,376
From one to five years	473,684	612,624
After five years	3,843,400	3,988,320
	4,433,022	4,900,320
Denominated in:		
- LTL	114,084	362,108
- RUB	4,318,938	4,538,212

The most significant operating lease agreement of the Group is the long-term agreement of OOO Techprominvest signed with the Municipality of Kaliningrad for rent of the land. The payments of the lease are reviewed annually.

25 Other current liabilities

	2007	2006
Salaries and related taxes payable	4,114,444	3,421,261
Vacation reserve	2,611,863	2,000,860
Other taxes payable	2,598,300	3,235,215
Accrued bonuses	300,000	300,000
Payables for the shares of OOO Techprominvest (Note 1)	-	9,840,480
Other payables and accrued expenses	160,800	336,810
	9,785,407	19,134,626

Terms and conditions of the trade payables and other payables liabilities:
- Trade payables are non-interest bearing and are normally settled over a term of 60 days.
- Other payables are non-interest bearing and have the settlement term up to six months.
- Interest payable is normally settled monthly throughout the financial year.

26 Basic and diluted earnings (loss) per share

	2007	2006
Shares issued on 1 January	23,070,405	23,070,405
Weighted average of shares in issue	23,792,109	23,070,405
Net result for the year, attributable to the shareholders of the parent company	(11,412,480)	(10,581,640)
Basic and diluted earnings (loss) per share	(0.48)	(0.46)

27 Financial instruments

Fair value of financial instruments

The carrying amounts and fair values of the Group's financial assets and financial liabilities as of 31 December were as follows:

	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	3,984,560	3,984,560	4,805,080	4,805,080
Receivables	54,805,976	54,805,976	67,412,685	67,412,685
Derivative financial instruments	587,526	587,526	-	-
Financial liabilities				
Fixed rate borrowings	18,277,198	18,258,844	15,553,814	15,538,195
Floating rate borrowings	31,900,585	31,900,585	52,222,476	52,222,476
Obligations under financial lease	3,422,932	3,422,932	583,379	583,379
Other financial liabilities	87,014,331	87,014,331	81,857,164	81,857,164

27 Financial instruments (cont'd)

Fair value of financial instruments (cont'd)

Fixed rate borrowings comprise current liabilities related to agreements of recourse factoring. The fair value of borrowings was calculated by discounting the expected future cash flows at the prevailing interest rates. The fair value of loans and other financial assets was calculated using market interest rates.

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

(a) The carrying amount of current trade and other accounts receivable, current accounts payable and short-term borrowings approximates fair value.
(b) The fair value of non-current borrowings is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts.

The derivative financial instruments are carried at fair value, thus their fair value equals the carrying amount. The Group had no investments into unlisted entities as at 31 December 2007 and 2006.

The following table shows the net gains or losses of financial instruments included in the income statement:

	2007	2006
Financial assets available for sale	571,021	3,245,248
Loans and receivables	441,780	(9,836,546)

Net gains and losses of financial instruments include revaluation effect of foreign currency derivative financial instruments and impairment losses of receivables.

28 Capital and risk management

Credit risk

The Group has no significant concentration of trading counterparties. The two main customers of the Group – OOO Electrolux RUS and Sting Polska Sp z.o.o. – as at 31 December 2007 account for approximately 13.56% (23.38% as at 31 December 2006) of the total Group's trade receivables. The maximum exposure of the credit as at 31 December 2007 and 2006 comprise balance values of receivables including the derivative financial instruments' value.

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

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

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

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

A significant part of trade receivables is insured. The Group does not guarantee for other parties' liabilities.

28 Capital and risk management (cont'd)

Interest rate risk

The major part of the Group's borrowings is with variable rates, related to LIBOR and EURIBOR, which creates an interest rate risk. As at 31 December 2007 and 2006 the Group did not use any financial instruments to manage interest rate risk.

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

	Increase/ decrease of basic points	Effect on the profit before tax
2007		
EUR	+ 100	(153.235)
LTL	+ 100	(200.000)
EUR	- 200	306.470
LTL	- 200	400.000
2006		
EUR	+ 100	(334.937)
LTL	+ 100	(196.060)
EUR	- 200	669.873
LTL	- 200	392.120

Liquidity risk

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

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

28 Capital and risk management (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2007 and 2006 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans, financial lease and borrowings	3,623,014	28,512,414	623,395	20,841,891	-	53,600,714
Interest payable	-	401,145	80,943	-	-	482,088
Trade and other payables	25,685,348	56,795,333	-	-	-	82,480,681
Other financial liabilities	-	660,213	1,980,638	1,892,800	-	4,533,651
Balance as at 31 December 2007	**29,308,362**	**86,369,105**	**2,684,976**	**22,734,691**	-	**141,097,134**
Interest bearing loans and borrowings	22,782,892	389,126	10,009,125	35,472,342	-	68,653,485
Interest payable	-	515,098	1,266,713	256,195	-	2,038,006
Trade and other payables	8,082,123	59,601,642	-	-	-	67,683,765
Other financial liabilities	-	312,739	938,216	3,081,965	-	4,332,920
Balance as at 31 December 2006	**30,865,015**	**60,818,605**	**12,214,054**	**38,810,502**	-	**142,708,176**

The Group seeks to maintain sufficient financing to meet the financial liabilities on time. In 2008 the Group secured the additional monetary funds to finance the operations of the Group (Note 30).

Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group's significant part of the revenue is in Russian roubles and US dollars and the borrowings are denominated in other foreign currencies.

To reduce the effect of foreign currency exchange fluctuation, the Group uses derivative financial instruments. In 2007 the Group arranged the foreign currency forwards with a bank for USD 15,540 thousand translation at a fixed rate. USD 3,340 thousand were executed in 2007. Derivative financial instruments are set to hedge from negative effect of change of foreign currency rate or cash flows from sales revenue in US dollars. As at 31 December 2007 derivative financial instruments were revalued to their fair value. Fair value of foreign currency forwards is estimated based on market prices as at the date of the balance sheet.

The table below summarises the maturity profile of the Group's derivative financial instruments as at 31 December 2007 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Contractual amounts payable	-	(9.428.800)	(19.329.040)	-	-	(28.757.840)
Contractual amounts receivable	-	9.516.271	19.829.096	-	-	29.345.366
Total undiscounted financial asset (liabilities)	**-**	**87.471**	**500.056**	**-**	**-**	**587.526**

The Group had no unsettled derivative financial instruments as at 31 December 2006.

28 Capital and risk management (cont'd)

Foreign exchange risk (cont'd)

Monetary assets and liabilities of the Group stated in various currencies as at 31 December 2007 and 2006 were as follows (LTL):

	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	9,949,209	54,742,600	9,218,199	48,977,815
EUR	21,336,892	75,710,558	25,799,816	84,779,330
USD	12,782,919	8,582,314	11,256,416	6,951,333
RUB	16,549,408	10,484,268	28,946,069	8,833,995
Other	45,871	108,913	741,941	85,032
Total	60,664,299	149,628,653	75,962,441	149,627,505

The following table demonstrates sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of financial assets and liabilities).

	Increase (decrease)	Effect on the profit before tax, LTL thousand
LTL/USD exchange rate increase (decrease)		
2007	+ 5%	(1,220)
	- 5%	1,151
2006	+ 5%	215
	- 5%	(215)
2007	+ 10%	(2,456)
	- 10%	2,194
2006	+ 10%	431
	- 10%	(431)
LTL/RUB, EUR/RUB exchange rate increase (decrease)		
2007	+ 3%	3,304
	- 3%	(3,304)
2006	+ 3%	3,595
	- 3%	(3,595)
2007	+ 5%	5,506
	- 5%	(5,506)
2006	+ 5%	5,991
	- 5%	(5,991)

28 Capital and risk management (cont'd)

Capital management

The Group manages share capital, share premium, legal reserves, reserves, foreign currency translation reserve and retained earnings as capital. The primary objectives of the Group's capital management are to ensure that the Group complies with the externally imposed capital requirements.

The Group manages its capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As described in Note 1, 756,960 ordinary shares with the nominal value of LTL 1 each were issued in 2007 for LTL 13 each. Funds from the issue were used to finance the acquisition of minority interest in the subsidiary OOO Techprominvest.

A company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As of 31 December 2007 and 2006 the Company complied with this requirement. There were no other significant externally imposed capital requirements on the Group.

29 Related party transactions

According to IAS 24 *Related Party Disclosures*, the parties are considered related when one party can unilaterally or jointly control other party or have significant influence over the other party in making financial or operating decisions or operation matters, or when parties are jointly controlled and if the members of management, their relatives or close persons who can unilaterally or jointly control the Group or have influence on it. To determine if the parties are related the relation point is assessed not the form.

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the transactions with related parties during 2007 and 2006 were as follows:

UAB Hermis Capital (same ultimate controlling shareholder);
UAB Genčių Nafta (same ultimate controlling shareholder);
UAB Hermis Fondų Valdymas (same ultimate controlling shareholder);
UAB Baltijos Polistirenas (companies controlled by members of management and their relatives);
UAB Astmaris (companies controlled by members of management and their relatives);
UAB Aljana (companies controlled by members of management and their relatives);
UAB Lisiplastas (companies controlled by members of management and their relatives);
UAB Astmaris (companies controlled by members of management and their relatives);
UAB Lanksti Linija (companies controlled by members of management and their relatives).

Due to a change in the Company's management in 2007, UAB Lanksti Linija and UAB Lisiplastas are not related parties in 2007.

2007	**Transaction type**	**Purchases**	**Sales**	**Receivables**	**Payables**
UAB Baltijos Polistirenas	Raw materials and consumables	4,399,357	-	-	805,689
UAB Astmaris	Materials	7,377,466	-	-	961,847
		11,776,823	-	-	1,767,536

29 Related party transactions (cont'd)

2006	Transaction type	Purchases	Sales	Receivables	Payables
UAB Hermis Fondų Valdymas	Rent of premises	52,752	-	-	-
UAB Lisiplastas	Materials	7,072,470	397,342	23,020	-
UAB Baltijos Polistirenas	Materials	2,481,889	-	-	-
UAB Astmaris	Materials and consumables	6,847,895	-	-	-
UAB Lanksti Linija	-	-	-	9,435	1,368,513
		16,455,006	397,342	32,455	1,368,513

The Group has a policy to conduct related party transactions on commercial terms. Outstanding balances at the year-end are unsecured, interest-free and settlement occurs in cash. There were no guarantees provided or received for any related party receivables or payables. As at 31 December 2007 and 2006 the Group had not recorded any impairment of receivables from related parties.

Financial and investment transactions with the related parties:

	2007			2006		
	Loans received	Repayment of loans	Interest paid	Loans granted	Repayment of loans granted	Interests received
UAB Hermis Capital	12,500,000	12,500,000	42,011	20,500,000	20,500,000	33,767
UAB Genčių Nafta	3,500,000	3,500,000	37,178	-	-	-
	16,000,000	16,000,000	79,189	20,500,000	20,500,000	33,767

Remuneration of the management and other payments

Remuneration of the Company's and subsidiaries' management amounted to LTL 2,256 thousand and LTL 827 thousand, respectively, in 2007 (LTL 2,323 and LTL 764 thousand in 2006). In 2007 and 2006 the management of the Group did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

30 Subsequent events

On 5 March 2008 the Group and AB SEB Bankas signed an agreement for EUR 3,584 thousand credit limit combining previously received loans and setting new repayment maturities. EUR 580 thousand from the credit limit will have to be repaid in 2008, the remaining part till 1 March 2009.

On 15 February 2008 the Group and AB Bankas Hansabankas signed an agreement for LTL 20 million loan restructuring into EUR 5,792 thousand and repayment maturity till 15 February 2009.

In April 2008 the Company issued 200,000 bonds with the par value of LTL 100 each and the redemption price of LTL 100 each. The annual interest rate is 14%, the obligations expire in 367 days. Obligations can be converted to ordinary shares, the ratio of the conversion with ordinary shares of the Company is 1:18. Bonds are to be redeemed on 6 April 2009.

In March 2008 new loan agreements were signed with related parties, and the total cash funds received amount to LTL 7,100 thousand. The loans are repayable in 2008.