

Speech of the Chairman of the Board

Dear Shareholders, Partners, Customers,

In terms of the consolidated results in 2006 AB „Snaigė” reached the turnover together with other activity income of LTL 356 mio. and incurred a consolidated loss of LTL 10.1 mio. The negative total result of the Company’s performance was to a large extent determined by difficulties in the Russian market that had originated since the very outset of the operations of the Company in Russia, – significant residual stock and the reprising thereof at the distributors’ level. Furthermore, in the view of a higher risk of non-recovery of trade debts accrued in the course of 2004-2005 the Company resolved to form a provision of LTL 9.8 mio. for the debts concerned.

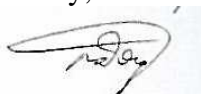
Despite the difficulties we currently encounter our plans for the next year provide for the turnover of LTL 468.8 mio. and LTL 10 mio. in consolidated pre-tax profit. These results are expected to be facilitated by changes in the currency rates and raw material prices in global markets.

We will proceed with our efforts to consolidate our positions in the Eastern, and in particular, Russian markets. In 2006, we reorganised the trade and finance activities in Russia, certain targeted strategies were accordingly adjusted in connection with the remake of the company management model. The changes enforced in Russia yielded positive results in the second half-year term of 2006 when the refrigerator sale figures exceeded the results of 1H by five times.

In 2007, the undertakings of AB „Snaigė” includes the introduction of a new refrigerator line to the Eastern, as well as to the Western markets, stimulation of marketing campaigns with stronger focus upon cost reduction and production efficiency programmes.

We are confident that the strategy we have opted for will facilitate the Company in reaching its objectives.

Sincerely,



Nerijus Dagilis
Chairman of the Board of AB „Snaigė”

Speech of the Managing Director

Dear All,

Unfavourable situation in Russia market settled that year 2006 for our company were uneasy. Despite this was productive year, which have to ensure successful development of company in future.

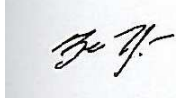
In 2006, we devoted particular attention to the enhancement of efficiency, improvement of the output quality and the further elaboration of our distribution system. Last year we took care of increasing production efficiency: we invested into new equipment, created motivation programs.

In Lithuania, Latvia, Estonia and Ukraine – the markets where AB „Snaigė” steadily holds the Leader’s position we particularly focused on the strengthening of the Company’s image and the fine-tuning of the distribution system. In selected major markets we launched a number of marketing campaigns that produced undoubtedly positive feedback in terms of the increase of sales and the trade mark awareness.

The commissioning of a plant in the Kaliningrad region opened the door to the Russian refrigerators markets that will undoubtedly remain in the future our focus market. We have been with pleasure observing the growing sales therein despite a challenging competitive environment. Russian market is undoubtedly a market of possibilities; however, it not entirely risk-free. AB „Snaigė” was planning to conclude a contract with one of the major Western manufacturers anticipating a full-scale load of the Kaliningrad plant. Nevertheless, the expectations of the Company turned justified only to a partial extent.

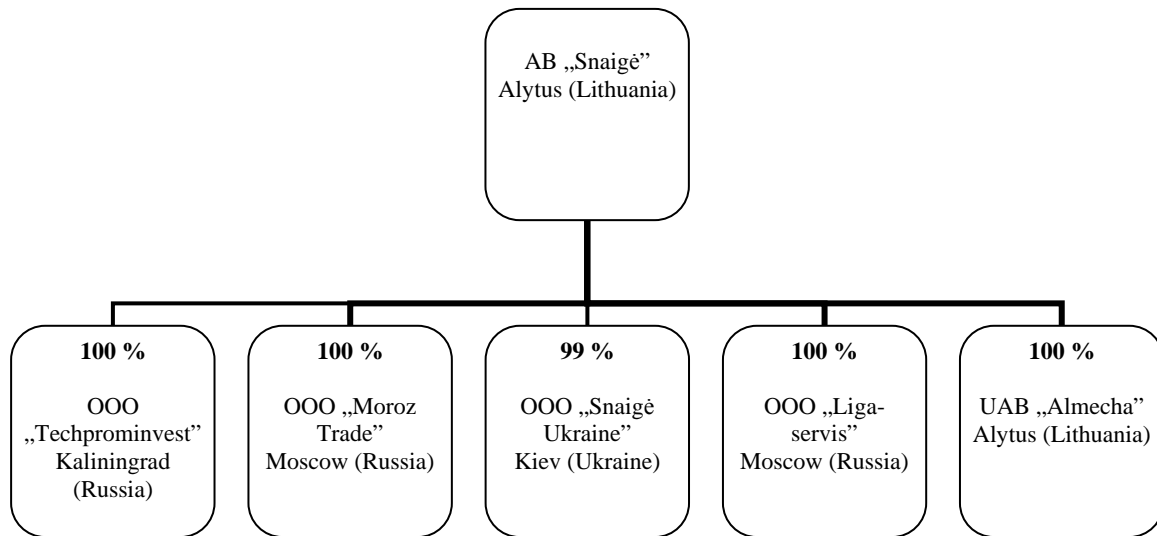
Year 2007 will become year of trial and challenges for company. We will launch new design refrigerators line, improve accountancy system, apply different production efficiency and control ratios, implant fixed costs reducing programs, invest into employees training and so on. Traditionally to the life-time of the company our guiding objective will remain meeting of consumers’ needs and expectations.

Sincerely,



Mindaugas Šeštokas
Managing Director of AB „Snaigė”

Structure of the Companies' Group



AB „Snaigė” Group is composed of the Alytus refrigerator plant „Snaigė” and the following subsidiaries:

- OOO "Techprominvest". Principal activities: production and marketing of consumer commodities, technical maintenance and repair of equipment, consulting services, transport services, etc. General Manager - Rimantas Beržanskis. The plant registered in Kaliningrad in November 2002;
- OOO "Snaigė Ukraine". Principal activities: production, trading, consulting, maintenance services, The company established in November 2002;
- OOO "Moroz Trade" – trade and marketing services. The company registered in May 2004;
- OOO "Liga-servis". The company registered in August 2005. Principal activities: production and marketing of consumer commodities, technical maintenance and repair of equipment, consulting services, transport services, etc.;
- UAB "Almecha". The company registered in November 2006. Principal activities: manufacturing of other not elsewhere specified machinery.

Management Structure

Board:

Chairman of the Board – Nerijus Dagilis

Members: Mindaugas Šeštokas, Domininkas Kašys, Martynas Česnavičius, Marius Binkevičius

Management:

Mindaugas Šeštokas – Managing Director

Albinas Valašinas – Alytus Plant Manager

Vytautas Adomaitis – Acting Finance Manager

Rūta Petrauskaitė – Marketing Manager

Kęstutis Urbonavičius – Technical Manager

Gediminas Čeika – Sales Manager

Donaldas Adomaitis – Logistics & Purchase Manager

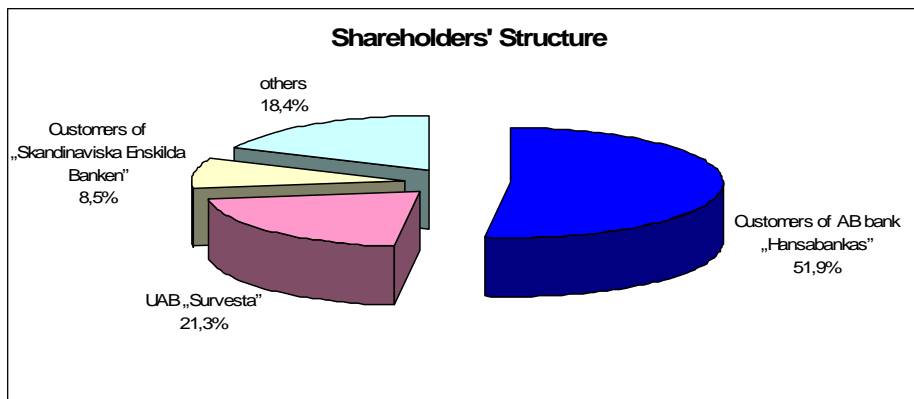
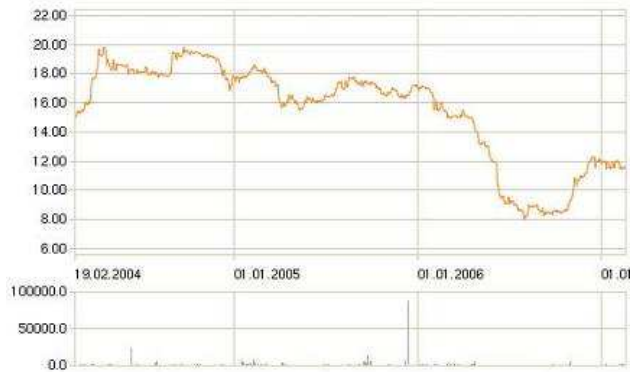
Giedrius Mikulskas – HR Manager

Shares and Shareholders' Structure

AB „Snaigė” shares admitted to the Current List of the Stock Exchange on 11 July 1995, and to the Official List of the Stock Exchange - on 14 April 1998.

	2006	2005	2004	2003	2002
Earnings per share, LTL	-0,46	0,59	0,66	0,92	0,94
Average annual share market price	12,94	17,02	17,51	11,29	3,48
EBITDA per share, LTL	0,60	1,79	1,53	1,64	1,61
EBITDA multiplier (EBITDA per share / Average annual share market price)	0,05	0,11	0,09	0,15	0,46
Total dividends, in thous. of LTL	–	-	1,384	3,074	18,457
Dividends per share, LTL	–	-	0,06	0,13	0,80
Average net book value (equity) per share	-4,03	4,48	3,91	3,46	3,35

History of trade in securities:



Key Consolidated Figures of the Company					
<i>In thous. of LTL</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Turnover from the key operations (refrigerators and freezers, spare parts and materials)	351827	368,878	293,367	269,417	247,317
Total turnover and other operating income	356442	372,128	297,131	272,232	249,695
Gross profit	50315	68,836	63,476	50,851	46,740
Operating profit before financial items and tax	-7973	20,502	27,091	26,343	26,134
Profit before tax	-10128	19,208	18,419	24,078	25,523
Current year profit	-10585	15,040	13,927	21,502	21,587
EBIT, in thous. of LTL	-6411	22,138	20,971	25,346	26,675
EBITDA, in thous. of LTL	13733	41,438	35,304	37,834	37,175
Investments (capital expenditures), in thous. of LTL	13618	20,399	29,755	47,481	19,103
Fixed assets	124056	113,759	112,347	100,336	66,977
Current assets	133071	132,526	121,307	85,110	62,024
Total assets	257127	246,284	233,654	185,446	129,001
Share capital	23070	23,070	23,070	23,070	23,070
Equity	93015	103,298	90,145	79,907	77,233
Long-term debts	46165	47,918	75,144	60,910	24,320
Short-term debts	117947	89,959	68,365	44,629	27,448
Net cash flow from ordinary activities	22711	36,117	-5,695	34,307	25,702
Net cash flow from investing activities	-20776	-19,715	-26,464	-46,123	-18,903
Net cash flow from financing activities	-2316	-16,625	30,927	17,483	-6,717
Total cash flow	-381	-223	-1,232	5,667	82
Average number of employees	2231	2,292	2,304	1,904	1,866
Financial figures					
	<i>2006 m.</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Profit before tax ratio	(2,9)%	5.21%	6.28%	8.94%	10.32%
Return on investments ratio	(4,1)%	7.80%	7.86%	12.98%	19.79%
Gross margin	14,3%	18.66%	21.64%	18.87%	18.90%
EBITDA margin	3,9%	11.23%	12.03%	14.04%	15.03%
Current ratio	126,0%	147.3%	177.4%	189.8%	226.0%
Shareholders' equity to total liabilities ratio	61,8%	72.24%	62.81%	76.00%	59.80%
Return on shareholders' equity ratio	(11,4)%	15.55%	16.38%	27.37%	32.40%

Awards

Innovative company

In November 2006 the public institution „Lithuanian Innovation Centre“ and the Lithuanian Confederation of Industrialists organised a national contest „Innovation prize 2006“. The purpose of the contest is to foster the entrepreneurial thinking, technological development and provide a possibility for enterprises to assess themselves their competitiveness and innovativeness. AB „Snaigė“ was among prize winners in the innovative enterprise category.

The Company has been consistently devoting considerable attention to the implementation of research and technological innovations, modernisation and upgrading the refrigerator manufacturing processes and introduction of the most state-of-the-art technologies, in addition to the enforcement of environmental standards. AB „Snaigė“ is proud of its highly professional personnel who are not only generators of innovative ideas but also ardent partners of researchers, active participants in the most highly reputed exhibitions of household appliances, regularly visiting plants of other refrigerator manufacturers to bring the knowledge and experience acquired elsewhere in own plant. The products of the Company have been successfully competing with the most well-known manufacturers of household appliances in more than forty States of the world and AB „Snaigė“ has been recognised one of the most innovative enterprises in Lithuania.

The Company has been consistently seeking to improve its production. For that purpose AB „Snaigė“ has installed and commissioned the automated metal processing tools of the most progressive technologies enabling to manufacture details and items of intricate configuration from sheet steel. This enabled the Company to offer to consumers a range of new high-quality products.

„Lithuanian Product of the Year“

In December 2006, the Lithuanian Confederation of Industrialists (LCI) arranged the traditional, for the tenth year in turn, contest „Lithuanian Product of the Year“. AB „Snaigė“ has for the sixth time nominated the award for its products. In the machinery, equipment and Electronics and electro mechanics industry category the commercial refrigerator-showcase CD480 was awarded a Gold medal. This refrigerator-showcase is designed for the storage and display of drinks in trade centres, stores, hotels and cafes. With this model designated as the „Product of the Year“ the Company launched the production of commercial refrigerators of an entirely new quality. The commercial display-cooler CD480 has been manufactured from the environmentally-friendly agent R600a (natural isobutene gas) that was until present used exclusively in household cooling appliances. The high award of the product represents a perfect proof that the Company is capable of flexibly responding to the changes in the market environment and catch up with a modern thinking enabling it to successfully compete in the market.

The principal purpose of the contest „Product of the Year“ is to promote the Lithuanian business sector, enhance the competitiveness of the Lithuanian products in the domestic and foreign markets and properly present them to consumers. "The last year's survey of companies clearly demonstrated and proved the popularity of the event among the business society. The growing competitiveness of the high quality Lithuanian products in the domestic market urge the producers to constantly improve the technologies employed, improve the quality and the image of production and seek greater interest in such production on the part of the consumers. Some products placed on the market and awarded are successfully marketed even today," – says Rimas Varkulevičius, the Vice-President of LCI. The „Product of the Year 2006“ evaluation commission also included, as guests, representatives of the diplomatic corps of embassies of foreign States in Lithuania.

Highlights of the Year

January 23, 2006

AB „Snaigė” acquired the 100 percent holding in the Russian enterprise "Liga Service", engaged in wholesale and retail trade in Russia.

February 3, 2006

A new Kaunas Technology University and AB „Snaigė” laboratory was opened and provides facilities for the cooling system tests and trials complying with the international standards. Each year AB „Snaigė” allocated for research and innovation activities in excess of LTL 60,000-80,000. Due to the assistance and contribution of research community the Company managed to significantly reduce the costs and energy consumption of the refrigerators it produces.

March 9, 2006

The Ministry of Social Security and Labour and the Support Foundation European Social Fund Agency have concluded with nearly 200 Lithuanian companies and organisations agreements concerning support to the development of professional competence of the labour force. This will largely improve the possibilities to enhance the employment level among population, but also the competitiveness of the Lithuanian business in the European Union. Support to the Professional development of employees was also granted to AB „Snaigė”. Until 2008, nearly LTL 2.3 mio. will be invested in the employee training undertakings, with the major share of the resources to be received from the EU structural funds.

April 28, 2006

The general meeting of shareholders of AB „Snaigė” elected a new Board and decided to abolish the Supervisory Board. Nerijus Dagilis, Chairman of the Board of the investment company "Hermis Capital", Domininkas Kašys, Member of the Board of "Hermis Capital", Mindaugas Šeštokas, General Manager of AB „Snaigė”, and Martynas Česnavičius, advisor of the investment fund "Amber Trust" were elected the new Members of the Board and Nerijus Dagilis appointed the Chairman of the Board.

May, 2006

AB „Snaigė” manufactured the ten millionth refrigerator. When creating this jubilee product the specialists of AB „Snaigė” sought to improvise and show that in the hands of genuine professionals a refrigerator from an ordinary household appliance may turn into a real piece of art. Eventually the world was presented a refrigerator with shelves of mother-of-pearl, painted in royal blue and decorated with gold threads. This anniversary product had a built-in state-of-the-art cooling technologies, optimal operating functions and the bacteria prevention system. The new product is easy to operate, and remarkably easy to maintain. The high quality of the production of AB „Snaigė” is ensured by virtue of materials and components supplied by world-known and reliable producers from the European Union.

June 2, 2006

In the survey conducted by the British business magazine "Euromoney" among the most progressive Lithuanian companies AB „Snaigė” was the only manufacturer in the Baltic States was rated third. The survey was conducted by interviewing the leading banks and research institutions in the Central and Eastern Europe. The question concerning the a possible selection of three companies in each country in terms of the market share held,

profitability, the growth potential, revenues and the efficiency of management, was responded by 61 companies and a market analyst.

September 12, 2006

The authorized capital of the Company was increased by LTL 756,960 through an issue of 756,960 registered ordinary shares of the Company. The acquisition value of an ordinary registered share of the new issue is LTL 13. The shares thus issued were acquired by two natural persons from Lithuania and Russia who in exchange transferred 15 percent of shares of "TechPromInvest" managing the Kaliningrad refrigerator plant.

September, 2006

AB „Snaigė” concluded an agreement with the major Ukrainian network "Foxtrot".

October 31, 2006

The Board of AB „Snaigė” decided to incorporate a subsidiary UAB "Almecha" to engage in the activities not attributed to the principal activity of the Company. The authorised capital of UAB "Almecha" is LTL 30,000. AB „Snaigė” is a sole shareholder of the newly incorporated company. In this connection the Company is closing SIGA, the equipment construction, manufacturing and installation unit and UAB "Almecha" on that basis will take over all the non-current movable assets and the employees necessary for launching the production process.

November 11, 2006

The public institution "Lithuanian Innovation Centre" and the Lithuanian Confederation of Industrialists organised a national contest "Innovation prize 2006". AB „Snaigė” was among prize winners in the innovative enterprise category.

December 12, 2006

In the contest "Product of the Year" on an annual basis hosted by the Lithuanian Confederation of Industrialists the display-cooler CD480 produced by AB „Snaigė” was awarded by a Gold medal.

Activity overview

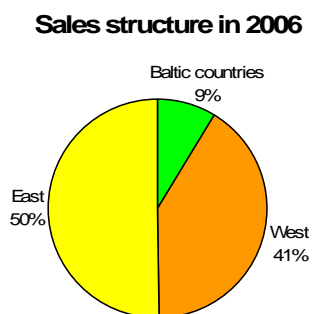
AB „Snaigė” is the only refrigerator manufacturer not only in Lithuania but also in the entire Baltic region. The Company offers to the market a range of high quality refrigerators, refrigerators-displays, refrigerators-mini-bars, and wine coolers for business offices, and hotels, also freezers and the spare parts. In 2004, opened another plant in Kaliningrad (Russia). The Company manages four subsidiary companies in different countries. Over 2,300 employees work in two plants of AB „Snaigė”. The design production capacity of the Company is 800,000 refrigerators per year. AB „Snaigė” has registered two proprietary trade marks in Lithuania and the international scale.

In 2006, AB „Snaigė” turnover and revenues from other activities accounted for LTL 356 mio. which as compared to the figures of the previous year represents a drop of 4 %.



The Company incurred a consolidated loss of LTL 10.1 mio. The negative overall consolidated result of the Company was to a large extent determined by difficulties in the Russian market that originated from the very outset of the operations of the plant – significant residual stock, repricing at the distributors’ level. Furthermore, in the view of a higher risk of non-recovery of trade debts accrued in the course of 2004-2005 the Company resolved to form a provision of LTL 9.8 mio. to cover the indebtedness concerned.

AB „Snaigė” exports 50 % of its output to the Eastern countries, and 41% of the total output are exported to the Western market. Nearly 10% of all products are marketed in the Baltic region (of which half is accounted for by refrigerators sold in Lithuania).



The Baltic region

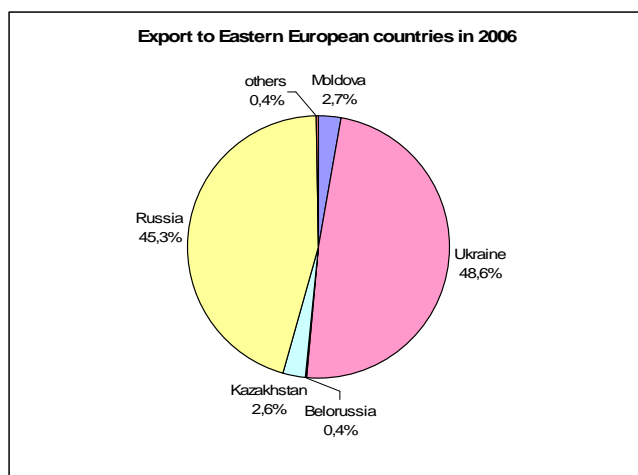
In 2006, the number of refrigerators sold by the Company was comparable to that in the previous year (according to the data of the market research company "GfK Marketing Services Baltic"). In 2006, Lithuania was the largest market for the production of AB „Snaigė” that was reported to hold nearly 20 % of the market. The most popular refrigerators were medium-sized, two-door refrigerators with the lower freezer compartment. In Lithuania products of AB „Snaigė” compete with the production of the Turkish "Beko", Korean "Samsung", Swedish "Electrolux", Italian "Ardo" and "Whirlpool". The trend of lowering in prices of the traditionally expensive brands (Electrolux, Samsung). Buyers of refrigerators manufactured by AB „Snaigė” have duly assessed the quality of the product mainly achieved due to the high quality of materials supplied by reliable suppliers, its long service life and attractive warranty period.

During last year in the Latvian market the sale volumes of „Snaigė” decreased, in the view of the overall significant reduction of the refrigerator market (by as much as 17 %). In this Baltic State our Company is an undeniable leader (the market share was reaching nearly 24 %). The Company faces vigorous competition from a number of well-known players in the refrigerator market, such as "Samsung", "Electrolux", "Beko", "Zanussi", "Whirlpool", "Ardo", "Daewoo", "LG" and others. Last year, in the context of the Company’s efforts to improve the performance of the Company in the market AB „Snaigė” launched in Latvia several marketing and sale promotion campaigns.

Similarly, the Estonian market has also decreased by more than 10 % percent. Lately, "Samsung" has been playing as a major competitor of AB „Snaigė” in this market. Due to the active marketing activity and the aggressive price reduction policy of the Korean competitor, the figures of sales of "Samsung" to certain extent exceeded the sales of AB „Snaigė” in the Estonian market, with the sale of other brands by far lagging behind the results of the two latter competitors.

Eastern Europe

As compared with the year 2005, the sales in 2006 in the Eastern Europe increased by 6 %.



Most of the output was marketed in Ukraine and Russia. In Ukraine the sale volumes increased by three percent. The outstandingly good trade results in Ukraine, one of the most important markets for AB „Snaigė”, were to large extent achieved due to the exclusively well organised advertising campaigns and promotions in major trade centres, loyalty of partners, prudent assessment of financial risk, mastering of the relevant legislation. In addition, useful

turned the cooperation agreements concluded with the regional network "Technoliuks" and the major Ukrainian network "Foxtrot" incorporating as many as 180 stores. Further, the Company renewed its contracts with "Eldorado" and "Domotechnika", measures were taken to improve the current distribution system.

In Ukraine, AB „Snaigė” has been recognised as one of the five most popular trade marks – this is, no doubt, a remarkable achievement of intense efforts and consistent work of the Company. Furthermore, due to an extremely active marketing and public relations campaign in media the awareness of AB „Snaigė” trademark has been increased in the course of one year by as much five percent. According to the surveys conducted by the Company the Ukrainian consumer has assessed the refrigerator produced by AB „Snaigė” as a highly reliable and good quality product.

In an attempt to increase the sale volumes the Company makes every effort to enter the rapidly developing retail trade markets. The major competitors of the Company in this country are the South Korean manufacturers "Samsung" and "LG".

The Russian market has been attracting a number of major refrigerator manufacturers that lately have been expanding their logistics warehouses, distribution networks and commissioning new production facilities. Despite a rather smooth entry into the Russian market competition therein for AB „Snaigė” with the major manufacturers proved quite challenging. Such major manufactures have much wider possibilities to employ ranges of marketing campaigns, price manoeuvres and offer wider products assortments. In addition, the trade marks of such major manufacturers as "Electrolux", "LG", "Beko", "Siemens", "Indesit" and other are by far better known to the consumer than that of „Snaigė”.

Nevertheless, due to the continuous efforts and creativity of the marketing campaign of the Company the sales increased already in the first six months of 2006, the distribution system was appropriately adjusted and supplemented by several active marketing and promotion campaigns. The reorganisation of the Company’s marketing structure and the significant improvements in its operational strategy have apparently yielded positive results. The Company allocated significant financial resources to the formation of the Company’s trade mark and the enhancement of its awareness. The several rather successful marketing campaigns facilitated a leap in the sales and, thus, the increase in the overall turnover.

Western Europe

In comparison with 2005, in 2006 the sales to the Western markets decreased by 2 %. Among the largest sale markets in this region were Germany, France, Poland and Bulgaria. In many of these countries the exports volumes increased by a notable extent.



The sales to one of the major export markets – France – increased by as much as 13 % where the Company has been marketing refrigerators of a wide range of models and makes. The Company forecasts that exports to this market will continue to steadily increase.

Volumes of exports to Portugal, Spain and Sweden have augmented to a notable extent. Last year measures were implemented to improve the distribution system in these countries, in addition to a number of new trading partners. The RF390 refrigerator model was introduced to the Swedish market – the tallest until now refrigerator marketed in the Scandinavian countries.

The successful cooperation and joint efforts with the distributors ensured a consistent growth in the sales in Belgium.

Sales in Czech, Hungary, and Bulgaria remained quite stable and in these countries the Company had to a degree exceeded its sales forecasts. Exports to Poland have increased by an unprecedented 62 %, – due to the Company's decision to enter the largest household appliance trading network AVANS.

It is worth separately noting the complicated conditions for trading in Serbia where sales had halved mainly due to the adverse import duty of 15 %, and in general, the unstable overall economic situation in the country.

Investment program and the development of new technologies

Over the preceding 6 years the overall investment of AB „Snaigė” into the modernisation of production processes reached nearly LTL 60 mio. The Company has introduced a number of new progressive technologies that enabled it to increase the production capacities, ensure compliance with the environmental requirements, improve the working conditions, reduce costs and ensure the lower labour consumption and energy savings. When launching new products the Company has been improving the existing and introducing a number of new technologies.

The year 2006 was also the year of a number of projects of utmost significance for the Company:

1. continuing the work launched in previous years the Company completed the design of new line refrigerators (total 6 models). The newly introduced refrigerator construction enabled the manufacturer to ensure compliance with the perspective energy efficiency requirements and design models meeting the trends of tomorrow's fashion;
2. new supplementary accessories designed: collapsible shelves, turndown shelves for bottles, plastic bottle holder and compartment for fifteen eggs.

AB „Snaigė” assimilated a number of new technologies that enabled the Company to expand the assortment of production, support the technological progress, improve the product quality and working conditions, and ensure compliance with the environmental requirements. During last year the Company was consistently improving the technologies employed thus making every effort to improve the quality of its produce and reduce production costs. Major projects launched and implemented in 2006:

- upgrading of the casting unit and the introduction of the new casting machinery. This enabled the reduction in the spare parts production costs, energy savings, more efficient utilisation of production space. Casting of coloured components does not require any additional preparations, in addition to the ensured rhythmical operation of the production cycle;
- streamlined nitrogen supply using the nitrogen generator. The production costs reduced due lower costs of the nitrogen;
- modification of the regeneration system for the helium testing of tightness of steamers and refrigerators. This allowed to significantly reduce the helium consumption rate;
- side panel production line designed for the production of side panels from regular and stainless steel. The value of the project – EUR 1.36 mio.;
- upgrading of the connector manufacture line. The connector manufacture line is used for the production of the lower front angles and rails from crude steel;
- Aluminium pipe cutting line. Cutting of the aluminium pipe precisely according to the desired measurements allows considerable savings in materials and labour costs and increases the productivity.

Personnel

At the end of 2006 in AB „Snaigė” 2318 employees were working: 624 of them were employed in Kaliningrad plant OOO „Techprominvest”, 16 – in OOO „Liga-servis” and 6 – OOO „Snaige – Ukraine”.

<i>Employees</i>	<i>2006</i>		<i>2005</i>		<i>2004</i>	
	<i>Average amount, persons</i>	<i>Structure</i>	<i>Average amount, persons</i>	<i>Structure</i>	<i>Average amount, persons</i>	<i>Structure</i>
<i>Managers</i>	11	0.5 %	11	0.5 %	11	0.5 %
<i>Specialists</i>	454	20.3 %	461	20.1 %	449	19.5 %
<i>Workers</i>	1766	79.2 %	1820	79.4 %	1844	80.0 %
<i>Total:</i>	2231	100.0 %	2292	100.0 %	2304	100.0 %

Last year AB „Snaigė” established its office in Vilnius creating a number of jobs for marketing, trade, finance, human resources and IT specialists.

In 2006, AB „Snaigė” was granted a significant EU support for the project of the development of general capacities of its employees. Until the year 2008, the Company plans to invest into the professional development of its employees nearly LTL 2.3 mio. The itinerary of the project in 2006-2008 includes a number of training sessions in project, personnel and general management, communication, economic basics of corporate management, sales and procurement organisation, creativity, negotiation skills, foreign languages and computer literacy. The overall program under the project will include over 115 training events and courses that will involve about 200 managers of all areas and levels, managers and most promising specialists. The professional qualification and knowledge of employees today is a fundamental advantage in competing in European and global markets that are so saturated in various goods and services. It is for this reason that AB „Snaigė” has been consistently devoting special attention to its employees.

Contact Information

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Kęstutis Urbonavičius

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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
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
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.
<p>Principle II: The corporate governance framework</p> <p>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.</p>		

<p>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.</p>	NO	<p>Upon the decision of the shareholders since May 2006 the Supervisory Board is not formed.</p>
<p>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.</p>	YES	<p>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.</p>
<p>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.</p>	NO	<p>Only the Board is formed in the Company (upon the shareholders’ decision of May 2006).</p>
<p>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</p>	YES	<p>These principles apply to the Board to the extent they do not contradict the essence and the purpose of the Board.</p>
<p>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</p>	YES	<p>There are five Members of the Board and in the opinion of the shareholders this is sufficient.</p>

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.

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

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.

<p>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.</p>	NO	The Rules of Procedure of the Company does not provide for this position.
<p>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.</p>	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.
<p>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.</p>	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.
<p>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.</p>	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.

<p>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 sufficient⁴ number of independent⁵ members.</p>	<p>NO</p>	<p>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.</p> <p>The Company has not taken any decision concerning the implementation of these provisions in the future.</p>
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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.

<p>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:</p> <ol style="list-style-type: none"> 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 	<p>NO</p>	<p>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.</p> <p>The Company has not taken any decision concerning the implementation of these provisions in the future.</p>
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consulting services), major client or organization receiving significant payments from the company or its group;

6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;

7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;

8) He/she has not been in the position of a member of the collegial body for over than 12 years;

9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.

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

	NO	The board has not defined the concept of independence.
<p>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.</p>	NO	No such practice exists.

<p>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.</p>	<p>NO</p>	<p>No such practice or requirements existed.</p>
<p>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.</p>	<p>NOT APPLICABLE</p>	
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>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 monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>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</p>	<p>YES</p>	<p>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.</p>

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.

<p>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).</p>	<p>YES</p>	<p>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.</p>
<p>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 half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p> <p>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.</p>

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.

<p>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.</p>	<p>NO</p>	<p>This provision is intended to be included into the new version of the Articles of Association that will be submitted to the general meeting of shareholders.</p>
<p>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 bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should 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.</p>	<p>YES</p>	<p>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.</p>

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.

<p>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.</p>	<p>NO</p>	<p>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.</p> <p>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.</p>
<p>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.</p>	<p>NO</p>	<p>These provisions are not followed as the committees have not been set up.</p>
<p>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.</p>	<p>NO</p>	<p>The committees have not been set up and the issue of the formation of the committees has not been discussed.</p>

<p>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.</p>	<p>NO</p>	<p>The Committees have not been set up.</p>
<p>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.</p>	<p>NO</p>	<p>The Committees have not been set up.</p>

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	NO	Not formed (explanation in item 4.7.).
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • 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); 	NO	Not formed (explanation in item 4.7.).

<ul style="list-style-type: none"> • 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. <p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • 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 	NO	Not formed (explanation in item 4.7.).

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.

<p>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.</p>	<p>NO</p>	<p>The Board does not perform the assessment of its activities and does not make any announcements in this relation.</p>
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Principle V: The working procedure of the company's collegial bodies

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

<p>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.</p>	<p>YES</p>	<p>In accordance with the Law on Companies the right of convening the meeting is conferred to each Member of the Board.</p> <p>The notice on the general meeting to be convened shall be sent by the initiator of the meeting in advance, in writing or orally (in accordance with the Rules of Procedure of the Board).</p>
<p>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 month¹¹.</p>	<p>YES</p>	<p>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.</p>

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.

<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>NO</p>	<p>Not relevant, as the Supervisory Board is not formed.</p>

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.

<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>YES</p>	<p>The Company provides its investors information about the rights conferred by the newly issued shares by making a public announcement to this effect.</p>
<p>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</p>	<p>NO</p>	<p>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.</p>

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.

discussed.		
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 ¹³ . 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.	NO	Currently the website of the Company is not suited for the publication of this kind of information, but in the second half of 2007 the website will be modified by introducing a new investor page that will be used to publish the full-scale investor information.
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.

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).

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

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

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	NO	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	NO	No such cases have occurred; however, the procedure for concluding such transactions in the Company is not governed in any way.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	NO	No such cases have occurred; however, the procedure for concluding such transactions in the Company is not governed in any way.
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.
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<p>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.</p>	NO	<p>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.</p>
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • 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	<p>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.</p>
<p>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.</p>	NO	<p>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.</p>
<p>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.</p>	NO	<p>Currently this information is not published, but in the future it may be decided to publish it.</p>
<p>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.</p>	NO	<p>This information is confidential and the Company does not publish it.</p>

<p>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.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • 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; • 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. <p>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:</p> <ul style="list-style-type: none"> • 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. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	<p>NO</p>	<p>This information is confidential and the Company does not publish it.</p>
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<p>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.</p>	NO	The Company does not practice the remuneration by director stocks or options.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • 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.
<p>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.</p>		
<p>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.</p>		

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.
	NO	No such practice is being enforced in the Company.
	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.

<p>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.</p>	<p>NO</p>	<p>So far not published in the website of the Company, but will be published starting from the second half-year period of 2007.</p>
<p>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.</p>	<p>NO</p>	<p>So far not published in the website of the Company, but will be published starting from the second half-year period of 2007.</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>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.</p>	<p>YES</p>	<p>The recommendation is being followed.</p>
<p>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.</p>	<p>YES</p>	<p>The audit company is proposed to the general meeting of shareholders by the Board of the Company.</p>
<p>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.</p>	<p>NOT APPLICABLE</p>	

AB SNAIGĒ

**Independent Auditor's Report,
consolidated annual report
and Consolidated Financial Statements
for the year ended 31 December 2006**

Management's statement on the accounts

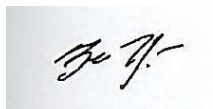
The Board of Directors and the Management have today discussed and authorized for issue the consolidated annual accounts and the annual report and have signed the consolidated annual accounts and report on behalf of the Company.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the consolidated annual accounts thus give a true and fair view.

We recommend the consolidated accounts to be approved at the Annual General Meeting.

Vilnius, 31 March 2007

Management:

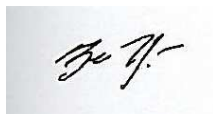


Mindaugas Šeštokas
Managing Director

Board of Directors:



Nerijus Dagilis
(Chairman)



Mindaugas Šeštokas



Domininkas Kašys



Martynas Česnavičius



Marius Binkevičius

INDEPENDENT AUDITOR'S REPORT

To the shareholder of AB Snaigė:

Report on the Financial Statements

1. We have audited the accompanying consolidated financial statements (page 47 to 78) of AB Snaigė and subsidiaries, which comprise the balance sheet as of 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.
2. The consolidated financial statements of AB Snaigė and subsidiaries for the year ended 31 December 2005, were audited by another auditor whose report dated 31 March 2006, expressed a qualified opinion due to (a) lack of observation of inventory in Pskov warehouse as of 31 December 2005 and (b) the matters described in the Basis of Qualified Opinion section below.

Management's Responsibility for the Financial Statements

3. 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 (EU). 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.

Auditor's Responsibility

4. Our responsibility is to express an opinion on these financial statements based on our audit. Except for the matters described in paragraph 6 and 7 in the Basis for Qualified Opinion section below, we conducted our audit in accordance with International Standards on Auditing. 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.
5. 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 entities' 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.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

7. We were not provided with sufficient evidence allowing us to assess a potential impairment, if any, of the recorded goodwill, with a carrying amount of LTL'000 12,313 as of 31 December 2006 (LTL'000 2,472 as of 31 December 2005) related to the subsidiary Techprominvest.
8. Until 1 January 2006 the Group capitalized newly installed spare parts and major overhauls under its property, plant and equipment without derecognizing the carrying amount of replaced parts and previous overhaul, as required by International Financial reporting Standards as adopted by EU. As of 31 December 2006 the carrying amount of such expenditure recognized in property plant and equipment amounts to LTL'000 11,089, of which LTL'000 7,687 is capitalized on buildings and LTL'000 3,402 is capitalized on equipment. We were not provided with sufficient evidence, which would allow us to identify the value of the replaced parts and prior overhaul that should be derecognized.
9. As of 31 December 2005 the Group had overdue receivables in the amount of LTL'000 18,410 from Russian customers. The Group made a provision of LTL'000 2,000 as of 31 December 2005 for the overdue receivables. In the opinion of the previous auditors, in which we agree, an additional provision estimated at LTL'000 9,400 should have been recognised in the financial statements for the year ended 31 December 2005. As of 31 December 2006 the Group has recognised additional provisions in the amount of LTL'000 9,631 for the mentioned receivables. If the Group would have recognised said provisions for the year ended 31 December 2005, net loss for the year ended 31 December 2006, net profit for the year ended 31 December 2005, equity as of 31 December 2005 and trade accounts receivables as of 31 December 2006 and 2005 would be decreased by LTL'000 9,631.

Qualified Opinion

10. In our opinion, except for the possible effects of the matters described in the paragraphs 7 and 8 above, and except for the effect of the matter described in paragraph 9 above, the consolidated financial statements present fairly, in all material respects, the financial position of AB Snaigė and subsidiaries as of 31 December 2006, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

11. Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2006 (included on pages 1 through 40) and have not noted any material inconsistencies between the historical financial information included in it and the financial statements for the year ended 31 December 2006.

Deloitte Lietuva UAB
General Director Juozas Kabašinskas




Certified auditor Lina Drakšienė
Auditor's Certificate No. 000062

Vilnius, Lithuania
31 March 2007

AB SNAIGĒ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

	Notes	2006	2005
Sales	5	351,826,739	368,878,299
Cost of Sales		<u>(301,511,532)</u>	<u>(300,042,722)</u>
GROSS PROFIT		50,315,207	68,835,577
Sales expenses	6	(27,623,665)	(26,448,374)
Administrative expenses	7	(32,947,424)	(22,704,058)
Other activity income	8	4,614,883	3,249,983
Other activity expenses	8	<u>(2,331,509)</u>	<u>(2,431,333)</u>
OPERATING (LOSS) PROFIT		(7,972,508)	20,501,795
Finance income	9	21,125,945	89,145,602
Finance expenses	9	<u>(23,281,310)</u>	<u>(90,439,631)</u>
(LOSS) PROFIT BEFORE TAX		(10,127,873)	19,207,766
Income tax expenses	10	<u>(457,394)</u>	<u>(4,167,800)</u>
NET (LOSS) PROFIT FOR THE YEAR		<u>(10,585,267)</u>	<u>15,039,966</u>
Attributable to:			
Equity holders of the Parent		(10,581,640)	13,722,364
Minority interest		<u>(3,627)</u>	<u>1,317,602</u>
NET (LOSS) PROFIT FOR THE YEAR		<u>(10,585,267)</u>	<u>15,039,966</u>
Basic and diluted earnings (loss) per share	18	<u>(0.46)</u>	<u>0.59</u>

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

AB SNAIGĒ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Notes	<u>2006</u>	<u>2005</u>
ASSETS			
Non-current assets:			
Property, plant and equipment	12	103,531,482	105,471,719
Intangible assets	13	17,356,669	7,369,338
Deferred income tax assets	0	<u>3,167,712</u>	<u>917,542</u>
Total non-current assets		124,055,863	113,758,599
Current assets:			
Inventories	14	55,871,283	60,760,584
Trade receivables		63,458,025	61,732,754
Corporate income tax receivable		2,921,943	1,389,691
Other current assets	15	6,014,877	3,457,062
Cash and cash equivalents	16	<u>4,805,080</u>	<u>5,185,782</u>
Total current assets		<u>133,071,208</u>	<u>132,525,873</u>
TOTAL ASSETS		<u>257,127,071</u>	<u>246,284,472</u>

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

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Notes	2006	2005
EQUITY AND LIABILITIES			
Capital and reserves:			
	17		
Share capital		23,070,405	23,070,405
Share premium		3,643,750	3,643,750
Legal reserve		2,337,913	2,337,913
Other distributable reserves		26,899,000	26,588,000
Currency translation reserve		(986,705)	(1,288,563)
Retained earnings		38,043,120	48,922,761
		<u>93,007,483</u>	<u>103,274,266</u>
Equity attributable to equity holders of the parent		93,007,483	103,274,266
Minority interest		7,368	23,994
		<u>93,014,851</u>	<u>103,298,260</u>
Total equity		93,014,851	103,298,260
Non-current liabilities:			
Warranty provision	19	3,081,965	1,624,780
Grants	20	3,849,340	5,108,932
Interest bearing loans and borrowings	21	39,233,456	46,293,607
		<u>46,164,761</u>	<u>53,027,319</u>
Total non-current liabilities		46,164,761	53,027,319
Current liabilities:			
Interest bearing loans and borrowings	21	29,420,029	24,188,308
Trade payables		67,346,955	45,983,031
Advances received		794,895	303,946
Warranty provision	19	1,250,954	2,497,815
Fair value of derivative financial instruments		-	4,120,268
Other creditors	22	19,134,626	12,865,525
		<u>117,947,459</u>	<u>89,958,893</u>
Total current liabilities		117,947,459	89,958,893
		<u>164,112,220</u>	<u>142,986,212</u>
Total liabilities		164,112,220	142,986,212
TOTAL EQUITY AND LIABILITIES		257,127,071	246,284,472

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

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Equity attributable to equity holders of the Company	Minority interest	Total equity
Capital and reserves as of 31 December 2004	23,070,405	3,643,750	2,337,913	26,588,000	(786,371)	35,291,013	90,144,710	-	90,144,710
Dividends	-	-	-	-	-	(1,384,224)	(1,384,224)	-	(1,384,224)
Total recognised income and expenses for 2005	-	-	-	-	(502,192)	13,722,364	13,220,172	1,317,602	14,537,774
Minority profit allocated to cover previous losses absorbed by parent	-	-	-	-	-	1,293,608	1,293,608	(1,293,608)	-
Capital and reserves as of 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
Transferred to reserves	-	-	-	311,000	-	(311,000)	-	-	-
Total recognised income and expenses for 2006	-	-	-	-	301,858	(10,581,640)	(10,279,782)	(3,627)	(10,283,409)
Minority profit allocated to cover previous losses absorbed by parent	-	-	-	-	-	12,999	12,999	(12,999)	-
Capital and reserves as of 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

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

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

	<u>2006</u>	<u>2005</u>
Net (loss) profit	(10,127,873)	19,207,766
Depreciation and amortization	20,144,648	19,299,508
Amortization of grants	(1,303,092)	(1,370,592)
Result on disposal of non-current assets	(2,098,920)	(78,916)
Write-off of non-current assets	12,557	-
Write down of inventories	-	39,659
Impairment of trade receivables	9,836,546	2,000,000
Reversal of impairment of trade receivables	-	(61,385)
(Gain) loss on revaluation of currency derivatives	(4,760,721)	4,120,268
Change in provisions for warranties	210,324	2,262,180
Foreign currency exchange loss (gain), net	473,474	(502,192)
Interest income	(33,767)	(43,985)
Interest expense	3,716,161	2,930,538
Net cash inflow from ordinary activities before change in working capital	16,069,337	47,802,849
Change in trade and other receivables	(5,803,068)	(5,106,178)
Change in inventories	4,889,301	(6,924,319)
Change in current trade payables and advances received	16,826,309	10,056,186
Net cash from ordinary activities	31,982,879	45,828,538
Interest received	33,767	43,985
Interest paid	(3,716,161)	(2,930,538)
Income tax paid	(5,588,264)	(6,824,882)
Net cash inflow from operating activities	22,711,221	36,117,103
Acquisition of property, plant and equipment	(21,249,495)	(18,204,389)
Capitalization of development costs and acquisition of software and licenses	(2,050,711)	(2,194,629)
Proceeds on disposal of property, plant and equipment	2,524,228	684,425
Net cash outflow from investing activities	(20,775,978)	(19,638,256)
Cash flows from financing activities		
Dividends paid	-	(1,384,224)
Subsidies received	43,500	111,000
Proceeds from borrowings	121,971,293	80,155,741
Repayments of borrowings	(123,799,723)	(95,202,452)
Payment of leasing obligations	(531,015)	(381,694)
Net cash flows from financing activities	(2,315,945)	(16,701,629)
Net increase (decrease) in cash and cash equivalents	(380,702)	(222,782)
Cash and cash equivalents at the beginning of the period	5,185,782	5,408,564
Cash and cash equivalents at the end of the period	4,805,080	5,185,782

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

AB SNAIGĖ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

EXPLANATORY NOTES

1 General Information

The joint stock company AB Snaigė (the Company), which is the parent company of the Snaigė Group, is a public listed company domiciled in Alytus, Lithuania. The Company's shares are traded on the Official List of the National Stock Exchange of Lithuania (NSEL).

The Group's main products are refrigerators and fridges. The main products are consumer and commercial refrigerators.

As at 31 December 2006, the Group employed 2,265 employees (2005: 2,292 employees).

As at 31 December 2006 and 2005 the major shareholders were as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Shares</u>	<u>Percentage</u>	<u>Shares</u>	<u>Percentage</u>
UAB Survesta	4,910,900	21.29%	5,257,100	22.78%
SSBT AS Custodian for Eternity Limited	783,000	3.39%	705,000	3.06%
NSEL 30 index fund	139,028	0.6%	276,395	1.20%
Raimundas Gražys	257,655	1.12%	257,655	1.12%
UAB Hermis Capital	72,088	0.31%	173,838	0.75%
Albinas Valašinas	100,000	0.43%	165,149	0.72%
Other shareholders	<u>16,807,734</u>	<u>72.86%</u>	<u>16,235,268</u>	<u>70.37%</u>
	<u>23,070,405</u>	<u>100.00%</u>	<u>23,070,405</u>	<u>100.00%</u>

As at 31 December 2005, the Company's Board includes two members from the management and three representatives of UAB Hermis Capital and UAB Survesta (subsidiary of UAB Hermis Capital).

The consolidated financial statements of the Company for the year ended 31 December 2006 and 2005 comprise the Company and its subsidiaries.

The subsidiary Techprominvest (Kaliningrad, Russia) was acquired by AB Snaigė in 2002. As of the acquisition the Company owns 85% of Techprominvest. During 2006 AB Snaigė acquired the remaining 15% of Techprominvest and as of 31 December 2006 it owns 100% of Techprominvest. The subsidiary is involved in production of refrigerators and fridges sold in Russia.

Snaige Ukraine (Kiev, Ukraine) was established in 2002. As of the acquisition in 2002 the Company owns 99% of Snaige-Ukraine. The subsidiary provides sales and marketing services to AB Snaige in the Ukrainian market.

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

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

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

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's accounting policies.

31 Standards, amendments and interpretations effective in 2006, but not relevant to the Group's accounting policies

The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies:

- IAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures (effective for annual periods beginning on or after 1 January 2006);
- IAS 39 (Amendment), The Fair Value Option (effective for annual periods beginning on or after 1 January 2006);
- IAS 21 (Amendment), Net Investments in a Foreign Operation (effective for annual periods beginning on or after 1 January 2006);
- IAS 39 (Amendment), Cash flow hedge accounting of forecast intragroup transactions (effective for annual periods beginning on or after 1 January 2006);
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective for annual periods beginning on or after 1 January 2006);
- IFRS 6, Exploration for and evaluation of mineral resources (effective for annual periods beginning on or after 1 January 2006);
- IFRIC 4, Determining Whether an Arrangement Contains a Lease (effective for annual periods beginning on or after 1 January 2006);
- IFRIC 5, Rights To Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for annual periods beginning on or after 1 January 2006); and
- IFRIC 6, Liabilities arising from participating in a specific market – waste electrical and Electronic Equipment (effective for annual periods beginning on or after 1 December 2005).

b) Standards, amendments and interpretations that are not effective in 2006 and have not been early adopted by the Group

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 (Amendment), Capital disclosures (effective for annual periods beginning on or after 1 January 2007);
- IFRS 7, Financial Instruments: Disclosure (supersedes IAS 30) (effective for annual periods beginning on or after 1 January 2007);
- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009) (not yet endorsed by the EU);
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006) (not yet endorsed by the EU);
- IFRIC 11, IFRS 2, Group Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007) (not yet endorsed by the EU); and
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008) (not yet endorsed by the EU).

The management of the Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statement of the Group.

3 Significant Accounting Principles

The main accounting principles adopted in preparing the Group's consolidated financial statements for the year ended 31 December 2006 are as follows:

3.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union (the "EU"). IFRSs as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements, except for certain hedge accounting requirements under IAS 39, which have not been adopted by the EU. The Group has determined that the unendorsed hedge accounting requirements under IAS 39 would not impact the Group's financial statements had they been endorsed by the EU at the balance sheet date. Therefore, as a matter of reference, the term "IFRS" is hereafter used and referring to both IFRS and IFRSs as adopted by the EU.

The financial statements have been prepared on the historical cost basis, except for revaluation of derivative financial instruments to fair value.

The financial year of the Company and other companies of the Group coincides with the calendar year.

3.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of AB Snaigė and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

3.3 Business Combinations

Acquisition of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

3.4 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 defined and is higher than LTL 500. Liquidation value is 1 LTL.

Property, plant and equipment depreciation is computed on a straight-line basis over the following average estimated useful lives:

Buildings	15 – 63 years
Machinery and equipment	5 – 10 years
Vehicles	6 – 7 years
Other fixed assets	3 – 8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

3.5 Intangible Assets

Goodwill

Business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is stated at cost less amortization and accumulated impairment losses. Starting from 1 January 2005 goodwill is not amortised but is tested annually for impairment.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities, including design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources and is planning to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the related product over the period of the expected benefit. The amortization period varies from 1 to 4 years period.

Other intangible assets

Intangible assets, comprising computer software and software licenses that are acquired by the Group are stated at cost less accumulated amortization and impairment. The assets are amortised using the straight-line method over a 1 – 3 years' period.

3.6 Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (All amounts in LTL unless otherwise stated)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

3.8 Inventories

Inventories are stated at the lower of cost or market value. The First-In, First-Out method is used as a basis for calculating the cost. The cost of work in progress and finished goods comprises of raw materials, direct labour cost, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 Financial assets

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction cost.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, cash in transit and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.11 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable, or a derivative or non-derivative contract that will or may be settled in the Group's own equity instruments.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.12 Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where, in the opinion of the management, that the carrying amounts of financial assets and financial liabilities recorded at amortised cost differs materially from their carrying value, such fair values are separately disclosed in the notes to the financial statements.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3.14 Foreign Currencies

Transactions denominated in foreign currency other than Litas (LTL) are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

The applicable rates used for the principal currencies as of 31 December were as follows:

	<u>2006</u>	<u>2005</u>
USD	2.6304	2.9102
EUR	3.4528	3.4528
RUR	0.0997	0.1013
UAH	0.5219	0.5771

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Litas at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Litas at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal of the investment.

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3.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of services

Sales of services are recognised on performance of the services.

3.16 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. In 2006 the standard income tax rate in Lithuania was 15%. On 1 January 2006 the Provisional Social Tax Law has come into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January 2006, companies has 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.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

3.17 Related parties

Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting entity, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of Property, Plant and Equipment

The Group makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered any impairment. If that is the case, the Group makes an impairment test in accordance with the accounting policy set out in Note 2. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As of 31 December 2006 and 2005 there were no indications that property, plant and equipment might be impaired.

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5 Segments

The Group's only business segment (basis for primary reporting format) is the manufacturing of refrigerators and specialised equipment. Segment information is presented in respect of the Group's geographical segments (secondary reporting format).

Results for the year ended 31 December 2006 by geographical segments can be specified as follows:

LTL'000	Western Europe	Eastern Europe	Baltic states	Ukraine	Russia	Lithuania	Unallo-cated	Total
Sales	77,277	48,072	14,366	81,908	95,083	23,927	11,194	351,827
Gross profit	10,922	4,603	2,072	14,566	11,724	4,021	2,407	50,315
Operating expenses	-	-	-	-	-	-	(58,288)	(58,288)
Profit (loss) from operating activities	10,922	4,603	2,072	14,566	11,724	4,021	(55,881)	(7,973)
Net finance expense	-	-	-	-	-	-	(2,155)	(2,155)
Loss before income tax	10,922	4,603	2,072	14,566	11,724	4,021	(58,036)	(10,128)
Income tax expenses	-	-	-	-	-	-	(457)	(457)
Net segments result	10,922	4,603	2,072	14,566	11,724	4,021	(58,493)	(10,585)
Segment's assets by client location	18,104	3,447	3,231	10,082	23,649	4,945	193,669	257,127
Total liabilities							164,112	164,112
Cash flow from operating activities							23,473	23,473
Cash flow from investments activities							(20,776)	(20,776)
Cash flow from financing activities							(2,316)	(2,316)
Net cash flow							(381)	(381)
Capital expenditure							20,399	20,399

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Results for the year ended 31 December 2005 by geographical segments can be specified as follows:

LTL'000	Western Europe	Eastern Europe	Baltic states	Ukraine	Russia	Lithuania	Unallo- cated	Total
Sales	82,164	45,657	17,703	85,067	103,592	26,213	8,482	368,878
Gross profit	11,021	5,442	2,640	18,900	24,775	4,248	1,810	68,836
Operating expenses	-	-	-	-	(2,000)	-	(46,334)	(48,334)
Profit (loss) from operating activities	11,021	5,442	2,640	18,900	22,775	4,248	(44,524)	20,502
Net finance expense	-	-	-	-	-	-	(1,294)	(1,294)
Profit before income tax	11,021	5,442	2,640	18,900	22,775	4,248	(45,818)	19,208
Income tax expenses	-	-	-	-	-	-	(4,168)	(4,168)
Net segments result	11,021	5,442	2,640	18,900	22,775	4,248	(49,986)	15,040
Segment's assets by client location	11,395	9,196	3,390	11,500	19,963	5,897	184,943	246,284
Total liabilities							142,986	142,986
Cash flow from operating activities							36,117	36,117
Cash flow from investments activities							(19,638)	(19,638)
Cash flow from financing activities							(16,702)	(16,702)
Net cash flow							(223)	(223)
Capital expenditure							12,737	12,737

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6 Sales Expenses

For the years ended 31 December selling expenses consisted of the following:

	<u>2006</u>	<u>2005</u>
Transportation	9,171,078	9,226,228
Rent of warehouses	3,946,329	1,954,690
Advertising	3,650,914	3,312,446
Warranty service costs	3,457,183	3,568,406
Salaries and social insurance	2,047,112	2,462,818
Commissions to third parties	1,833,298	2,832,647
Insurance	630,154	569,173
Business trips	353,234	368,572
Depreciation and amortization	139,163	157,009
Other	2,395,200	1,996,385
Total sales expenses	<u>27,623,665</u>	<u>26,448,374</u>

7 Administrative Expenses

For the years ended 31 December administrative expenses consisted of the following:

	<u>2006</u>	<u>2005</u>
Salaries and social insurance	10,029,621	8,221,274
Impairment of trade accounts receivable	9,836,546	2,000,000
Depreciation and amortization	2,758,694	3,777,945
Communication expenses	1,044,504	767,521
Business trips	848,986	753,753
Utilities	459,699	402,139
Property tax expense	391,853	1,637,489
Car exploitation expenses	383,259	384,876
Insurance	323,715	376,732
Bonuses, payments to the Board accrued	300,000	473,453
Charity, Christmas presents, ect.	249,219	486,753
Other	6,321,328	3,422,123
Total administrative expenses	<u>32,947,424</u>	<u>22,704,058</u>

Provisions for accounts receivable in year 2005 and 2006 are related to overdue receivables from clients in Russia.

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8 Other Operating Income and Expenses, Net

For the years ended 31 December net other activity income consisted of the following:

	<u>2006</u>	<u>2005</u>
Other operating income		
Income from transportation	1,316,589	1,716,439
Revenue of auxiliary departments	725,177	841,622
Gain on disposal of property, plant and equipment	2,098,920	78,916
Sales of materials and spare parts	60,316	472,031
Other	413,881	140,975
Total other operating income	4,614,883	3,249,983
Other operating expenses		
Transportation expenses	1,150,567	1,376,448
Expenses of auxiliary departments	509,806	652,743
Cost of sales of materials and spare parts	51,551	292,970
Other	619,585	109,172
Total other operating expenses	2,331,509	2,431,333
Other operating income and expenses, net	2,283,374	818,650

9 Finance Income and Expenses, Net

For the years ended 31 December finance income and expenses, net consisted of the following:

	<u>2006</u>	<u>2005</u>
Finance income		
Foreign exchange gain	15,122,856	89,068,126
Interest on loans granted	33,767	43,985
Gain on foreign currency derivatives	5,623,410	-
Other financial income	345,912	33,491
Total finance income	21,125,945	89,145,602
Finance expenses		
Foreign exchange loss	16,996,823	77,089,198
Realised loss on foreign currency derivatives	1,515,473	6,299,627
Unrealised loss on foreign currency derivatives	862,689	4,120,268
Interest on borrowings	3,716,161	2,930,538
Other financial expenses	190,164	-
Total finance expenses	23,281,310	90,439,631
Finance income and expenses, net	(2,155,365)	(1,294,029)

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10 Income Tax Expense

For the years ended 31 December income tax expense consisted of the following:

	<u>2006</u>	<u>2005</u>
Current income tax	2,613,295	5,162,246
Withholding tax paid in foreign countries	-	242,956
	<u>2,613,295</u>	<u>5,405,202</u>
Change in deferred tax	<u>(3,070,689)</u>	<u>(1,237,402)</u>
Total income tax expense	<u>(457,394)</u>	<u>4,167,800</u>

A reconciliation of income tax expense at the statutory rate to income tax expense at the Group's effective rate is as follows:

	<u>2006</u>		<u>2005</u>	
	<u>LTL'000</u>	<u>%</u>	<u>LTL'000</u>	<u>%</u>
Result before tax	<u>(10,128)</u>		<u>19,208</u>	
Income tax using effective tax rate	(1,924)	19.0%	2,881	15.0%
Non deductible expenses	1,190	(11.8%)	897	4.7%
Tax exempt revenues	(220)	2.2%	(598)	(3.1%)
Effect of increased interest rates for loans for tax purposes	659	(6.5%)	315	1.6%
Unrecognised deferred tax asset on currency derivatives	-	-	1,980	10.3%
Unrecognised deferred tax asset on losses carried forward	1,830	(18.1%)	495	2.6%
Unrecognised deferred tax asset on temporary deductible differences	109	(1.1%)	439	2.3%
Effect of previously unrecognised deferred tax asset on losses carried forward	-	-	(688)	(3.6%)
Effect of previously unrecognised deferred tax asset on temporary deductible differences	(755)	(7.5%)	(1,112)	(5.8%)
Effect of increased corporate income tax rate	25	(0.2%)	(427)	(2.2%)
Effect of tax rates in foreign jurisdictions	(457)	4.5%	(14)	(0.1%)
Total income tax	<u>(457)</u>	<u>(4.4%)</u>	<u>4,168</u>	<u>21.7%</u>

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11 Deferred Income Tax

As of 31 December Group deferred income tax consisted of the following:

LTL'000	2006	2005
Deferred income tax assets		
Difference on the tax base and the carrying amount of non current assets	15	779
Difference on the tax base and the carrying amount of trade debtors	2,311	480
Warranty provision	932	894
Difference on the tax base and the carrying amount of inventories	704	-
Other liabilities and accruals	68	138
Loss on currency derivatives	-	1,980
Tax loss carried forward	3,093	1,427
Total deferred income tax assets	7,123	5,698
Deferred income tax liabilities		
Difference on the tax base and the carrying amount of non current assets	(706)	(648)
Difference on the tax base and the carrying amount of inventories	-	(108)
Difference on the tax base and the carrying amount of trade debtors	-	(550)
Total deferred income tax liabilities	(706)	(1,306)
Less: Valuation allowance	(2,428)	(3,474)
Net deferred income tax asset (liability) position	3,989	918

Deferred income tax assets and liabilities were accounted for by using 15% tax rate, excluding deferred income tax assets and liabilities which will be recovered or settled in 2007. According to the Law on Provisional Social Tax of the Republic of Lithuania, the Group's companies will pay an additional social tax of 3% in 2007, calculated on taxable profit, therefore while assessing the deferred income tax assets and liabilities, the increase of deferred income tax assets and liabilities was evaluated for 2007. Deferred income tax assets and liabilities in foreign subsidiaries were accounted for by using income tax rates prevailing in the respective countries.

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12 Property, Plant and Equipment

As of 31 December property, plant and equipment was composed as follows:

	Land and buildings	Machinery and equipment	Vehicles and other assets	Construction in progress	Total
Cost					
1 January 2005	39,309,033	100,805,866	16,014,676	3,250,062	159,379,637
Additions	442,541	8,060,825	1,269,180	2,964,872	12,737,418
Disposals	(6,442)	(1,546,262)	(1,160,989)	(75,535)	(2,789,228)
Reclassifications	2,328,252	76,382	2,924,275	(5,593,646)	(264,737)
Translation difference	2,643,548	2,550,772	139,976	132,675	5,466,971
31 December 2005	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)	-	-
Translation difference	(102,824)	(119,119)	(1,964)	(1,081)	(224,988)
31 December 2006	45,530,655	117,393,084	19,430,677	6,416,586	188,771,002
Depreciation					
1 January 2005	1,648,447	43,505,276	8,393,248	-	53,546,971
Charge for the year	1,643,955	13,298,019	2,683,772	-	17,625,746
Disposals	(4,725)	(1,480,491)	(814,478)	-	(2,299,694)
Reclassifications	914	(610,577)	460,749	-	(148,914)
Translation difference	64,391	236,457	33,385	-	334,233
31 December 2005	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)	-	-
Translation difference	-	-	-	-	-
31 December 2006	5,229,469	68,207,715	11,802,336	-	85,239,520
Net book value as of 31 December 2006	40,301,186	49,185,369	7,628,341	6,416,586	103,531,482
Net book value as of 31 December 2005	41,363,950	54,998,899	8,430,442	678,428	105,471,719

Depreciation was allocated as follows:

	2006	2005
Production and production development costs	15,627,068	15,030,321
Administrative expenses	2,758,694	2,438,416
Sales expenses	139,163	157,009
Total depreciation	18,524,925	17,625,746

Leased plant and machinery

The Group (lessee) leases production equipment under finance lease agreements. The net carrying amount of leased assets amounts to LTL'000 901 as at 31 December 2006 (2005: LTL'000 1,227). The leased equipment secures lease obligations (refer note 21).

Non-current assets with a book value of LTL'000 77 as at 31 December 2006 (2005: LTL'000 349) are rented under operating lease contracts to third parties.

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Collateralised fixed assets

At 31 December 2006, buildings with a carrying amount of LTL'000 33,664 (2005: LTL'000 34,467) and machinery and equipment with a carrying amount of LTL'000 43,190 (2005: LTL'000 39,489) are pledged to secure bank loans (refer to note 21).

13 Intangible Assets

As of 31 December intangible assets were composed as follows:

	<u>Goodwill</u>	<u>Development costs</u>	<u>Software, licenses</u>	<u>Total</u>
Cost				
1 January 2005	2,798,747	6,363,738	1,940,098	11,102,583
Additions	-	1,836,377	242,429	2,078,806
Disposals	-	-	(26,683)	(26,683)
Reclassified from tangible fixed assets	-	239,135	25,603	264,738
Other reclassifications	(326,520)	-	-	(326,520)
31 December 2005	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	-	(223,471)	(286,101)	(509,572)
Other reclassifications	-	3,000	(3,000)	-
31 December 2006	12,312,707	9,874,025	2,287,811	24,474,543
Amortization				
1 January 2005	326,520	2,964,504	1,297,167	4,588,191
Additions	-	990,036	349,493	1,339,529
Disposals	-	-	(26,529)	(26,529)
Reclassified from tangible fixed assets	-	122,358	26,557	148,915
Other reclassifications	(326,520)	-	-	(326,520)
31 December 2005	-	4,076,898	1,646,688	5,723,586
Additions	-	1,279,161	351,463	1,630,624
Disposals	-	-	(236,336)	(236,336)
Other reclassifications	-	2,374	(2,374)	-
31 December 2006	-	5,358,433	1,759,441	7,117,874
Net book value as of				
31 December 2006	12,312,707	4,515,592	528,370	17,356,669
Net book value as of				
31 December 2005	2,472,227	4,362,352	534,759	7,369,338

Amortisation is included under operating expenses.

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14 Inventories

As of 31 December inventories were composed as follows:

	<u>2006</u>	<u>2005</u>
Raw materials and spare parts	34,555,600	38,353,945
Work in progress	1,449,015	732,916
Finished goods	19,652,890	21,659,996
Other	213,778	13,727
Total inventories	<u>55,871,283</u>	<u>60,760,584</u>

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

At 31 December 2006, inventories up to a carrying amount of LTL'000 29,300 (2005: LTL'000 19,300) are pledged to secure bank loans. (refer to Note 21).

15 Other Accounts Receivable

As of 31 December other accounts receivable were composed as follows:

	<u>2006</u>	<u>2005</u>
VAT receivable	3,745,675	2,130,141
Prepayments and deferred charges	1,236,485	817,423
Compensations receivable	86,241	235,064
Receivable for property, plant and equipment sold	80,000	-
Other receivable	854,206	274,434
Other current assets	12,270	-
Total other accounts receivable	<u>6,014,877</u>	<u>3,457,062</u>

Compensations are receivable from suppliers for bad quality goods supplied.

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16 Cash and Cash Equivalents

As of 31 December other cash and cash equivalents were composed as follows:

	<u>2006</u>	<u>2005</u>
Cash at bank	4,777,706	5,166,840
Cash on hand	<u>27,374</u>	<u>18,942</u>
Total cash and cash equivalents	<u>4,805,080</u>	<u>5,185,782</u>

At 31 December 2006, cash inflows into the bank accounts up to LTL'000 10,000 (2005: LTL'000 10,000) are pledged to secure bank loans (refer to Note 21).

17 Capital and Reserves

The share capital comprises 23,070,405 ordinary shares with a nominal value of 1 Litas each and the total share capital of 23,070,405 Litas, fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital.

On 11 September 2006 general shareholders' meeting took a decision to increase share capital by 756,960 shares at a par value of 1 Litas. Shareholders' meeting also decided to set a price for 1 share of 13 Litas, to revoke priority to purchase the shares for existing shareholders and grant a right to purchase the new emission to the existing minority shareholders of Techporminvest.

Legal reserve

The legal reserve in the amount of LTL'000 2,338 is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until the legal reserve and the share premium reach 10% of the authorised capital.

Other distributable reserves

According to a decision of the shareholders other reserves are allocated for specific purposes. Before profit allocation, all distributable reserves are transferred to retained earnings and re-distributed by the shareholders' decision each year. Other distributable reserves in the amount of LTL'000 26,899 were formed according to the shareholders decision, dated 27 April 2006, and comprise a reserve for own shares acquisition of LTL'000 10,000, a reserve for investments of LTL'000 16,338 and other reserves for charity and social needs of LTL'000 561.

18 Basic and Diluted Earnings (Loss) Per Share

Basic earnings per share are calculated by dividing the net profit attributable to the parent company's shareholders by the weighted average number of ordinary shares in issue during the year.

	<u>2006</u>	<u>2005</u>
Shares issued 1 January	23,070,405	23,070,405
Average weighted number of shares in issue	<u>23,070,405</u>	<u>23,070,405</u>
Net result for the year, attributable to the parent company	<u>(10,581,640)</u>	<u>13,722,364</u>
Earnings (loss) per share	<u>(0.46)</u>	<u>0.59</u>

The Company has no dilutive potential shares or convertibles. The diluted earnings per share are the same as the basic earnings per share.

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19 Warranty Provision

The Group provides a warranty of up to 10 years for the production sold. The provision for warranty repairs has been made based on the expected cost of repairs and statistical warranty repair rates and, accordingly divided to long term and short term provisions.

20 Grants

As of 31 December grants were composed as follows:

	<u>Grants</u>
Grants as of 1 January 2005	10,204,100
Additions during the year	<u>111,000</u>
Grants as of 31 December 2005	10,315,100
Additions during the year	<u>43,500</u>
Subsidies as of 31 December 2006	10,358,600
Amortisation as of 1 January 2005	3,835,576
Amortisation during the year	<u>1,370,592</u>
Amortisation as of 31 December 2005	5,206,168
Amortisation during the year	<u>1,303,092</u>
Amortisation as of 31 December 2006	6,509,260
Net book value as of 31 December 2006	<u>3,849,340</u>
Net book value as of 31 December 2005	<u>5,108,932</u>

Deferred grant income comprises grant received for renewal of production machinery and improvements of buildings in connection with the elimination of CFC 11 element from the production of poliethanic insulation and filling foam, a grant for elimination of green house gases in the manufacturing of domestic refrigerators and freezers and a grant for export development programme. Deferred grants are amortised over the same period as the machinery and improvements or recognized as income when compensated costs are incurred. Amortisation of grants is included in production cost against depreciation of machinery and improvements and in the profit and loss account against other compensated expenses.

21 Interest bearing borrowings

As of 31 December interest bearing borrowings were composed as follows:

	<u>2006</u>	<u>2005</u>
Non-current liabilities		
Loans	38,920,938	45,873,773
Finance lease obligations	<u>312,518</u>	<u>419,834</u>
Total non-current	39,233,456	46,293,607
Current liabilities		
Loans	29,085,948	23,805,621
Finance lease obligations	<u>334,081</u>	<u>382,687</u>
Total current	29,420,029	24,188,308
Grand total	<u>68,653,485</u>	<u>70,481,915</u>

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	<u>2006</u>	<u>2005</u>
Loans are due		
Less than 1 year	29,085,948	23,805,621
Between 1 and 2 years	23,367,124	45,873,773
Between 2 and 5 years	15,553,814	-
	<u>68,006,886</u>	<u>69,679,394</u>
Less: amounts due within one year	<u>29,085,948</u>	<u>23,805,621</u>
Amounts due after one year	<u>38,920,938</u>	<u>45,873,773</u>
Loans by currencies:		
EUR	38,868,183	60,111,956
LTL	22,383,948	5,616,410
USD	6,754,755	3,951,028
Total	<u>68,006,886</u>	<u>69,679,394</u>

The loans in the amount of LTL'000 1,498 are arranged at fixed interest rate of 3.9% and the rest of the loans are arranged at floating interest rates of 6 month LIBOR +1% margin, 6 month LIBOR + 1.1% margin, 6 month LIBOR + 1.2% margin, 1 and 6 month EURIBOR + 1.1% margin and 1 month EURIBOR + 1.15% margin.

The Group has 7 loans issued by Lithuanian banks, 1 loan issued by Ammotrade LLC and 2 loans issued by Texas Fertilizer Investment LLC.

At 31 December 2006, buildings with a carrying amount of LTL'000 33,664 (2005: LTL'000 34,467), machinery and equipment with a carrying amount of LTL'000 43,190 (2005: LTL'000 39,489), inventories up to the carrying amount of LTL'000 29,300 (2005: LTL'000 19,300), cash inflows into the bank accounts up to LTL'000 10,000 (2005: LTL'000 10,000) and Techprominvest shares of LTL'000 2,808 (2005: LTL'000 2,808) are pledged to secure bank loans. Other loans issued by Texas Fertilizer Investment LLC and Ammotrade LLC are unsecured.

On 30 March 2007, the Group agreed with a bank on increased credit line of EUR'000 2,492 (LTL'000 8,606) (the credit line was not used as of 31 December 2005) and prolonged the maturity until 31 May 2008.

For loans amounting to LTL'000 26,092 as of 31 December 2006 (as of 31 December 2005: LTL'000 22,783), the Company was in default of certain loan covenants, however, in management's opinion, the bank in question has demonstrated not to take, and will not take, any further action in this respect. Therefore, the loans are presented in these financial statements as if the Company has met the covenants.

Future minimum lease payments are as follows:

	<u>Total</u>	<u>Interest</u>	<u>Amount</u>
Less than 1 year	406,073	71,992	334,081
Between 1 and 2 years	330,673	23,654	307,019
Between 2 and 5 years	5,538	39	5,499
	<u>742,284</u>	<u>95,685</u>	<u>646,599</u>

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Finance lease liabilities bear variable interest rates set to 6 months EURIBOR plus 1.5% margin, 6 months LIBOREUR plus 1.2% margin, 6 month LIBOREUR plus 1.3% margin and 12 months LIBOR EUR plus 1.4% margin.

22 Other Creditors

As of 31 December other creditors were composed as follows:

	<u>2006</u>	<u>2005</u>
Salaries and related taxes payable	3,421,261	3,146,929
Vacation reserve	2,000,860	2,121,311
Bonuses and payments to the Board accrued	300,000	473,453
Other taxes payable	3,235,215	6,797,892
For the shares of Techprominvest	9,840,480	-
Other payables and accrued expenses	336,810	325,940
Total other creditors	<u>19,134,626</u>	<u>12,865,525</u>

23 Financial instruments

Exposure to credit, interest rate and currency exchange risk arises from operational, finance and investing activities of the Group.

Credit risk

Management has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Majority of the Group's trade receivable is insured.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

Interest rate risk

The Group's borrowings are subject to fixed and variable interest rates, related to LIBOR and EURIBOR.

As of 31 December 2006 and 2005, the Group did not use any financial instruments to hedge its exposure to the cash flow or price risk related to debt instruments with variable interest rates.

Foreign exchange risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than EUR (the Lithuanian Litas is pegged to euro at a fixed rate equal 3.4528 LTL / EUR). The currencies giving rise to this risk are US Dollars, Russian RUB and Ukrainian UAH.

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Accounts receivable and payable in foreign currencies as at 31 December 2006 and 2005 could be specified as follows:

LTL'000	31 December 2006				31 December 2005			
	EUR	USD	RUB	UAH	EUR	USD	RUB	UAH
Trade debtors	24,667	10,722	22,956	0.577	25,041	10,234	21,657	1,366
Other debtors	-	-	3,972	0.08	30	-	2,895	154
Cash	0.620	0.812	3,031	0.145	861	10	3,666	154
Borrowings	(38,868)	(6,754)	-	-	(60,914)	(3,951)	-	-
Trade creditors	(46,604)	(0.73)	(1,956)	(0.06)	(32,209)	(4)	(606)	(2)
Other creditors	-	-	(3,546)	(0.46)	(134)	(64)	(7,930)	(95)
Fair value of currency derivatives	-	-	-	-	-	(4,120)	-	-
Net position	(60,804)	3,968	28,003	0.742	(67,191)	2,105	19,682	1,577

24 Related Parties

Related parties of the Group are:

- the party that controls, is controlled by or is under common control with the Group;
- the party that has significant influence over the Group;
- the party that is a member of key management personnel of the Group or its parent;
- the close members of the family of the above mentioned individuals and
- the companies under control or significantly influenced by the above mentioned individuals.

Inter-company transactions and balances have been eliminated under consolidation.

Remuneration to the Board members amounted to LTL'000 3,799 in 2006 (2005 – 184).

Purchases from other related parties during 2006 and 2005 are as follows:

	Item	2006	2005
From:			
Company under common control with AB Snaige:			
UAB Hermis Fondų Valdymas	Rent fees	52,752	60,480
Companies owned by management members and/or their close relatives:			
UAB Lisiplastas	Materials	7,072,470	8,258,540
UAB Baltijos polistirenas	Materials	2,481,889	1,036,536
UAB Astmaris	Materials	6,847,895	-
UAB Aljana	Materials	-	19,789
UAB Lanksti Linija	Materials	-	68,517

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Income from other related parties during 2006 and 2005 are as follows:

	<u>Item</u>	<u>2006</u>	<u>2005</u>
From shareholders:			
UAB Hermis Capital	Interest	33,767	43,985
From companies owned by management members and/or their close relatives:			
UAB Lisiplastas	Spare parts	397,342	356,710
UAB Lanksti Linija	Repair services	-	126,505

Accounts receivable and payable from other related parties as at 31 December 2006 and 31 December 2005 are as follows:

	<u>Item</u>	<u>2006</u>	<u>2005</u>
Payable to:			
UAB Lanksti Linija	Trade receivable	1,368,513	59,327
Receivable from:			
UAB Lisiplastas	Trade payable	23,020	615,890
UAB Aljana	Trade payable	-	2,643
UAB Lanksti Linija	Trade payable	9,435	21,589

25 Subsequent Events

As of 18 January 2007 increase in share capital up to 23,827,365 ordinary shares was registered. Shares were paid in kind by contributing shares of Techprominvest with a fair value of LTL'000 9,840.

On 30 March 2007, the Group agreed with a bank on increased credit line of EUR'000 2,492 (LTL'000 8,606) (the credit line was not used as of 31 December 2005) and prolonged the maturity until 31 May 2008.

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