

AKCINĖ BENDROVĖ „SNAIGĖ“

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

SNAIGĖ

Confirmation of responsible persons

2020-04-24

Alytus

Pursuant to Article 22 of the Law on Securities of the Republic of Lithuania and the Bank of Lithuania's Information Disclosure Rules, we, Mindaugas Sologubas, General Director and Vytautas Adomaitis, Head of the Accounting and Finance Department of AB SNAIGĖ confirm that to our knowledge, the added AB SNAIGĖ's audited consolidated and company's financial statements of year 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union are fair and present fairly the assets, liabilities, financial position, profit or loss and cash flows of the company and group, and the consolidated annual report fairly presents an overview of the business development and operations, the state of the company and the group of companies together with a description of the main risks and uncertainties we face.

Managing Director of AB SNAIGE

Mindaugas Sologubas

Chief Accountant of AB SNAIGE

Vytautas Adomaitis

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AKCINĖ BENDROVĖ SNAIGĖ

Report on the Audit of the Consolidated Financial Statements of the Group and the company

Qualified Opinion

We have audited the accompanying separate financial statements of Akcinė bendrovė Snaigė (the Company) and the accompanying consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the separate and consolidated statement of financial position as at December 31, 2019, and the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for a possible effect of the 1st matter described in the paragraph "Basis for Qualified Opinion" and effect of the 2nd matter, separate and consolidated financial statements present fairly, in all material respects of the separate and consolidated financial position of the Company and the Group, respectively, as at December 31, 2019, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Qualified Opinion

- 1) As it was disclosed in Note 13 of the explanatory letter, Corporation "Matininkai" UAB in 2018 performed a valuation of buildings and structures, machinery and plant, transport vehicles and other equipment of the Company and of the Group by applying the revenue method. The fair value of fixed tangible assets determined in the valuation amounted to EUR 16,894 thousand, carrying amount of the Company's property, plant and equipment in 31 December 2019 amounted to EUR 14,829 thousand (2018 – EUR 16,394 thousand), the carrying amount of the Group's property, plant and equipment in 31 December 2019 amounted to EUR 15,016 thousand (2018 – EUR 16,618 thousand). In our opinion, calculation of the fair value of the Company and of the Group is based on assumptions due to which great uncertainty exists whether the Company and the Group will achieve the results associated with implementation of the premises foreseen in the valuation. The reduction in the fair value of the fixed tangible assets, if such would be necessary, would reduce the asset's carrying value as at 31 December 2019 and 2018 due to ungrounded assumptions.
- 2) In 2016, the Company and the Group reduced its revaluation reserve by EUR 3,168 thousand, by increasing the share capital and subsequently reduced the share capital for covering retained loss by EUR 3,168 thousand. The Company failed to comply with the requirements of IAS 16 "Property, Plant, and Equipment", indicating that the revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings only as the derecognition of the assets, because the accrued revaluation profit does not need to be held to cover the possible impairments of the same assets in the future. As long as the assets are not yet transferred the revaluation reserve is carried in the financial statements as an increase in the potential proceeds for the revalued assets in relation to the carrying amount of the same assets, but yet neither earned nor received by the Company. Furthermore, the Company or the Group did not apply IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" that requires significant errors to be corrected retrospectively. Had the Company properly applied IAS 8, the retained earnings (loss) figure in the previous financial statements of the Company and the Group would have decreased by EUR 3,168 thousand and the revaluation reserve would have increased respectively.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 2014 April 16 Regulation (EU) No. 182/2011 of the European Parliament and of the Council Regulation (EU) No 537/2014 on specific statutory audit requirements for public interest entities (Regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Grant Thornton Baltic UAB

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Emphasis of matter – significant uncertainty related to going concern

We would also like to draw your attention to the fact that the Company sustained net losses of EUR 966 thousand, the Group – EUR 1685 thousand during the year ended on 31 December 2019. Current obligations of the Company and of the Group exceeded its current assets. These circumstances, also other matters described in Note 2.2 of the explanatory letter show that there are significant uncertainties capable to raising huge doubts about possibilities of the Company and of the Group to continue their business. Our opinion regarding this matter is unconditional.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

During 2019, the Company and the Group's net sales were reported at, respectively, EUR 31,204 thousand and EUR 32,222 thousand.

The largest share of the sales revenues is generated from the sales of refrigerators and freezers. The Company recognises the goods sales revenues on the basis of the quantity of the goods dispatched and the agreed prices. The revenues are recognised only after the material risk and the ownership rights with respect to the goods are transferred to the buyer, following the agreed INCOTERM terms. The revenues are recognised net of the granted rebates. Although in respect of the recognition of income the decisions are passed to a limited extent only, due to the value and the number of transactions revenue recognition is an important audit area that requires significant time and resources and, therefore, it is considered a principal matter.

We carried out the audit by combining the control test procedures with the principal test procedures.

We evaluated the system of key control procedures related to the income recognition and tested their effectiveness. We dedicated special attention to the control procedures related to the reconciling of the invoices with the respective goods transportation documents and the agreed prices indicated in the orders for the goods and the relevant contracts. We did not establish any irregularities that could possibly affect our audit methodology.

We reviewed the accounting policy for the recognition of revenue related to all material income flows and assessed their compliance with the requirements of the International Accounting Financial Reporting Standards adopted by the European Union.

Having performed the key test procedures, we did not establish any material irregularities:

- we sampled the transactions concluded in the course of the year with the customers and received confirmation regarding the transactions from the third parties; in the cases, such confirmation was not received, we reconciled the transactions with respective contracts or orders for the goods, goods transportation documents, invoices, and payments subsequently received from the customers;
- our work also included the tests of the selected income accounting entries designed to assess the appropriateness of the correspondence of the Great Ledger accounts;
- we analysed the information on the income disclosed in the financial statements of the Company and the Group.

Other information

The other information comprises the information included in the Group's annual report 2019 year, including Corporates Governance statement, and Corporate Social Responsibility Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



In addition, our responsibility is to consider whether information included in the Group's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the Group's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The Group's annual report, including Corporate Governance statement, has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's consolidated financial reporting process.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other requirements for the auditor's report under Regulation (EU) No 182/2011 of the European Parliament and of the council 537/2014.

In accordance with the decision made by shareholders on 15 February 2018 we have been chosen to carry out the audit of the Company's and the Group's separate and the consolidated financial statements. Our appointment to carry out the audit of Company's and the Group's separate and the consolidated financial statements in accordance with the decision made by shareholders has been renewed annually and the period of total uninterrupted engagement is 2 years and the total uninterrupted term of appointment is 3 years.

We confirm that our opinion in the section 'Qualified Opinion' is consistent with the additional report which we have submitted to the Company and the Group and Audit Committee and the Central Bank of Lithuania.

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

The engagement partner on the audit resulting in this independent auditor's report is Darius Gliubicas.

Certified auditor
Darius Gliubicas
Auditor's certificate No. 000594
27 April, 2020
Vilnius, the Republic of Lithuania

Grant Thornton Baltic UAB
Audit firm certificate No. 001445

This is a free translation into English of the Statutory Auditor's report issued in Lithuanian language.

Consolidated and separate statement of comprehensive income

| | Notes | Group | | Company | |
|----------------------------------------------------------------|-------|----------------|--------------|----------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| Revenue from contracts with customers | 3 | 175 | 2 155 | | |
| Sales | 3 | 32 047 | 35 417 | 31 204 | 34 643 |
| Cost of sales | 4 | (29 191) | (33 980) | (28 184) | (31 881) |
| Gross profit | | 3 031 | 3 592 | 3 020 | 2 762 |
| Selling and distribution expenses | 5 | (2 293) | (2 453) | (2 213) | (2 386) |
| General and administrative expenses | 6 | (2 006) | (1 595) | (1 801) | (1 407) |
| Other income | 7 | 280 | 329 | 382 | 434 |
| Other expenses | 8 | (255) | (282) | (328) | (354) |
| Operating profit (loss) | | (1 243) | (409) | (940) | (951) |
| Finance income | 9 | - | 460 | 424 | 460 |
| Finance costs | 10 | (540) | (559) | (560) | (555) |
| Profit (loss) before income tax | | (1 783) | (508) | (1 076) | (1 046) |
| Income tax | 11 | 98 | 98 | 110 | 81 |
| Net profit (loss) | | (1 685) | (410) | (966) | (965) |
| Other comprehensive income | | | | | |
| Items that will never be reclassified to profit or loss | | | | | |
| Revaluation of property, plant and equipment | | | 1 231 | | 1 231 |
| Related tax | | | 1 448 | | 1 448 |
| | | | (217) | | (217) |
| Items that are or may be reclassified to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | | 4 | 1 | | |
| | | 4 | 1 | | |
| Total other comprehensive income, net of tax | | 4 | 1 232 | | 1 231 |
| Total comprehensive income, net of tax | | (1 681) | 822 | | 266 |

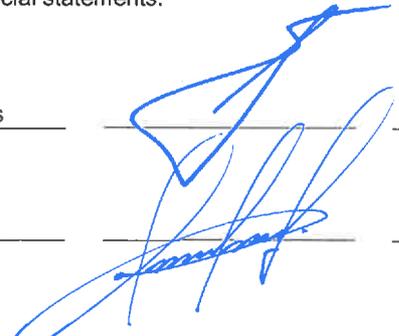
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The notes on pages 16–61 are an integral part of these financial statements.

Consolidated and separate statement of comprehensive income (continued)

| | Notes | Group | | Company | |
|-----------------------------------------------------------------|-------|---------|-------|---------|-------|
| | | 2019 | 2018 | 2019 | 2018 |
| Net profit (loss) attributable to: | | | | | |
| The shareholders of the Company | | (1 685) | (410) | (966) | (965) |
| Non-controlling interest | | (1 685) | (410) | (966) | (965) |
| Total comprehensive income, net of tax, attributable to: | | | | | |
| The shareholders of the Company | | (1 681) | 822 | | 266 |
| Non-controlling interest | | (1 681) | 822 | | 266 |
| Profit (loss) per share | | | | | |
| Basic and diluted profit (loss) per share | 28 | (0,04) | 0,02 | (0,03) | 0,01 |

The notes on pages 16–61 are an integral part of these financial statements.

| | | | |
|-------------------|---------------------|-------------------------------------------------------------------------------------|-------------------|
| Managing Director | Mindaugas Sologubas |  | 24 of April, 2020 |
| Chief Accountant | Vytautas Adomaitis | | 24 of April, 2020 |

Consolidated and separate statement of financial position

| | Notes | Group | | Company | |
|----------------------------------|--------|------------------------------|------------------------------|------------------------------|------------------------------|
| | | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Intangible assets | 12 | 1 577 | 1 604 | 1 577 | 1 601 |
| Property, plant and equipment | 13 | 15 016 | 16 618 | 14 829 | 16 394 |
| Assets managed under lease right | 25 | 183 | | 183 | |
| Investments into subsidiaries | 1 | | | 424 | 424 |
| Total non-current assets | | 16 776 | 18 222 | 17 013 | 18 419 |
| Current assets | | | | | |
| Inventories | 15 | 3 457 | 3 549 | 3 385 | 3 465 |
| Trade receivables | 16, 29 | 4 241 | 5 748 | 4 145 | 5 628 |
| Contracts assets | 16 | | 2 155 | | |
| Prepayments | | 317 | 115 | 316 | 111 |
| Other amounts receivable | 14, 17 | 596 | 505 | 545 | 458 |
| Cash and cash equivalents | 18 | 138 | 354 | 98 | 336 |
| Total current assets | | 8 749 | 12 426 | 8 489 | 9 998 |
| Total assets | | 25 525 | 30 648 | 25 502 | 28 417 |

(continued on the next page)

The notes on pages 16–61 are an integral part of these financial statements.

Consolidated and separate statement of financial position (continued)

| | Notes | Group | | Company | |
|------------------------------------------------------|-------|------------------------|------------------------|------------------------|------------------------|
| | | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 19 | 10 302 | 11 887 | 10 302 | 11 887 |
| Legal reserve | 20 | 991 | 971 | 946 | 946 |
| Revaluation reserve of property, plant and equipment | 20 | 5 729 | 6 502 | 5 729 | 6 502 |
| Foreign currency translation reserve | | (49) | (53) | | |
| Retained earnings (loss) | | (11 584) | (12 374) | (11 384) | (12 912) |
| Equity attributable to equity holders of the Company | | 5 389 | 6 933 | 5 593 | 6 423 |
| Non-controlling interest | | | | | |
| Total equity | | 5 389 | 6 933 | 5 593 | 6 423 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Grants | 21 | 524 | 618 | 524 | 618 |
| Provisions | | 169 | 146 | 114 | 136 |
| Deferred income tax liability | 11 | 1 658 | 1 893 | 1 676 | 1 922 |
| Non-current borrowings | 23 | 24 | 367 | | 313 |
| Non-current employee benefits | 24 | 266 | 316 | 252 | 293 |
| Total non-current liabilities | | 2 641 | 3 340 | 2 566 | 3 282 |
| Current liabilities | | | | | |
| Current portion of non-current borrowings | 23 | 9 796 | 9 772 | 9 765 | 9 743 |
| Trade payables | | 6 129 | 7 508 | 6 154 | 7 519 |
| Current rent liabilities | 25 | 115 | | 115 | |
| Prepayments received | | 78 | 75 | 72 | 59 |
| Provisions | | 507 | 460 | 435 | 428 |
| Contracts liabilities | 16 | | 1 514 | | |
| Employees related liabilities | 26 | 678 | 871 | 613 | 790 |
| Other current liabilities | 27 | 192 | 175 | 189 | 173 |
| Total current liabilities | | 17 495 | 20 375 | 17 343 | 18 712 |
| Total liabilities | | 20 136 | 23 715 | 19 909 | 21 994 |
| Total equity and liabilities | | 25 525 | 30 648 | 25 502 | 28 417 |

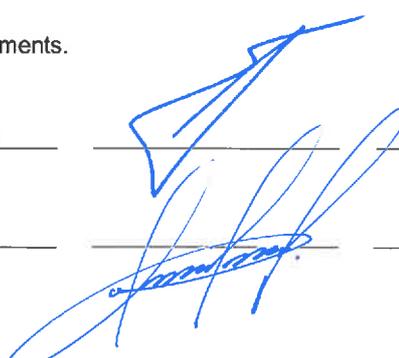
The notes on pages 16–61 are an integral part of these financial statements.

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|-------------------|---------------------|--------------------------------------------------------------------------------------|-------------------|
| Managing Director | Mindaugas Sologubas |  | 24 of April, 2020 |
| Chief Accountant | Vytautas Adomaitis | | 24 of April, 2020 |

Consolidated statement of changes in equity

| Notes | Attributable to equity holders of the Company | | | | | | | | |
|-------------------------------------------------------|-----------------------------------------------|---------------|----------------|---------------------|--------------------------------------|--------------------------|----------------|--------------------------|----------------|
| | Share capital | Legal reserve | Other reserves | Revaluation reserve | Foreign currency translation reserve | Retained earnings (loss) | Total | Non-controlling interest | Total equity |
| Balance as at 1 January 2018 | 11 887 | 971 | 30 | 5 900 | (54) | (12 623) | 6 111 | | 6 111 |
| Profit (loss), not recognized in comprehensive income | | | | (629) | | 629 | | | |
| Other changes | | | (30) | | | 30 | | | |
| Net profit (loss) for the year | | | | | | (410) | (410) | | (410) |
| Other comprehensive income | | | | 1,231 | 1 | | 1,232 | | 1,232 |
| Total comprehensive income | | | (30) | 602 | 1 | 249 | 822 | | 822 |
| Balance as at 31 December 2018 | 11 887 | 971 | | 6 502 | (53) | (12 374) | 6 933 | | 6 933 |
| Profit (loss), not recognized in comprehensive income | | | | (773) | | 910 | 137 | | 137 |
| Dividends | | | | | | (20) | | | |
| Other changes | | 20 | | | | (1 685) | (1 685) | | (1 685) |
| Net profit (loss) for the year | | | | | | (1 685) | (1 685) | | (1 685) |
| Other comprehensive income | | | | | 4 | | 4 | | 4 |
| Total comprehensive income | | 20 | | (773) | 4 | (795) | (1 544) | | (1 544) |
| Share capital increase | | | | | | | | | |
| Share capital decrease | (1 585) | | | | | 1 585 | | | |
| Balance as at 31 December 2019 | 10 302 | 991 | | 5 729 | (49) | (11 584) | 5 389 | | 5 389 |

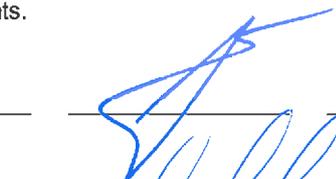
The notes on pages 16–61 are an integral part of these financial statements.

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|-------------------|---------------------|--------------------------------------------------------------------------------------|-------------------|
| Managing Director | Mindaugas Sologubas |  | 24 of April, 2020 |
| Chief Accountant | Vytautas Adomaitis | | 24 of April, 2020 |

Separate statement of changes in equity

| Notes | Share capital | Other reserves | Legal reserve | Revaluation reserve | Retained earnings (loss) | Total |
|-------------------------------------------------------|---------------|----------------|---------------|---------------------|--------------------------|--------------|
| Balance as at 1 January 2018 | 11 887 | 30 | 946 | 5 900 | (12 606) | 6 157 |
| Profit (loss), not recognized in comprehensive income | | | | (629) | 629 | |
| Other changes | | (30) | | | 30 | |
| Net profit (loss) for the year | | | | | (965) | (965) |
| Other comprehensive income (expenses) | | | | 1,231 | | 1,231 |
| Total comprehensive income | | (30) | | 602 | (306) | 266 |
| Balance as at 31 December 2018 | 11 887 | | 946 | 6 502 | (12 912) | 6 423 |
| Profit (loss), not recognized in comprehensive income | | | | (773) | 909 | 136 |
| Net profit (loss) for the year | | | | | (966) | (966) |
| Other comprehensive income | | | | | | |
| Total comprehensive income | | | | (773) | (57) | (830) |
| Share capital decrease | (1 585) | | | | 1 585 | |
| Balance as at 31 December 2019 | 10 302 | | 946 | 5 729 | (11 384) | 5 593 |

The notes on pages 16–61 are an integral part of these financial statements.

| | | | |
|----------------------------|------------------------------|--------------------------------------------------------------------------------------|----------------------------|
| _____ Managing Director | _____ Mindaugas Sologubas |  | _____ 24 of April, 2020 |
| _____ Chief Accountant | _____ Vytautas Adomaitis |  | _____ 24 of April, 2020 |

Consolidated and separate statement of cash flows

| Notes | Group | | Company | |
|------------------------------------------------------------|------------|------------|------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flows from (to) operating activities | | | | |
| Net result for the year | (1 685) | (410) | (966) | (965) |
| Adjustments for non-cash items: | | | | |
| Depreciation and amortisation | 2 231 | 2 128 | 2 183 | 2 077 |
| (Amortisation) of grants | (131) | (127) | (131) | (127) |
| Result from disposal of non-current assets | | | | |
| Income tax expense (income) | (98) | (98) | (110) | (111) |
| Write-off of non-current assets | 28 | 1 | 27 | 1 |
| Write-down of inventories | | | | 2 |
| Impairment allowance for trade receivables and inventories | (167) | (630) | (140) | (671) |
| Change in provisions | 70 | (12) | (15) | (33) |
| Interest (income) | - | (451) | - | (451) |
| Dividends income | | | (400) | |
| Interest expenses | 537 | 559 | 537 | 545 |
| Elimination of other non-cash items | (102) | (8) | (102) | |
| | 683 | 952 | 883 | 267 |
| Changes in working capital: | | | | |
| (Increase) decrease in inventories | 64 | 931 | 70 | 937 |
| (Increase) decrease in trade and other receivables | 3 235 | (559) | 948 | 57 |
| Increase (decrease) in trade and other payables | (3 396) | (776) | (1 826) | (822) |
| Advance income tax returned (paid) | (47) | (103) | | (81) |
| Net cash flows from operating activities | 539 | 445 | 75 | 358 |
| Cash flows from (to) investing activities | | | | |
| (Acquisition) of property, plant and equipment | (71) | (182) | (70) | (177) |
| (Acquisition) of intangible assets | (236) | (341) | (236) | (256) |
| Proceeds from disposal of non-current assets | | | | |
| Interest received | 84 | 196 | 84 | 196 |
| Dividends income | | | 400 | |
| Loans returned | 288 | 674 | 288 | 674 |
| Net cash flows from investing activities | 65 | 347 | 466 | 437 |

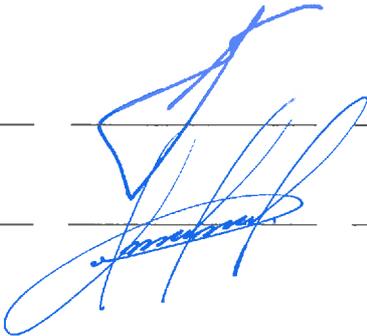
(continued on the next page)

The notes on pages 16–61 are an integral part of these financial statements.

Consolidated and separate statement of cash flows (continued)

| Notes | Group | | Company | |
|---------------------------------------------------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flows from (to) financing activities | | | | |
| Proceeds from non-current borrowings | 174 | | 174 | |
| Interest (paid) | (537) | (553) | (525) | (549) |
| (Repayment) of borrowings | (494) | (509) | (465) | (481) |
| Grants received | 37 | 116 | 37 | 116 |
| Net cash flows from (to) financing activities | (820) | (946) | (779) | (914) |
| Net increase (decrease) in cash and cash equivalents | | | | |
| Effect of currency exchange rate on the balance of cash | (216) | (154) | (238) | (119) |
| Cash and cash equivalents at the beginning of the year | 354 | 508 | 336 | 455 |
| Cash and cash equivalents at the end of the year | 138 | 354 | 98 | 336 |
| 18 | | | | |

The notes on pages 16–61 are an integral part of these financial statements.

| | | | |
|----------------------------|------------------------------|-----------------------------------------------------------------------------------------------|----------------------------|
| _____ Managing Director | _____ Mindaugas Sologubas | _____  | _____ 24 of April, 2020 |
| _____ Chief Accountant | _____ Vytautas Adomaitis | _____  | _____ 24 of April, 2020 |

Notes to the financial statements

1 General information

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

Pramonės Str. 6,
Alytus,
Lithuania.

The Company is engaged in production of refrigerators and refrigerating equipment. The Company was registered on 1 April 1963. The Company’s shares are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius stock exchange. As at 31 December 2019 and 2018 the shareholders of the Company were:

| | 2019 | | 2018 | |
|---------------------------|-------------------------------------------|-----------------|-------------------------------------------|-----------------|
| | Number of shares held (in thousand units) | Ownership share | Number of shares held (in thousand units) | Ownership share |
| SEKENORA HOLDINGS LIMITED | 36,096 | 91,10 | 36,096 | 91,10 % |
| Other shareholders | 3,526 | 8,90 % | 3,526 | 8,90 % |
| Total | 39,622 | 100 % | 39,622 | 100 % |

All the shares of the Company are ordinary shares with the par value of EUR 0.26 (EUR 0.30 in 2018) each and were fully paid as at 31 December 2019 and 2018 (Note 19). As at 31 December 2019 and 2018 the Company did not hold its own shares.

As at 31 December 2019, the Group had 547 employees, and Company had 494 employees (as at 31 December 2018, 653 and 595 correspondingly).

As at 31 December 2019, the Board of the Company consisted of 5 members (in 2018 it consisted of 5 members). The board does not have AB Snaigė representatives. Members of the Board are disclosed in Group’s annual report.

The Group consisted of AB Snaigė and the following subsidiaries as at 31 December 2019 (hereinafter “the Group”):

| Company | Country | Cost of investment (EUR thousand) | Percentage of the shares held by the Group | Profit (loss) for the reporting year (EUR thousand) | Shareholders’ equity (EUR thousand) |
|--------------------|-----------|-----------------------------------|--------------------------------------------|-----------------------------------------------------|-------------------------------------|
| TOB Snaige Ukraina | Ukraine | 26 | 99 % | 1 | 12 |
| UAB Almecha | Lithuania | 398 | 100 % | (320) | 221 |
| Total | | 424 | | | |

The Group consisted of AB Snaigė and the following subsidiaries as at 31 December 2018 (hereinafter “the Group”):

| Company | Country | Cost of investment (EUR thousand) | Percentage of the shares held by the Group | Profit (loss) for the reporting year (EUR thousand) | Shareholders’ equity (EUR thousand) |
|--------------------|-----------|-----------------------------------|--------------------------------------------|-----------------------------------------------------|-------------------------------------|
| TOB Snaige Ukraina | Ukraine | 26 | 99 % | (3) | 21 |
| UAB Almecha | Lithuania | 398 | 100 % | 548 | 941 |
| Total | | 424 | | | |

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

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

1 General information (continued)

The Group's and the Company's management approved these financial statements on 24th of April 2020. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for 2019 are as follows:

2.1. Basis of preparation of financial statements

The financial statements of the Company and the are prepared in accordance with International Financial Reporting Standards (IFRS) that have been adopted for use in the European Union.

These financial statements are prepared under the historical cost convention, except for property, plant and equipment, which are carried at revalued amounts.

Impact of new accounting standards, amendments to existing standards and new interpretations on the financial statements

Application of new and/or amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

IFRS 16: Leases

IFRS 16 changes IAS 17, IFRIC 4 „Determining whether an arrangement contains a lease“, SIC-15 „Operating Leases - Incentives“ and SIC-27 „Evaluating the Substance of Transactions Involving the Legal Form of a Lease“. The standard establishes principles for the recognition, measurement and disclosure of leases and requires the lessee to recognize most leases in the balance sheet. The accounting requirements of IFRS 16 for a lessor do not differ materially from those of IAS 17. The lessor further classifies leases into finance and operating leases on the basis of principles similar to those in IAS 17. Therefore, IFRS 16 will not affect the accounting for leases when the Company and the Group are the lessor.

From the date of transition to IFRS 16, which is in 1st of January 2019 the Company and the Group adopted the standard using a modified retrospective method. Under this method, the standard is applied retrospectively when the cumulative effect of the initial application of the standard is recognized in retained earnings at the date of initial application and the comparative information is not restated.

The Company and the Group have decided to apply a transitional practical measure, according to which in 1st of January 2019 it did not reassess whether the contract is a lease or includes a lease. Instead, the Company/Group applied the standard only to contracts that were previously recognized as leases and to which IAS 17 and IFRIC 4 applied at the date of initial application.

The application of IFRS 16 has had a material impact on the Company's and the Group's financial statements. Because the effects are significant, the disclosures below are used.

Prior to the date of application of IFRS 16, each lease was recognized by the Company / Group (as a lessee) as a finance or operating lease at the effective date. See Note 2.13 “Leases” regarding the accounting policy applied until 1st of the January 2019.

Following the adoption of IFRS 16, the Company / Group applies a single recognition and measurement method to all leases, except for short-term and low-value leases. See Note 2.13 “Leases” regarding the accounting policy applied until 1st of the January 2019. The standard sets out the special transitional requirements and practical arrangements used by the Company / Group.

Leases previously classified as finance leases

At the date of application of the standard, the Company / Group did not adjust the initial carrying amounts of assets and liabilities that were recognized under leases that were previously classified as finance leases (leased assets and lease liabilities that correspond to lease assets and liabilities recognized in accordance with IAS 17). The requirements of IFRS 16 apply to these leases from 1 of the January 2019.

Leases previously classified as operating leases

The Company / Group has recognized assets and liabilities under operating leases that were previously classified as operating leases, except for short-term leases and leases with low leased assets.

Lease obligations have been measured at the present value of the remaining lease payments, discounted at the inception of the borrowing rate of the Company / Group, that means 1st of the January 2019 assets held under a right of use are

measured at the amount of the lease liability, adjusted by the amount of all lease payments made or accrued in respect of that lease recognized in the statement of financial position. The Company / Group has applied this method to all leases. The Company and the Group have also applied possible practical measures:

- applied a single discount rate to leases with similar characteristics;
- used prior period information to determine the lease term if the contract provides for an option to extend or terminate the lease.

IFRS 9 Prepayment Features with Negative Compensation (Amendments)

Under this amendment, a financial asset with a prepayment feature is permitted when the party to the agreement is permitted or required to pay or obtain reasonable compensation for the early termination of the contract (thus, from the holder's point of view, there may be "negative compensation") measured at amortized cost or fair value, with the change in fair value recognized in other comprehensive income. Management has assessed and determined that the application of the standard did not have a material impact on the Company's and the Group's financial statements.

IFRS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The Company and the Group have no long-term interests in associates and joint ventures.

IFRIC 23 Interpretation: Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The application of this interpretation did not have any impact on the Group/Company.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

The IASB issued 2015-2017 cycle annual improvements to IFRS, which include a set of amendments to IFRS. The application of these improvements did not have a significant impact on the Group/Company.

➤ **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

➤ **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

➤ **IAS 23 Borrowing Costs**

The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Standards that are not yet effective

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1st of the January 2023, although earlier application is permitted, provided that IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are also applied. IFRS 17 sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts. It also requires that similar principles apply to existing reinsurance contracts and investment contracts with self-participation elements. The aim is for traders to present relevant information so that those transactions are presented correctly. Based on such information, users of financial statements can evaluate the effect of such transactions on the entity's financial

position, financial performance and cash flows when IFRS 17 applies. The EU has not yet adopted this standard. This standard does not apply to the Company and the Group.

The Group and the Company plan to adopt the interpretations and amendments to the standards described above on the effective date, if they are adopted by the European Union.

IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures: Sales or Contributions of Assets between an Investor and Its Associate/Joint Venture (amendment)

The amendments address recognized non-compliance between IFRS 10 and IAS 28 with respect to the sale of assets or contributions between an investor and its associate or joint venture. The main consequence of the amendments is that all revenue or loss is recognized when the transaction involves the transfer of a business (whether or not it is developed in a subsidiary). Part of the income or loss is recognized when the transaction includes an asset that does not meet the definition of a business, even if that asset belongs to a subsidiary. In December 2015, the IASB postponed the effective date for an indefinite period, depending on the results of the equity accounting method research project. The EU has not yet adopted these amendments. The Company and the Group have no long-term interests in associates and joint ventures.

Application of the Conceptual Framework to International Financial Reporting Standards (IFRS)

On 29 March 2018, the International Accounting Standards Board (IASB) conducted a review of the conceptual financial reporting framework. The conceptual framework provides a comprehensive set of concepts applicable to the preparation of financial statements and standards, and provides guidance for the preparation of accounting policies by developers, and helps others understand and interpret standards. The IASB has also issued a separate accompanying document, "Amendments to the IFRS Conceptual Framework," which introduces amendments to related standards to update references to the revised conceptual framework. Its purpose is to facilitate the transition to a revised conceptual framework for companies that develop accounting policies through a conceptual framework where a particular transaction is not covered by any IFRS. If developers develop accounting policies based on the Conceptual Framework, they should comply with it by 1 January 2020 or for subsequent financial periods.

IFRS 3: Business Combinations (amendments)

The IASB has made amendments to the definition of 'Business' (amendments to IFRS 3) to address the difficulties that arise when an entity has to determine whether a business was acquired or a group of assets. The amendments are effective for business combinations acquired in the first annual reporting period beginning in 1 January 2020 and assets acquired at or after the beginning of that period. It is possible to apply the standard earlier. These amendments have not yet been adopted by the EU. Management has not yet assessed the impact of applying these amendments. As the amendments are effective for transactions or other events occurring on or after the date of first application, the amendments will not affect the Group and the Company at the effective date of the standard.

IAS 1: Presentation of Financial Statements and IAS 8: Accounting Policies, Changes and Errors in Accounting Estimates: Definition of "Materiality" (amendments)

Amendments applicable to annual periods beginning on or after 1 January 2020, although previous application is permitted. The amendments clarify the definition of materiality and how it should be applied. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." In addition, clarifications to the definition have been improved. The amendments also ensure that the definition of materiality is the same in all IFRS standards. The management has not yet evaluated the impact of the application of these amendments.

Interest Rate Benchmark Reform – IFRS 9, IAS 39 and IFRS 7 (amendments)

The amendments come into effect in 1 January 2020 or subsequent financial years and shall be applied retrospectively. Allowed to apply earlier. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, as those amendments are intended to provide a general relief prior to the 'Step 1' change in the interbank interest rate (IBOR). „2 Step“ will focus on issues that may affect the financial statements when the current interest rate benchmark is converted to a near-risk-free interest rate (RFR). These published amendments address issues that affect the financial statements in the period before the replacement of an existing interest rate benchmark by an alternative interest rate and analyze the impact that specific hedge accounting requirements may be set out in IFRS 9 Financial Instruments and IAS 39 Financial Instruments. According to the amendments, temporary relief applicable to all hedging transactions is allowed on directly affected by the reform of the interest rate benchmark where, under such a reform, hedge accounting continues over a period of uncertainty until the existing interest rate benchmark is converted to an alternative near-risk-free interest rate. Amendments have also been made to IFRS 7 Financial Instruments: Disclosure on the disclosure of additional information on the uncertainty arising from the reform of the interest rate benchmark. The management has not yet evaluated the impact of the application of these amendments.

IAS 1 Presentation of Financial Statements: Classifying of liabilities as current or non-current (amendments)

Amendments applicable to annual periods beginning on or after 1 January 2022, although previous application is permitted. The amendments are intended to encourage consistent application of requirements and to assist enterprises in determining whether debts and other liabilities should be classified as current or non-current in the statement of financial position. The amendments affect the presentation of liabilities in the statement of financial position, but they do not change the existing requirements regarding the timing of the measurement or recognition of assets, liabilities, income or expenses, nor do they change the information that companies disclose about those items. The amendments also clarify the requirement to classify debt when an enterprise can settle such debt using its own equity instruments. These amendments have not yet been adopted by the EU. The management has not yet evaluated the impact of the application of these amendments.

The Group and the Company plan to adopt the interpretations and amendments to the standards described above on the effective date, if they are adopted by the European Union.

2.2. Going concern

These financial statements for the year 2019 have been prepared based on the assumption that the Group and the Company will be able to continue as a going concern for a period of not less than 1 year, evaluating the following assumptions and risks:

- To finance working capital, the Company plans successful sales of finished products and to continue cooperation only with reliable partners. Debts to suppliers are planned to be reduced from free circulating funds.
- The Board of Company approved the investment plan for 2020-2021, according to which additional investments in new products and new production directions will be 1,995 thousand EUR in 2020, and 486 thousand EUR in 2021, of which 495 thousand EURO will be financed from the Company's funds, the remaining amount is committed by the shareholders to the Company. This will allow to revive sales and successfully expand the company's operation.
- Although the Company's loan agreements with the financing banks (Note 23) expire in 2020, negotiations are currently underway to extend the loans. As these types of loan agreements and extensions have been executed in the past and the Company is fulfilling its obligations to banks, the Management believes that these agreements will be extended during the year under conditions that will not jeopardize the Company's and the Group's business continuity. An agreement with one of the banks has already been reached in March (Note 34).
- In the opinion of the Company and the Group's management, the impact of the pandemic caused by COVID-19 (Note 33) will not have a material impact on the going concern, although it is likely to have a negative impact on the Company's and the Group's results. If the pandemic lasts longer than expected, the Company's and the Group's management expects adequate necessary state support to ensure business continuity.

Management agrees that the above assumptions are affected by significant uncertainties that could cast significant doubt upon the Company's ability to continue as a going concern, which would prevent the Company from realizing its assets and meeting its obligations in the ordinary course of business. Nevertheless, and given the significant uncertainties, management expects the Company to have sufficient resources to continue as a going concern in the foreseeable future. Therefore, the Company has continued to apply the going concern principle in preparing these financial statements

2.3. Presentation currency

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the statement of financial position date.

The functional currency of a foreign entity TOB Snaige Ukraina is Ukrainian hryvnia (UAH). As at the reporting date, the assets and liabilities of this subsidiary are translated into the presentation currency of AB Snaigė (EUR) at the rate of exchange at the statement of financial position date and their items of the statement of profit or loss and other comprehensive income are translated at the average monthly exchange rates for the reporting period. The exchange differences arising on the translation are stated in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in the shareholders' equity caption relating to that particular foreign operation is transferred

to profit or loss. The performance results of the subsidiaries the control of which is lost are presented in the consolidated financial statements only for the period when control belonged to the Group.

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

| | 31 December 2019 | 31 December 2018 |
|-----|-----------------------------|-----------------------------|
| UAH | 26,51319 | 31,73488 |
| USD | 1,1189 | 1,1454 |

All amounts in these financial statements are in EUR thousand unless otherwise stated.

2.4. Use of estimates in the preparation of financial statements

The preparation of the financial statements in accordance with IFRS, as adopted by the European Union, requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of the estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are reviewed if they affect only this period, or in the period in which the estimates are reviewed and any future periods if they affect both the review and future periods.

The significant areas of estimation used in the preparation of these financial statements relate to the fair value of property, plant and equipment, estimated useful life time of the property, plant and equipment, recoverability of loans provided to the shareholder and provisions related to guarantees and warrantees.

Fair value of the property, plant and equipment

Fair value of property, plant and equipment was determined by independent valuers, and management used this valuation as sufficient basis for asset revaluation. The significant unobservable inputs used in the fair value determination are disclosed in Note 13.

Useful life of property, plant and equipment

The main assumptions when evaluating useful life of property, plant and equipment are: the intensity of use and tear of property, plant and equipment. Technical staff evaluated property, plant and equipment and indicated expected time of further usage, and new, longer depreciation terms were applied together with assets revaluation.

Recoverability of loans from shareholders

The management developed estimation of recoverable amount of the loans receivable based on estimated future cash flows, and recognized impairment of the value.

Provisions

Recognition of provisions requires estimate of the probable outflow of economic benefits and defining the best estimate of the expenditure required to settle the present obligation at the end of reporting period. The Group and the Company estimate at the end of the reporting period if they have the present obligation from the past event, that should be registered as a liability as at the end of reporting period.

Warrantees

The warrantee provision is primarily related to the products sold in 2019 and 2018; starting from 2017 the warranty is for 2 years. The provision is estimated based on historical data, related to products.

Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.5. Consolidation and Business Combinations

Business combinations are accounted for using the acquisition method. Acquisition cost is determined by adding the fair value of the consideration at the date of acquisition and the amount of the non-controlling interest in the acquiree if any. For each business acquisition, the acquirer shall measure the non-controlling interest in the acquiree either at fair value or in proportion to the identifiable net assets of the acquiree. Acquisition costs incurred are written off to administrative costs.

If the business combination is carried out in stages, the acquirer's previously held interest in the acquiree is measured at fair value at the acquisition date through the statement of comprehensive income. The contingent consideration that the acquirer will have to pay is recognized at fair value at the acquisition date. Subsequent valuations of the contingent consideration that is treated as an asset or liability will be recognized at fair value in accordance with IFRS 9: either through profit/loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it is not reassessed and its subsequent payment is accounted for in equity.

Goodwill is recognized at cost and is equal to the amount by which the total consideration, including the amount of the non-controlling interest recognized, exceeds the net amount of the assets and liabilities acquired. If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, and the date of the financial statements is then assessed for impairment.

2.6. Investments in subsidiaries

Investments in subsidiaries are stated in the separate statement of financial position of the Company at cost less impairment.

The acquisition cost is equal to the fair value of the consideration paid. An assessment of the carrying amount of an investment for impairment is made when events or changes in circumstances indicate that the carrying amount of the investment may exceed its recoverable amount. In such circumstances, the Company assesses the return on investment. If the carrying amount of an investment exceeds its recoverable amount, the investment is written down to its recoverable amount (the higher of fair value less costs to sell and value in use). Impairment is recognized in profit or loss under finance costs.

Profit (loss) from disposal of investments is accounted for in profit or loss under financing activities.

2.7. Intangible assets, except for goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives (1–8 years).

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

Research and development

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

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

Licenses

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

Software

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

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

The Company and the Group have no intangible assets with indefinite useful lifetime.

2.8. Property, plant and equipment, investment property

Property, plant and equipment are shown at revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which is determined using fair value at the date of statement of financial position. The fair value of the property, plant and equipment is determined by appraisals undertaken by certified independent valuers. Any accumulated depreciation and impairment losses at the date of revaluation were eliminated against the gross carrying amount of the asset, instead the historical acquisition cost was increased by the surplus of the revaluation.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. The revaluation reserve for property, plant and equipment is being reduced each period by the difference between depreciation based on the revalued carrying amount of the asset and that based on its original cost, which is transferred directly to retained earnings.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against revaluation reserve in equity; all other decreases are charged to the profit or loss. Revaluation increases that offset previous decreases charged to the profit or loss are recognised in the profit or loss.

Each year the difference between depreciation based on the revaluated carrying amount of the asset charged to the profit or loss, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings net of deferred income tax.

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

Depreciation is computed on a straight-line basis over the following estimated useful lives from 1 October 2016:

| | |
|------------------------------------------------------|--------------|
| Buildings and structures (incl. investment property) | 15–73 years, |
| Machinery and equipment | 5–63 years, |
| Vehicles | 4–20 years, |
| Other property, plant and equipment | 3–30 years. |

Weighted average useful lives from 1 October 2016 are as follows:

| | |
|------------------------------------------------------|-----------|
| Buildings and structures (incl. investment property) | 55 years, |
| Machinery and equipment | 21 years, |
| Vehicles | 16 years, |
| Other property, plant and equipment | 12 years. |

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

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of property, plant and equipment and are recognised within other income or other expenses in the statement of comprehensive income. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

Borrowing costs that are directly attributable to the acquisition, construction or production of non-current assets are capitalised, otherwise – expensed as incurred. No borrowing costs were capitalised in 2019 and 2018.

2.9. Inventories

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

2.10. Cash and cash equivalents

Cash and cash equivalents are carried at par value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in a bank, demand deposits with banks and other highly liquid short-term investments with original maturities of up to 3 months.

2.11. Financial assets and financial liabilities

IFRS 9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another.

a) Financial assets

Initial recognition and evaluation:

Financial assets are initially allocated at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss.

Assigning financial assets at initial recognition depends on the contractual cash flow characteristics of the financial asset and the Group/Company's business model that defines the management of the financial asset. Except for trade receivables and contract assets that do not have a significant funding component, the Group/Company recognizes financial assets at fair value through initial recognition plus, when financial assets are not measured at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not include a significant funding component are measured at the transaction price determined in IFRS 15.

For a financial asset to be designated and measured at amortized cost or fair value through other comprehensive income, the cash flows arising from the financial asset should be only principal and interest payments (SPPI) on the principal uncovered amount. This assessment is called the SPPI test and is performed for each financial instrument.

The Group/Company's financial asset management model specifies how the Group/Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling this financial asset or by using both options.

Ordinary purchases or sales of financial assets are recognized on the trade date, i.e. the date the Group/Company undertakes to purchase or sell the financial asset.

Subsequent evaluation

After initial recognition, the Company/Group assesses financial assets:

- a) Amortized cost (debt financial instruments);
- b) At fair value through other comprehensive income when the cumulative gain or loss after the derecognition is transferred to profit or (loss) (debt financial instruments). As of 31 December 2019 and 2018, the Group/Company did not have such instruments;
- c) Fair value through other comprehensive income when the cumulative gain or loss on discontinuance is not transferred to profit or (loss) (equity). As of 31 December 2019 and 2018, the Group/Company did not have such instruments;
- d) At fair value through profit or loss.

Financial assets at amortized cost (debt financial instruments)

The Group/Company assesses financial assets at amortized cost if both of the following conditions are met:

- i) Financial assets are considered to be a business model designed to hold financial assets to collect contractual cash flows; and
- ii) Due to contractual terms of financial assets, cash flows that occur only on the principal amount and on the principal outstanding amount may arise on specified dates.

Financial assets at amortized cost are subsequently measured using the effective interest rate method (EIR) less impairment losses. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognised, the asset is replaced or impaired.

The Group/Company's financial assets at amortized cost include trade receivables, other current and non-current receivables, loans issued, and assets arising from customer contracts (if any).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets classified as at fair value through profit or loss, or financial assets at fair value through initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near future. Derivatives, including segregated embedded derivatives, are also classified as held for trading unless they are classified as effective hedging instruments (in accordance with IFRS 9). Financial assets related to cash flows that are not only principal and interest payments are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria described above, under which debt instruments are classified as amortized cost or fair value through other comprehensive income, debt instruments may be classified as at fair value through profit or loss at initial recognition if it eliminates or significantly reduces accounting inconsistencies. Financial assets are carried at fair value through profit or loss in the statement of financial position at fair value through profit or loss in the statement of comprehensive income.

Impairment of financial assets

In accordance with IFRS 9, the Group/Company generally recognizes expected credit loss (ECL) for all debt instruments that are not measured at fair value through profit or loss. The ECL is based on the difference between the contractual receivables and cash flows expected to be received by the Group/Company, discounted at an approximate initial effective interest rate. ECL is recognized in two stages. For credit exposures whose credit risk on initial recognition is not materially increased, ECL is calculated for credit losses arising from default events occurring within the next 12 months (12-month ECL). For those credit exposures that have significantly increased their credit risk from initial recognition, the impairment loss is formed for the amount of credit losses expected during the remaining life of the credit exposure, irrespective of the maturity (ECL).

(a) Evaluation of impairment of trade receivables

The Group/Company uses the simplified method for calculating ECL for trade receivables and assets arising from contracts with customers. Therefore, the Group/Company does not observe changes in credit risk but recognizes impairment for each financial statement date on the basis of the validity of the ECL. The Group/Company has created a matrix of expected loss rates based on historical credit loss analysis and adjusted to reflect future factors specific to debtors and the economic environment. The Group/Company considers that the debtor has failed to fulfil its obligations relating to financial assets if the contractual payments are overdue, or when there are indications that the debtor or group of debtors are experiencing severe financial difficulties, default (principal or interest), that they will initiate bankruptcy or reorganization procedures, and in cases where the observed data suggest a reduction in future cash flows, such as changes in the past due to arrears or changes in economic conditions that correlate with default. Financial assets are derecognised when there is no reasonable expectation of recovering contractual cash flows.

The Company/Group also calculates impairment individually by assessing the debt position separately by the debtor. The Company has determined that the average level of historically unpaid bad debts is less than 0 % of its outstanding debt. For this reason, and having assessed future estimates, the Company has not changed the principles for calculating the current loss matrix.

b) Evaluation of impairment of loans granted

The Company grants loans to Group companies with a maturity term as disclosed in Note 14. In the case of a loan, in general, the expected credit loss for 12 months is assessed and accounted for. In subsequent reporting periods, in the absence of a significant increase in the credit risk associated with the debtor, the Company adjusts the balance of 12-month expected credit loss on the outstanding loan amount outstanding at the valuation date. Having determined that the debtor's financial situation has significantly deteriorated compared to the situation at the time of the loan, the Company accounts for all expected credit losses during the loan term.

b) Financial liabilities

Initial recognition and evaluation:

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loan receivables and payables. All financial liabilities at initial recognition are recognized at fair value and, for loans and receivables, less directly attributable transaction costs. The Group/Company's financial liabilities include trade and other payables, loans received, including bank overdrafts and financial leasing liabilities, and financial derivatives.

Subsequent evaluation

The measurement of financial liabilities depends on their classification as described below.

Financial liabilities are carried at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss at initial recognition valuating through profit or loss. Financial liabilities are classified as held for trading if they are held for repurchase purposes in the near future. This category also contains derivatives of Group/Company, not classified as hedge derivatives under IFRS 9. Individual embedded derivatives are also classified as held for trading unless they are classified as effective hedging instruments. Gains or losses arising from financial liabilities held for trading are recognized in the statement of comprehensive income.

Loans received and other amounts due

After initial recognition, loans and other payables are carried at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognised or amortized. Amortized cost is calculated by reference to the discount or premium on the acquisition, as well as taxes or costs that are an integral part of the EIR. EIR amortization is included in financial expenses in the statement of comprehensive income.

Coverage of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is an enforceable right to settle the amounts recognized and is intended to be settled net, i.e. to realize the assets and fulfil their obligations at the same time.

Derecognition of financial assets and financial liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. it is derecognised from the financial statements of the Group/Company) when:

- i) the contractual rights to the cash flows of the financial asset expire; or
- ii) the Group/Company transfers the contractual rights to receive cash flows from financial assets; or assumes the obligation to pay all cash flows received to the third party without a significant delay in the transfer agreement; or (b) the Group/Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but disposes of control of that financial asset.

Financial liabilities

A financial liability is derecognised when it is settled, cancelled or expires. When one existing financial liability is replaced by another liability to the same lender but in other circumstances, or when the terms of an existing obligation are substantially changed, such a change is considered to be a termination of the original liability and a new liability occurs. The difference between the respective carrying amounts is recognized in the statement of comprehensive income.

2.12 Authorized capital

(a) Ordinary shares

Ordinary shares are stated at their nominal value. The amount by which the consideration received for the shares sold exceeds their nominal value is recognized as share premium. Additional external costs directly related to the issue of new shares are accounted for by reducing the share premium.

(b) Own shares

When the Company or its subsidiaries acquire the Company's equity, the consideration paid, including any additional external costs attributable to it, is deducted from equity as own shares until they are sold, reissued or cancelled. No gain or loss on the sale, issue or cancellation of own shares is recognized. If such shares are subsequently sold or reissued, the consideration received is recorded in the consolidated financial statements as a change in equity.

(c) Mandatory reserve

The legal reserve is mandatory under the laws of the Republic of Lithuania. Annual transfers of 5 %. The net result is required until the reserve reaches 10 % of the authorized capital. The legal reserve cannot be used to pay dividends, and it is determined only to cover future losses.

(d) Revaluation reserve

The revaluation reserve is recognized in other comprehensive income and is included in the revaluation reserve in equity. In cases where the revalued amount of the revalued asset exceeds the carrying amount of that asset and previously recognized an impairment loss on that asset in the statement of comprehensive income as a loss, the revaluation increase in excess of previous depreciation is recognized in the statement of comprehensive income as profit. If, after the reversal, the revaluation surplus is still present, it is accounted for as other comprehensive income in the statement of comprehensive income (and in the statement of financial position in equity).

The revaluation of revalued assets equivalent to the depreciation of the revalued assets of the current year on the revalued amount is carried forward to retained earnings in the statement of changes in equity at the end of the financial year. When transferring or reversing revalued assets, the related revaluation surplus is transferred to retained earnings in the statement of changes in equity.

(e) Reserve for own shares

This reserve is created on the basis of the shareholders' decision to acquire their own shares.

(f) Foreign exchange translation reserve

Foreign currency translation reserve is formed by currency translation differences arising from the consolidation of financial statements of foreign subsidiaries. Currency translation differences in the consolidated financial statements are recognized in equity until the investment is sold. When the relevant asset is sold, the cumulative revaluation surplus is recognized as income or expense in the same period in which the gain or loss on sale is recognized

2.13. Lease

(a) the Company and the Group is the lessee
Policy, adopted from 1 January 2019.

At the beginning of the contract, the Company and the Group assess whether the contract is a lease or includes a lease. This means assessing whether the contract confers a right to manage the use of the identified asset for a period of time in return for remuneration.

The Company and the Group apply a single recognition and measurement method to all leases, except for short-term and low-value leases. The Company and the Group recognize a lease obligation to pay lease payments and a right-of-use asset that entitles the holder to use the leased asset.

Assets managed under lease right

The Company and the Group recognize the right-of-use asset at the inception date (ie the date from which the underlying asset is available for use). Assets held under usable rights are carried at cost less any accumulated depreciation and any accumulated impairment losses. The cost of an asset held for use includes the amount of the initial measurement of the lease liability, the initial direct costs, the lease payments at or before the inception date, less any lease incentives received. Depreciation is calculated on a straight-line basis over the lease term or over the estimated useful lives of the assets, whichever is shorter:

| | |
|----------|----------|
| Land | 58 years |
| Vehicles | 3 years |

If the ownership of the leased property is transferred to the Company and the Group before the end of the lease term or if the price of the asset managed by the right of use indicates that the lessee will exercise the call option, depreciation is calculated based on the estimated useful life of the asset.

Assets held for use are also assessed for impairment.

Lease obligations

At the beginning date, the Company / Group recognizes lease liabilities at the present value of the lease payments due during the lease term. Lease payments include fixed payments (including equivalent payments) less any rental incentives receivable, variable rents that depend on an index or rate, and amounts that would be payable under residual value guarantees. Such lease payments also include the exercise price of the call option if it is reasonably known that the Company / Group will exercise that option, and penalties for terminating the lease if it is assumed that the Company / Group will exercise the option to terminate the lease during the lease term. Variable lease payments that are independent of an index or a rate are recognized as an expense (unless they are incurred to produce inventories) in the period in which the event occurs or the condition that gives rise to the tax arises.

In calculating the present value of the lease payments, the Company / Group applies the borrowing rate accrued at the beginning of the lease, as the interest rate specified in the lease cannot be readily determined. After the commencement date, the amount of the lease liability is increased by the estimated interest and the amount of lease payments paid is reduced. In addition, the carrying amount of a lease is remeasured if certain adjustments are made, the lease term or lease payments change (for example, changes in future lease payments due to a change in the index or rate used to determine such lease payments) or a change in the option to purchase the lease. evaluation.

Short-term and low-value property lease

he Company and the Group apply the recognition exemption to their current assets (ie leases with a term of less than 12 months at the inception date that do not include an option to purchase the asset). It also observes this exception by recognizing the lease of low-value assets consisting of office inventory. Lease payments for short-term and low-value assets are recognized as an expense on a straight-line basis over the lease term.

Policies that were followed until 2019 January 1

During the comparative period, the Company and the Group, as a lessee, classified leases that transfer substantially all the risks and rewards incidental to ownership as finance leases and all other leases as operating leases. Under finance leases, the leased asset was initially recognized at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Such assets were subsequently accounted for in accordance with the accounting policies applicable to such assets. Assets leased under operating leases were not recognized in the statement

of financial position of the Company and the Group. Premiums paid under such leases were recognized in profit or loss on a straight-line basis over the lease term.

b) Lease – the Company and the Group are the lessee or the lessor

As a lessor, the Company and the Group determine at the beginning of a lease whether the contract is a finance lease or an operating lease. If the Company and the Group determine that substantially all the risks and rewards of ownership of a leased asset are transferred under a lease, it classifies the lease as a finance lease. Leases under which the Company and the Group do not transfer substantially all the risks and rewards incidental to ownership of a leased asset are classified as operating leases. Lease income is recognized on a straight-line basis over the term of the lease and is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging a lease shall be included in the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent contributions are recognized as income in the period in which they are earned.

The Group's accounting policies as a lessee for the comparative period did not differ from the requirements of IFRS 16.

2.14. Grants and subsidies

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

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

2.15. Provisions

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

2.16. Employee benefits

(a) Social security contributions

The Company and the Group pay social security contributions to the State Social Insurance Fund (hereinafter referred to as the Fund) for its employees in accordance with the defined contribution plan and in accordance with the requirements of national law. The defined contribution plan is a plan by which the Company and the Group pays a fixed contribution and will in the future have no legal or constructive obligation to continue to pay these contributions if the Fund does not have sufficient assets to pay all employees benefits related to the service in current or past periods. Social security contributions are recognized as an expense on an accrual basis, and attributed to employee costs.

(b) Bonus plans

The Company and the Group recognize a liability and an expense for bonuses when it has a contractual liability or a past practice that has created a constructive liability.

(c) Long-term employee benefits

According to the requirements of the Labour Code of the Republic of Lithuania, every employee leaving the Company at the age of retirement is entitled to a one-off payment, which amounts to 2-month period salary.

Commitments to employees for the current year are recognized as an expense immediately in the statement of comprehensive income. Expenses previously incurred are recognized as an expense in the average over the period until the payment becomes mandatory.

Any gain or loss arising from the amendment (reduction or increase) of the benefit conditions is recognized immediately in the statement of comprehensive income.

Employee benefits liability is calculated on the basis of actuarial estimates using the projected unit credit method. Reassessments consisting of actuarial gains and losses are recognized immediately in the statement of financial position with the corresponding debit or credit in retained earnings in other comprehensive income in the period in which they occur. Reassessments in subsequent periods are not carried forward to profit or loss.

The liability is recorded in the statement of financial position and reflects the present value of those benefits at the date of the statement of financial position. The present value of employee benefits obligations is determined by discounting the estimated future cash flows on the basis of the interest rate on government securities denominated in the same currency as the benefits and the payout period similar to the expected payout period.

2.17. Income tax

Group companies are taxed individually regardless of the Group's overall performance.

Income tax expense recognized in these financial statements is determined on the basis of management's estimates in accordance with the tax laws of the Republic of Lithuania and the Republic of Ukraine.

The profit of the Group companies operating in Lithuania for the year 2019 is subject to a 15 % corporate income tax rate (15 % in 2018). In Ukraine, corporate income tax is 18 % (18 % in 2018).

According to the tax laws of the Republic of Lithuania, as of 1 January 2008, tax losses other than losses related to the transfer of securities and/or financial instruments may be carried forward for an indefinite period. Tax losses carried forward from 1 January 2014 may not exceed 70 % of taxable profit for the current year.

Losses on the sale of securities and/or derivative financial instruments may be carried forward for 5 years and are used only to reduce taxable profits from similar transactions.

As of 1 January 2012, tax losses carried forward under the tax laws of the Republic of Ukraine may not exceed 25 % of the taxable profit for the current year.

Deferred income tax

Deferred income tax is accounted for using the liability method for temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognized if it arises from the initial recognition of assets or liabilities other than those resulting from a business combination that at the time of the transaction had no effect on either accounting or taxable profit or loss. Deferred income tax is calculated using tax rates (and laws) approved or substantially enacted at the date of the financial statements that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is recognized for temporary differences arising on investments in subsidiaries, except when the Group controls the timing of the elimination of the temporary difference and it is probable that the temporary difference will not disappear in the near future.

2.18. Revenue recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when the control of the goods or services passes to the customer, the amount the Company and the Group expect to receive in exchange for the goods or services. The Company and the Group have determined that they control goods or services before they are transferred to the customer, therefore the Company and the Group act as the principal party to the income transaction. Revenue under contracts was recognized in 2019 and 2018 by a subsidiary that manufactured a production line for the customer according to a technical specification.

The Company and the Group allocate the transaction price over the production period of the product based on the relative selling prices of the individual production levels.

Management has performed an analysis and determined that the Company and the Group meet their operating obligations under contracts with customers during the period (rather than at a specific point in time) for the following reasons:

- The Company and the Group do not create alternative assets by providing product manufacturing services;
- The Company and the Group have an executive right to remuneration for the partial production work performed.

In calculating the portion of revenue and its cost, management relies on the expected cost method, adding the expected margin. Based on the management and production accounting data, the state of the production of the order at each stage of production is deducted (in the Company, respectively, calculating the share of the expected cost of the product at which stage of production is achieved). The calculations are completed by adding the applicable margin to the estimated relative work-in-progress at the various stages of production. The amount of revenue so calculated is recognized and recognized in the statement of comprehensive income under in current assets, in the contractual asset item. The cost associated with this amount of revenue is recognized in the statement of comprehensive income under cost of sales.

The preparation of financial statements in conformity with IFRS and the application of IFRS 15 requires management and the Group to apply certain assumptions and estimates that have a significant effect on the amounts presented in the financial statements. In the opinion of management, the most significant estimates and related uncertainties in the calculation and recognition of revenue from contracts with customers relate to:

- The expected profit margin of the product is used (percentage);
- The application of historical management and production accounting data to calculate the value factors associated with each stage of production.

In addition to those discussed above, management also considered the impact of other matters on revenue recognition, such as the presence of significant financing components, non-cash settlements, and so on.

The Company's and the Group's contracts with customers do not contain these listed contractual terms or, in the opinion of management, are insignificant in the context of the application of IFRS 15.

Contract assets is accrued income

Contract assets is the right to remuneration in exchange for goods or services that were performed for the benefit of the customer (including partial performance). If the Company and the Group transfer goods or services to a customer before it is paid or before the due date, the asset is accounted for under the contract at the amount equal to the earned consideration.

Contractual liabilities - advances received

Contractual liabilities include prepayments received from customers for future services or goods sold. As of 31 December 2019, these amounts were accounted for as prepayments received.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.19. Contingencies

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

Contingent assets are not recognized in the financial statements but are disclosed when it is probable that future economic benefits potentially will flow to the entity.

2.20. Subsequent events

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

2.21. Offsetting and comparative figures

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

2.22. Segments

An operating segment is a component of the Group and the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by management of the Group and the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis

2.23. Earnings per share

The Group and the Company present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, such as convertible notes and share options granted to employees.

2.24. Fair value measurement

A number of the Group's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Company have access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group and the Company use market observable data as far as possible. Fair values are categorised within different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the described methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability (related note).

2.25 Classification into short-term and long-term

In the financial statements, the Group and the Company present assets and liabilities by classifying them into current and non-current.

An asset is considered current if:

- It is expected to be sold or sold or consumed in the ordinary course of business
- Held for sale
- Expected to be realized within 12 months after the end of the financial year

Or

- Cash or cash equivalents, except for limited uses, that will not be able to settle or settle liabilities in the next 12 months.

All other assets are classified as non-current.

A liability is current if:

- It is expected to be paid during the normal operating cycle
- Held for sale
- It is expected to be paid within 12 months after the end of the financial year
- There is no unconditional right to defer payment for at least 12 months after the end of the financial year.

The Group and the Company classify all other liabilities as non-current. Deferred income tax assets and liabilities are classified as non-current assets and non-current liabilities.

NOTES TO THE EXPLNATORY STATEMENT

3 Revenue from customer contracts and sale revenue

The Group

The Group's sole business segment identified for the management purposes is the production of refrigerators and specialised equipment.

| | Group | | Company | |
|----------------------------------------|---------------|---------------|----------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Refrigerators and related equipment | 32 047 | 35 417 | 31 204 | 34 643 |
| Revenue from contracts in a subsidiary | 175 | 2 155 | | |
| Total | 32 222 | 37 572 | 31 204 | 34 643 |

The Group's and the Company's management analyses only sales information per country.

| | Total sales revenue | | Inter-group sales | | Sales revenue | |
|---------------------|----------------------------|---------------|--------------------------|--------------|----------------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Western Europe | 12 533 | 14 614 | - | - | 12 533 | 14 614 |
| Ukraine | 6 706 | 6 010 | - | - | 6 706 | 6 010 |
| Central Europe | 6 059 | 9 206 | - | - | 6 059 | 9 206 |
| Lithuania | 4 329 | 5 179 | (196) | (194) | 4 133 | 4 329 |
| Other CIS countries | 1 170 | 1 264 | - | - | 1 170 | 1 264 |
| Other Baltic states | 756 | 970 | - | - | 756 | 970 |
| Russia | 370 | 297 | - | - | 370 | 297 |
| Other countries | 495 | 226 | - | - | 495 | 226 |
| Total | 32 418 | 37 766 | (196) | (194) | 32 222 | 37 572 |

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

The Company

| | Sales | |
|---------------------|---------------|---------------|
| | 2019 | 2018 |
| Western Europe | 12 466 | 14 519 |
| Ukraine | 6 706 | 6 010 |
| Central Europe | 5 859 | 7 051 |
| Lithuania | 3 383 | 4 306 |
| Other CIS countries | 1 170 | 1 264 |
| Other Baltic states | 755 | 970 |
| Russia | 370 | 297 |
| Other countries | 495 | 226 |
| Total | 31 204 | 34 643 |

4 Cost of sales

| | Group | | Company | |
|-------------------------------|---------------|---------------|----------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Raw materials | 20 078 | 23 573 | 19 344 | 22 014 |
| Salaries and wages | 3 304 | 3 687 | 3 183 | 3 443 |
| Depreciation and amortisation | 1 630 | 1 407 | 1 587 | 1 362 |
| Other indirect costs | 4 179 | 5 313 | 4 070 | 5 062 |
| Total | 29 191 | 33 980 | 28 184 | 31 881 |

5 Selling and distribution expenses

| | Group | | Company | |
|-------------------------------------------------------------------|--------------|--------------|----------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Transportation | 1 039 | 1 229 | 1 039 | 1 227 |
| Salaries and social security | 435 | 433 | 435 | 433 |
| Warranty service expenses | 288 | 227 | 202 | 205 |
| Advertising, marketing | 191 | 198 | 186 | 194 |
| Market research, sales promotion and commissions to third parties | 170 | 177 | 182 | 189 |
| Certification expenses | 65 | 43 | 65 | 43 |
| Rent of warehouses and storage expenses | 52 | 48 | 51 | 48 |
| Business trips | 19 | 9 | 19 | 9 |
| Insurance | 31 | 41 | 31 | 41 |
| Other | 3 | 48 | 3 | (3) |
| | 2 293 | 2 453 | 2 213 | 2 386 |

6 General and administrative expenses

| | Group | | Company | |
|----------------------------------------------------------|--------------|--------------|----------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Change in impairment allowance for receivables (Note 14) | (562) | (419) | (562) | (419) |
| Salaries and social security | 1 185 | 1 223 | 1 277 | 1 114 |
| Depreciation and amortisation | 423 | 572 | 416 | 562 |
| Impairment of property, plant and equipment | - | (425) | - | (425) |
| Impairment of intangible fixed assets | 25 | - | 25 | - |
| Taxes, other than income tax | 55 | 70 | 55 | 69 |
| Insurance | 61 | 68 | 59 | 58 |
| Rent and utilities | 119 | 123 | 119 | 123 |
| Bank services | 26 | 28 | 25 | 27 |
| Advisory | 23 | 62 | 23 | 62 |
| Security | 6 | 5 | 5 | 5 |
| Non-current employee benefits (Note 24) | 17 | 50 | 17 | 45 |
| Business trips | 32 | 14 | 27 | 13 |
| Other | 596 | 224 | 315 | 173 |
| | 2 006 | 1 595 | 1 801 | 1 407 |

The reversal of impairment of property, plant and equipment is related to the revaluation of non-current assets made on 30 September 2016, on 30 September 2017 and on 30 September 2018 during which some items of property, plant and equipment were identified as increase.

7 Other income

| | Group | | Company | |
|---------------------------------------------------|--------------|-------------|----------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Income from transportation services | 211 | 243 | 211 | 243 |
| Income from sale of other services | 54 | 71 | 131 | 147 |
| Income from rent of premises | 15 | 15 | 40 | 40 |
| Gain on disposal of property, plant and equipment | - | - | - | - |
| Other | - | - | - | 4 |
| | 280 | 329 | 382 | 434 |

8 Other expenses

| | Group | | Company | |
|-------------------------|--------------|-------------|----------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Transportation expenses | 217 | 243 | 217 | 243 |
| Other services | 38 | 39 | 96 | 96 |

AKCINĖ BENDROVĖ SNAIGĖ, company code 249664610, Pramonės St. 6, Alytus, Lithuania
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are in EUR thousand unless otherwise stated)

| | | | | |
|-------|------------|------------|------------|------------|
| Other | - | - | 15 | 15 |
| | 255 | 282 | 328 | 354 |

9 Finance income

| | Group | | Company | |
|--------------------------------|----------|------------|------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest income from loans | - | 451 | - | 451 |
| Foreign currency exchange gain | - | 9 | 21 | 9 |
| Dividends income | - | - | 400 | - |
| Other | - | - | 3 | - |
| | - | 460 | 424 | 460 |

10 Finance costs

| | Group | | Company | |
|---------------------------------------------------|------------|------------|------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest expenses | 528 | 549 | 525 | 545 |
| Loss of foreign currency translation transactions | - | 7 | 19 | 7 |
| Other expenses | 12 | 3 | 16 | 3 |
| | 540 | 559 | 560 | 555 |

11 Income tax

| | Group | | Company | |
|-------------------------------------------------------------------------------------------|-----------|-----------|------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Components of the income tax (expense) income | | | | |
| Current income tax for the reporting year | - | - | - | - |
| Deferred income tax income (expenses) | 98 | 98 | 110 | 81 |
| Income tax income (expenses) recorded in profit or loss from continuing operations | 98 | 98 | 110 | 81 |

| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
|--------------------------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Deferred income tax asset | | | | |
| Impairment allowance for receivables and write-down of inventories | (34) | (63) | (38) | (72) |
| Accrued liabilities | 46 | 105 | 44 | 99 |
| Warranty provisions | 85 | 60 | 51 | 53 |
| Other | 154 | 33 | 176 | 26 |
| Deferred income tax asset | 251 | 135 | 233 | 106 |
| Less: not recognised part | | | | |
| Deferred income tax asset, net | 251 | 135 | 233 | 106 |
| Deferred income tax liability | | | | |
| Capitalised development costs | (1 707) | (1 814) | (1 707) | (1 814) |
| Revaluation of property, plant and equipment | (202) | (214) | (202) | (214) |
| Deferred income tax liability | (1 909) | (2 028) | (1 909) | (2 028) |
| Deferred income tax, net | (1 658) | (1 893) | (1 676) | (1 922) |

12 Intangible assets

Group

| | Development cost | Software, licenses | Total |
|-----------------------------------------------|-------------------------|-------------------------------|---------------------|
| Cost: | | | |
| Balance as at 1 January 2019 | 6 154 | 844 | 6 998 |
| Additions | 329 | 2 | 331 |
| Disposals and write-offs | - | (2) | (2) |
| Reclassification | 73 | (73) | - |
| Depreciation | (25) | | (25) |
| Balance as at 31 December 2019 | <u>6 531</u> | <u>771</u> | <u>7 302</u> |
| Amortisation: | | | |
| Balance as at 1 January 2019 | 4 662 | 732 | 5 394 |
| Charge for the year | 310 | 23 | 333 |
| Disposals and write-offs | - | (2) | (2) |
| Balance as at 31 December 2019 | <u>4 972</u> | <u>753</u> | <u>5 725</u> |
| Carrying amount as at 31 December 2019 | <u>1 559</u> | <u>18</u> | <u>1 577</u> |
| Carrying amount as at 1 January 2019 | <u>1 492</u> | <u>112</u> | <u>1 604</u> |

| | Development cost | Software, licenses | Total |
|-----------------------------------------------|-------------------------|-------------------------------|---------------------|
| Cost: | | | |
| Balance as at 1 January 2018 | 5 920 | 749 | 6 669 |
| Additions | 234 | 95 | 329 |
| Disposals and write-offs | - | - | - |
| Balance as at 31 December 2018 | <u>6 154</u> | <u>844</u> | <u>6 998</u> |
| Amortisation: | | | |
| Balance as at 1 January 2018 | 4 349 | 693 | 5 042 |
| Charge for the year | 297 | 39 | 336 |
| Disposals and write-offs | 16 | - | 16 |
| Balance as at 31 December 2018 | <u>4 662</u> | <u>732</u> | <u>5 394</u> |
| Carrying amount as at 31 December 2018 | <u>1 492</u> | <u>112</u> | <u>1 604</u> |
| Carrying amount as at 1 January 2018 | <u>1 571</u> | <u>56</u> | <u>1 627</u> |

Total amount of amortisation expenses is included into general and administrative expenses in the statement of comprehensive income.

12 Intangible assets (continued)

Company

| | <u>Development cost</u> | <u>Software, licenses</u> | <u>Total</u> |
|-----------------------------------------------|-------------------------|---------------------------|---------------------|
| Cost: | | | |
| Balance as at 1 January 2019 | 6 150 | 640 | 6 790 |
| Additions | 329 | 3 | 332 |
| Disposals and write-offs | (25) | (2) | (27) |
| Balance as at 31 December 2019 | <u>6 454</u> | <u>641</u> | <u>7 095</u> |
| Amortisation: | | | |
| Balance as at 1 January 2019 | 4 586 | 603 | 5 189 |
| Charge for the year | 310 | 21 | 331 |
| Disposals and write-offs | | (2) | (2) |
| Balance as at 31 December 2019 | <u>4 896</u> | <u>622</u> | <u>5 518</u> |
| Carrying amount as at 31 December 2019 | <u>1 558</u> | <u>19</u> | <u>1 577</u> |
| Carrying amount as at 1 January 2019 | <u>1 564</u> | <u>37</u> | <u>1 601</u> |

| | <u>Development cost</u> | <u>Software, licenses</u> | <u>Total</u> |
|-----------------------------------------------|-------------------------|---------------------------|---------------------|
| Cost: | | | |
| Balance as at 1 January 2018 | 5 859 | 618 | 6 477 |
| Additions | 307 | 22 | 329 |
| Disposals and write-offs | (16) | - | (16) |
| Balance as at 31 December 2018 | <u>6 150</u> | <u>640</u> | <u>6 790</u> |
| Amortisation: | | | |
| Balance as at 1 January 2018 | 4 289 | 570 | 4 859 |
| Charge for the year | 297 | 33 | 330 |
| Disposals and write-offs | - | - | - |
| Balance as at 31 December 2018 | <u>4 586</u> | <u>603</u> | <u>5 189</u> |
| Carrying amount as at 31 December 2018 | <u>1 564</u> | <u>37</u> | <u>1 601</u> |
| Carrying amount as at 1 January 2018 | <u>1 570</u> | <u>48</u> | <u>1 618</u> |

Total amount of amortisation expenses is included into administrative expenses in the statement of comprehensive income. Part of the intangible non-current assets of the Company, the acquisition cost of which is EUR 4,318 thousand, was fully amortised as at 31 December 2019 (EUR 4,054 thousand as at December 2018), but still in use.

**13 Property, plant and equipment
Group**

| | Land, buildings and structures | Machinery and equipment | Vehicles and other | Construction in progress and prepayments | Total |
|---------------------------------------------------|---------------------------------------------------|----------------------------------------|-------------------------------|-------------------------------------------------------------|----------------------|
| Cost: | | | | | |
| Balance as at 1 January 2019 | 4 252 | 35 710 | 5 350 | 1 | 45 313 |
| Additions | - | 32 | 36 | 188 | 256 |
| Disposals and write-offs | - | - | (3) | - | (3) |
| Reclassifications | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Balance as at 31 December 2019 | <u>4 252</u> | <u>35 742</u> | <u>5 383</u> | <u>189</u> | <u>45 566</u> |
| Accumulated depreciation: | | | | | |
| Balance as at 1 January 2019 | 2 407 | 33 518 | 4 871 | - | 40 796 |
| Charge for the year | 132 | 635 | 179 | - | 946 |
| Disposals and write-offs | - | - | - | - | - |
| Impairment loss | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Depreciation after revaluation | - | - | - | - | - |
| Balance as at 31 December 2019 | <u>2 539</u> | <u>34 153</u> | <u>5 050</u> | <u>-</u> | <u>41 742</u> |
| Revalued value: | | | | | |
| Balance as at 1 January 2019 | 4 206 | 7 690 | 1 475 | - | 13 371 |
| Additions | - | - | - | - | - |
| Disposals and write-offs | - | - | - | - | - |
| Reclassifications | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Balance as at 31 December 2019 | <u>4 206</u> | <u>7 690</u> | <u>1 475</u> | <u>-</u> | <u>13 371</u> |
| Depreciation of revalued value: | | | | | |
| Balance as at 1 January 2019 | 134 | 818 | 318 | - | 1 270 |
| Charge for the year | 95 | 598 | 216 | - | 909 |
| Disposals and write-offs | - | - | - | - | - |
| Impairment loss | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Depreciation after revaluation | - | - | - | - | - |
| Balance as at 31 December 2019 | <u>229</u> | <u>1 416</u> | <u>534</u> | <u>-</u> | <u>2 179</u> |
| Carrying amount as at 31 December 2019 | <u>5 690</u> | <u>7 863</u> | <u>1 274</u> | <u>189</u> | <u>15 016</u> |
| Carrying amount as at 1 January 2019 | <u>5 917</u> | <u>9 064</u> | <u>1 636</u> | <u>1</u> | <u>16 618</u> |

13 Property, plant and equipment (continued)

| Group | Land, buildings and structures | Machinery and equipment | Vehicles and other | Construction in progress and prepayments | Total |
|-----------------------------------------------|---------------------------------------|--------------------------------|---------------------------|-------------------------------------------------|---------------|
| Cost: | | | | | |
| Balance as at 1 January 2018 | 4 252 | 35 684 | 5 263 | 24 | 45 223 |
| Additions | - | 34 | 90 | - | 124 |
| Disposals and write-offs | - | (31) | (4) | - | (35) |
| Reclassifications | - | 23 | - | (23) | - |
| Elimination of accumulated depreciation | - | - | 1 | - | 1 |
| Balance as at 31 December 2018 | 4 252 | 35 710 | 5 350 | 1 | 45 313 |
| Accumulated depreciation: | | | | | |
| Balance as at 1 January 2018 | 2 266 | 32 859 | 4 651 | - | 39 776 |
| Charge for the year | 141 | 689 | 224 | - | 1 054 |
| Disposals and write-offs | - | (30) | (4) | - | (34) |
| Impairment loss | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Depreciation after revaluation | - | - | - | - | - |
| Balance as at 31 December 2018 | 2 407 | 33 518 | 4 871 | - | 40 796 |
| Revalued value: | | | | | |
| Balance as at 1 January 2018 | 3 635 | 6 618 | 1 152 | - | 11 405 |
| Additions | 571 | 1 072 | 323 | - | 1 966 |
| Disposals and write-offs | - | - | - | - | - |
| Reclassifications | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Balance as at 31 December 2018 | 4 206 | 7 690 | 1 475 | - | 13 371 |
| Depreciation of revalued value: | | | | | |
| Balance as at 1 January 2018 | 63 | 363 | 104 | - | 530 |
| Charge for the year | 71 | 455 | 214 | - | 740 |
| Disposals and write-offs | - | - | - | - | - |
| Impairment loss | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Depreciation after revaluation | - | - | - | - | - |
| Balance as at 31 December 2018 | 134 | 818 | 318 | - | 1 270 |
| Carrying amount as at 31 December 2018 | 5 917 | 9 064 | 1 636 | 1 | 16 618 |
| Carrying amount as at 1 January 2018 | 5 558 | 9 080 | 1 660 | 24 | 16 322 |

13 Property, plant and equipment (continued)

| Company | Land, buildings and structures | Machinery and equipment | Vehicles and other | Construction in progress and prepayments | Total |
|-----------------------------------------|---------------------------------------------------|----------------------------------------|-------------------------------|-------------------------------------------------------------|---------------|
| Cost: | | | | | |
| Balance as at 1 January 2019 | 4 252 | 32 989 | 5 331 | 2 | 42 574 |
| Additions | - | 22 | 36 | 188 | 246 |
| Disposals and write-offs | - | - | (3) | - | (3) |
| Reclassifications | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Balance as at 31 December 2019 | 4 252 | 33 011 | 5 364 | 190 | 42 817 |
| Accumulated depreciation: | | | | | |
| Balance as at 1 January 2019 | 2 407 | 31 010 | 4 864 | - | 38 281 |
| Charge for the year | 132 | 594 | 173 | - | 899 |
| Disposals and write-offs | - | - | - | - | - |
| Impairment loss | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Depreciation after revaluation | - | - | - | - | - |
| Balance as at 31 December 2019 | 2 539 | 31 604 | 5 037 | - | 39 180 |
| Revalued value: | | | | | |
| Balance as at 1 January 2019 | 4 206 | 7 690 | 1 475 | - | 13 371 |
| Additions | - | - | - | - | - |
| Disposals and write-offs | - | - | - | - | - |
| Reclassifications | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Balance as at 31 December 2019 | 4 206 | 7 690 | 1 475 | - | 13 371 |
| Depreciation of revalued value: | | | | | |
| Balance as at 1 January 2019 | 134 | 818 | 318 | - | 1 270 |
| Charge for the year | 95 | 598 | 216 | - | 909 |
| Disposals and write-offs | - | - | - | - | - |
| Impairment loss | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Depreciation after revaluation | - | - | - | - | - |
| Balance as at 31 December 2019 | 229 | 1 416 | 534 | - | 2 179 |
| Carrying amount as at | | | | | |
| 31 December 2019 | 5 690 | 7 681 | 1 268 | 190 | 14 829 |
| Carrying amount as at 1 January | | | | | |
| 2019 | 5 917 | 8 851 | 1 624 | 2 | 16 394 |

13 Property, plant and equipment (continued)
Company

| | Land, buildings and structures | Machinery and equipment | Vehicles and other | Construction in progress and prepayments | Total |
|-----------------------------------------------|---------------------------------------------------|----------------------------------------|-------------------------------|-------------------------------------------------------------|---------------|
| Cost: | | | | | |
| Balance as at 1 January 2018 | 4 252 | 32 973 | 5 248 | 25 | 42 498 |
| Additions | - | 24 | 87 | - | 111 |
| Disposals and write-offs | - | (31) | (4) | - | (35) |
| Reclassifications | - | 23 | - | (23) | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Balance as at 31 December 2018 | 4 252 | 32 989 | 5 331 | 2 | 42 574 |
| Accumulated depreciation: | | | | | |
| Balance as at 1 January 2018 | 2 266 | 30 391 | 4 651 | - | 37 308 |
| Charge for the year | 141 | 649 | 217 | - | 1 007 |
| Disposals and write-offs | - | (30) | (4) | - | (34) |
| Impairment loss | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Depreciation after revaluation | - | - | - | - | - |
| Balance as at 31 December 2018 | 2 407 | 31 010 | 4 864 | - | 38 281 |
| Revalued value: | | | | | |
| Balance as at 1 January 2018 | 3 635 | 6 618 | 1 152 | - | 11 405 |
| Additions | 571 | 1 072 | 323 | - | 1 966 |
| Disposals and write-offs | - | - | - | - | - |
| Reclassifications | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Balance as at 31 December 2018 | 4 206 | 7 690 | 1 475 | - | 13 371 |
| Depreciation of revalued value: | | | | | |
| Balance as at 1 January 2018 | 63 | 363 | 104 | - | 530 |
| Charge for the year | 71 | 455 | 214 | - | 740 |
| Disposals and write-offs | - | - | - | - | - |
| Impairment loss | - | - | - | - | - |
| Elimination of accumulated depreciation | - | - | - | - | - |
| Depreciation after revaluation | - | - | - | - | - |
| Balance as at 31 December 2018 | 134 | 818 | 318 | - | 1 270 |
| Carrying amount as at 31 December 2018 | | | | | |
| | 5 917 | 8 851 | 1 624 | 2 | 16 394 |
| Carrying amount as at 1 January 2018 | | | | | |
| | 5 558 | 8 837 | 1 645 | 25 | 16 065 |

§

The depreciation charge of the Group's property, plant and equipment for 2019 amounts to EUR 1,855 thousand (EUR 1 794 thousand for 2018). After the assessment of amortisation of grants, the amount of EUR 1,742 thousand for 2019 (EUR 1,505 thous for 2018 m.)) was included into production cost and the amount of EUR 113 thousand (EUR 162 thousand for 2018) was included into general and administrative expenses in the Group's statement of comprehensive income.

The depreciation charge of the Company's property, plant and equipment for 2019 amounts to EUR 1,808 thousand (EUR 1,747 thousand for 2018). The amount of EUR 110 thousand for 2019 (EUR159 thousand for 2018) was included into general and administrative expenses in the Company's statement of comprehensive income. The remaining amount of depreciation, after having assessed the amortisation of grants amounting to EUR 1,698 thousand (EUR 1,461 thousand for 2018) was included in the production cost.

As at 31 December 2019 The Group's and the Company's buildings, machinery and equipment are pledged to banks as collateral for loans.

As at 31 December 2019, fully depreciated, but still usable Group and Company material assets purchase values were 1,771 thous. Eur and 1,465 thous. Eur (at 31 December 2018 – 1,184 thous. Eur and 889 thous. Eur).

Revaluation of property, plant and equipment

Starting from 30 September 2016 the Group and the Company decided to revalue the non-current assets, including buildings, structures, machinery and equipment as well as other production equipment. The valuation of non-current assets for financial reporting purposes has been carried out by external, independent valuator, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation of real estate was based on the comparable method by comparing sales prices of similar real estate in Lithuania. The valuation of machinery and equipment and other non-current assets was based on comparable or depreciated replacement cost (DRC) methods. The estimated fair value in 2018, 2017 and 2016 was valued by independent valutors - Corporation „Matininkai“.

Building and structures were attributed to Level 3 of fair value hierarchy. Under the Market method the sale transactions or offer examples in respect of the real estate and constructions were observed in the market. The comparable real estate objects were selected due to the similarity with the object being measured with respect to size, nature, location, intended use, condition and other parameters. The valuation of real estate required adjustments to reflect differences between the objects being measured and comparable objects.

Machinery and equipment, vehicles and other assets were also attributed to Level 3 of fair value hierarchy. Part of the machinery was valued based on at least two or three comparable inputs. Comparable inputs selected were similar to the assets subject to valuation. This method was used for the measurement of a part of equipment in respect of which sale or offer market data was available. The remaining part of machinery and equipment were valued by DRC method. The replacement values of these non-current assets were based on their acquisition costs and comparable price changes provided by the Statistics Department. When establishing physical obsolescence it is assumed that the value of property being measured is written off in proportion to the number of years. The assets subject to valuation were classified into categories in respect of which the useful life up to 20 years depending on the group of asset was established based on the expert opinion of the valuer.

Asset were valued under this scheme:

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

The increase in value of non-current tangible assets was registered by increasing the acquisition cost of the asset and was accounted as follows as at 30 September 2018:

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

Furthermore, the estimated fair value of PPE was tested for impairment by comparing it to the recoverable amount of PPE determined based on the income method.

The revenue approach model was based on management's 2018-2022 forecasts, which assumed the following assumptions for cash flow projections based on the market situation:

- Maintaining current product turnover in a more or less constant level of recent years. The expected recovery of production/sales of continuing operations to 2017 levels in 2019-2020 reflects recovery of lost market positions due to the impact of raw material price changes and negative company information (described in Note 31) for 2017 – 2018. In the following years, a gradual slowdown in western markets is planned due to the increasing

influence of Chinese manufacturers on the production of private brands in the home appliance sector. One of the most important reasons for the company's sales of own brand Snaigė is the continuous and consistent development of technologies, brand support, and development of new products, therefore no decrease in sales of this category is planned.

- Starting production of a new product – industrial refrigeration equipment – from the end of 2019, with a planned investment in a new production line. Investments in the new production area are planned to be financed exclusively from shareholders' funds (Note 14). This step has been chosen due to the fact that the existing domestic refrigerating appliance markets are shrinking and oligopolizing, thus reducing the niche of the Company's type manufacturers, while the industrial refrigeration equipment is less standardized, and very large manufacturers cannot gain a competitive advantage through economies of scale and in that way reduce potential niches. In addition, the Company has many years of experience in trading such products, and the technological process is very close to existing production.

The evaluators also performed an analysis of the dependence of variable and fixed costs on production volumes, and the average product price and its variation. The main components of working capital (stock requirements, receivables, and trade payables) are calculated on the basis of average values (parts of income and expenses) from actual data from 2012-2018 (non-typical current liabilities and receivables are excluded from working capital)

In preparing the 2019 financial statements, no independent determination of the fair value of the assets was made because there was no reason to believe that the carrying amount of the assets would not reflect fair value. The assumptions made in 2018 also largely reflect the current situation and strategy, and their slight shift in time does not significantly affect the fair value of the assets calculated according to a similar model.

Change in estimates

2019 The Group performed a test of the useful life and residual value of its non-current assets, but did not identify any changes in the applicable useful lives and residual values.

14 Current loans to related companies

| | 2019 | Group 2018 | 2019 | Company 2018 |
|----------------------------------|--------------------|-----------------------|--------------------|-------------------------|
| | 31 December | 31 December | 31 December | 31 December |
| Loans granted | 8 880 | 9 169 | 8 880 | 9 169 |
| Interest calculated | 2 499 | 2 582 | 2 499 | 2 582 |
| Total receivables | 11 379 | 11 751 | 11 379 | 11 751 |
| Minus: | | | | |
| Provisions for doubtful loans | (8 733) | (9 169) | (8 733) | (9 169) |
| Provisions for doubtful interest | (2456) | (2 582) | (2 456) | (2 582) |
| Minus: total provisions | (11 189) | (11 751) | (11 189) | (11 751) |
| Net receivables | 190 | 0 | 190 | 0 |

The agreement, amounting to 10,68 mln EUR, for the assignment claim right towards Hymana Holdings Ltd., arising from the Agreement for the Assignment (Cession) dated 24 November 2015 concluded between the Company and Hymana Holdings Ltd., was concluded with the Company's Board member K.A. Kovalchuk (Assignee). The Claim Right shall be assigned by installments and when the Assignee makes a payment and funds are credited to the Company's bank account, respective part of the Claim Right in amount corresponding to the amount of funds received shall be considered to be assigned to the Assignee by the Company. The Assignee shall not in any case be considered as acquired the whole Claim Right if the amount paid by the Assignee and credited in the Company's bank account is lower than an amount of the Claim Right. The Company shall have a right to terminate the Agreement unilaterally if the Assignee fails to pay any installment. The last installment has to be made by the Assignee to the Company not later than on 1 October 2020. Net receivables recognized as at 31 December 2019 are actually recovered up to the date of issue of the report.

15 Inventories

| | Group | | Company | |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| Raw materials and spare parts | 2 078 | 2 154 | 2 004 | 2 073 |
| Production in progress | 210 | 241 | 177 | 227 |
| Finished goods | 1 364 | 1 289 | 1 328 | 1 247 |
| Goods for resale | 57 | 89 | 58 | 89 |
| Minus: impairment | (252) | (224) | (182) | (171) |
| Total inventories | 3 457 | 3 549 | 3 385 | 3 465 |

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

| | Group | | Company | |
|-------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| At the beginning of the year | (224) | (223) | (171) | (177) |
| Impairment | (28) | (13) | (11) | (5) |
| Recovery | - | 12 | - | 11 |
| At the end of the year | (252) | (224) | (182) | (171) |

As at 31 December 2019 the Group and the Company have no legal restrictions on inventories. Raw materials included to cost of sales by the Group and the Company amounted to EUR 20,078 thousand and EUR 19,344 thousand respectively (As at 31 December 2018 respectively EUR 23,573 thousand and EUR 22,014 thousand).

16 Trade receivables

| | Group | | Company | |
|-----------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| Receivables from not related customers | 5 459 | 6 825 | 5 230 | 6 580 |
| Receivables from related customers | - | - | 24 | 28 |
| Gross receivables | 5 459 | 6 825 | 5 254 | 6 608 |
| Less: impairment allowance for doubtful receivables | (1 218) | (1 077) | (1 109) | (980) |
| Net receivables | 4 241 | 5 748 | 4 145 | 5 628 |
| Including: | | | | |
| Current receivables | 4 241 | 5 748 | 4 145 | 5 628 |
| Total | 4 241 | 5 748 | 4 145 | 5 628 |

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

| | Group | | Company | |
|--------------------------------------------------------|----------------|----------------|----------------|--------------|
| | 2019 m. | 2018 m. | 2019 m. | 2018 m. |
| Balance at the beginning of the period | (1 077) | (1 068) | (980) | (1 022) |
| Charge for the year | (184) | (60) | (163) | - |
| Write-offs of trade receivables | - | - | - | - |
| Effect of the change in foreign currency exchange rate | (2) | (1) | - | - |
| Amounts paid | 45 | 52 | 34 | 42 |
| Balance at the end of the period | (1 218) | (1 077) | (1 109) | (980) |

As at 31 December 2019 100% impairment was accounted for trade receivables of the Group and the Company in gross values of EUR 1,218 thousand and EUR 1,109 thousand (as at 31 December 2018 – EUR 1,077 thousand and EUR 980 thousand respectively). Change in impairment allowance for receivables was accounted for within general and administrative expenses.

The receivables are written-off when it becomes obvious that they will not be recovered. The impairment allowance for receivables of the Group and the Company in 2019 and 2018 was stated under general and administrative expenses.

17 Other amounts receivable

| | Group | | Company | |
|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| VAT receivable | 157 | 255 | 157 | 234 |
| Advance holiday payments | - | - | - | - |
| Other receivables | 415 | 246 | 364 | 220 |
| Restricted cash | 14 | 4 | 14 | 4 |
| Including: | 586 | 505 | 535 | 458 |

18 Cash and cash equivalents

| | Group | | Company | |
|--------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| Cash at bank | 128 | 349 | 93 | 334 |
| Cash on hand | 10 | 5 | 5 | 2 |
| | 138 | 354 | 98 | 336 |

As at 31 December 2019 and 2018 no restrictions were imposed on the Group's and the Company's cash, except of those in Note 23.

19 Share capital

On 31 December 2019 share capital of the Company and the Group was EUR 10,302 thousand, and on 31 December 2018 - EUR 11,887 thousand. 2019 m. gruodžio 31 d. The share capital of Group and Company was divided into 39,622 thousand ordinary registered shares with the par value of EUR 0.26 each, as at 31 December 2018 was 0.30 euro.

All shares of the Company are fully paid. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital as at 31 December 2019 and 2018.

According to the Law on Companies of the Republic of Lithuania, the company's total equity cannot be less than 1/2 of its share capital specified in the company's by-laws. As at 31 December 2019 and 2018 the Company was in compliance with this requirement.

20 Reserves

Legal reserve

As at 31 December 2019 the legal reserve of the Group and the Company was EUR 946 thousand and EUR 991 thousand (As at 31 December 2018 it was EUR 946 thousand and EUR 971 thousand).

The Company's legal reserve is compulsory under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. The Group's legal reserve is formed from the legal reserve of the Company and the subsidiaries.

As at 31 December 2019 and 31 December 2018 the legal reserve of the Group and the Company has not been fully formed yet.

Revaluation reserve for property, plant and equipment

| | <u>Group</u> | <u>Company</u> |
|----------------------------------------------------------------------------------------------------------------------------|--------------|----------------|
| Revaluation reserve carrying amount as at 31 December 2018 | 6 502 | 6 502 |
| Positive Revaluation result | - | - |
| Deferred income tax liability | - | - |
| Decrease of revaluation reserve through statement of comprehensive income | - | - |
| Revaluation reserve net value at 31 December 2019 | 6 502 | 6 502 |
| Profit (loss), not recognized in statement of comprehensive income, resulted from annual depreciation of revaluated assets | (773) | (773) |
| Revaluation reserve carrying amount as at 31 December 2019 | 5 729 | 5 729 |
| | <u>Group</u> | <u>Company</u> |
| Revaluation reserve carrying amount as at 31 December 2017 | 5 900 | 5 900 |
| Positive Revaluation result | 1 966 | 1 966 |
| Deferred income tax liability | (295) | (295) |
| Decrease of revaluation reserve through statement of comprehensive income | (440) | (440) |
| Revaluation reserve net value at 31 December 2018 | 7 131 | 7 131 |
| Profit (loss), not recognized in statement of comprehensive income, resulted from annual depreciation of revaluated assets | (629) | (629) |
| Revaluation reserve carrying amount as at 31 December 2018 | 6 502 | 6 502 |

21 Grants

Group and Company

| | |
|---------------------------------------------------|------------|
| Balance as at 31 December 2018 | 3 981 |
| Received during the period | 37 |
| Balance as at 31 December 2019. | 4 018 |
| Amortisation during the period | |
| Accumulated amortisation as at 31 December 2018 | 3 363 |
| Amortisation during the period | 131 |
| Accumulated amortisation as at 31 December 2019 | 3 494 |
| Net carrying amount as at 31 December 2019 | 524 |
| Net carrying amount as at 31 December 2018 | 618 |

The grants were received for the renewal of production machinery and repairs of buildings in connection with the elimination of CFC 11 element from the production of polyurethane insulation and filling foam, and for elimination of greenhouse gases in the manufacturing of domestic refrigerators and freezers.

Grants are amortised over the same period as the machinery and other assets for which grants were designated when compensatory costs are incurred. The amortisation of grants is included in production cost against depreciation of machinery and reconstruction of buildings for which the grants were designated.

22 Provisions

The Group provides a warranty of up to 2 years for the sold production. The provision for warranty repairs was accounted for based on the expected cost of repairs and statistical warranty repair rates and divided respectively into non-current and current provisions. Difference between years depends on product and warranty period mix.

Company formed provision for fine from Bank of Lithuania in 2017, amounting to 207 thous. EUR.

| | Group | | Company | |
|---------------------------|------------|------------|------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| As at 1 January | 606 | 618 | 564 | 597 |
| Additions during the year | 275 | 161 | 189 | 140 |
| Utilised | (205) | (173) | (204) | (173) |
| Written off | - | - | - | - |
| As at 31 December | 676 | 606 | 549 | 564 |
| Including: | | | | |
| Non-current | 169 | 146 | 114 | 136 |
| Current | 507 | 460 | 435 | 428 |
| Total | 676 | 606 | 549 | 564 |

23 Non-current and current borrowings

| | Group | | Company | |
|----------------------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| Non-current borrowings | | | | |
| Non-current borrowings with variable interest rate | - | 313 | - | 313 |
| Non-current liabilities to lease companies | 24 | 54 | - | - |
| | 24 | 367 | - | 313 |
| Current borrowings | | | | |
| Current borrowings with variable interest rate | 9 591 | 9 743 | 9 591 | 9 743 |
| Other debt liabilities | 174 | | 174 | - |
| Current liabilities to lease companies | 31 | 29 | - | - |
| | 9 796 | 9 772 | 9 765 | 9 743 |
| | 9 820 | 10 139 | 9 765 | 10 056 |

The main information on individual borrowings is disclosed below:

| Type | Maturity | Group | | Company | | |
|-------------|-------------|------------------------|------------------------|------------------------|------------------------|---------------|
| | | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 | |
| Borrowing 1 | Loan | 2020-12-23 | 9 321 | 9 623 | 9 321 | 9 623 |
| Borrowing 2 | Credit line | 2020-04-10 | 283 | 433 | 283 | 433 |
| | Factoring | | 161 | | 161 | |
| Lease 1 | | 2021-03-26 | 15 | 27 | - | - |
| Lease 2 | | 2021-05-26 | 7 | 11 | - | - |
| Lease 3 | | 2021-08-26 | 7 | 10 | - | - |
| Lease 4 | | 2022-07-11 | 26 | 35 | - | - |
| | | | 9 820 | 10 139 | 9 765 | 10 056 |

The loan 1 bear 1-month EURIBOR + 5.75 annual interest rate as at 31 December 2019 (as at 31 December 2018 the annual interest rate was the same as in 31 December 2019).

As of 31 December 2019 the Company's buildings with the carrying amount of EUR 5,534 thousand (EUR 5,739 thousand as at 31 December 2018), the Group's and Company's machinery and equipment with the carrying amount of EUR 6,636 thousand (EUR 7,773 thousand as at 31 December 2018) were pledged to the banks for the loans. The value of property, plant and equipment is stated after revaluation. According to the annex No.7 to the agreement signed with the bank on 14 August 2019, the entire loan must be repaid by 23 December 2020. Therefore, the entire outstanding loan is accounted for as a current liability in the statement of financial position. In addition, under this agreement, the company's liabilities under the loan agreement 1 were guaranteed by a Russian company related to the shareholders, the maximum amount of the guarantee being EUR 6,890 thousand. Negotiations are underway with the bank to change the loan repayment schedule (Note 34).

The loan 2 has a fixed annual interest rate of 5.0%, subject to a review clause of 6-month EURIBOR + 3.5% bank margin. The Company has pledged its current and future (receivable) funds in all current and future Bank accounts. Maximum value of collateral is agreed at 833 thousand EUR. SEKENORA Holdings Limited also pledged under loan 2 – 4,584 thousand ordinary shares of the Company as collateral, at nominal value 1 375 thousand Eur (Note 1, general information). According to the additional agreement of 23 October 2018 with the bank, the final credit return term – 10 April 2020. On 4 March 2020 the Company signed an additional agreement with the bank on the modification of repayment terms and amounts of the loan2. Under this agreement, the final repayment of the loan is postponed to 10 August 2021 and the periodic repayments of the loan are spread evenly over the entire repayment period.

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

Borrowings at the end of the year in currencies:

| Borrowings denominated in: | Group | | Company | |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| Eurai | 9 820 | 10 139 | 9 765 | 10 056 |
| | 9 820 | 10 139 | 9 765 | 10 056 |

Contractual repayment schedule for borrowings:

| | Group | | Company | |
|---------|---------------------|------------------------|---------------------|------------------------|
| | Fixed interest rate | Variable interest rate | Fixed interest rate | Variable interest rate |
| 2020 m. | - | 9 795 | - | 9 765 |
| 2021 m. | - | 18 | - | - |
| 2022 m. | - | 7 | - | - |
| | - | 9 820 | - | 9 765 |

The fixed interest rates of 3.5% and 3.9% were set to liabilities under lease (financial lease) of the Group.

Future lease payments under lease agreements as at 31 December 2019 and 31 December 2018 are as follows:

| | As at 31 December 2019 | As at 31 December 2018 |
|------------------------------------------------------------|------------------------|------------------------|
| 2019 | | 32 |
| 2020 | 32 | 32 |
| 2021-2022 | 25 | 24 |
| Total liabilities under financial leases | 57 | 88 |
| Interest | (2) | (5) |
| Present value of liabilities under financial leases | 55 | 83 |

| | |
|----------------------------------------------------------|----|
| Liabilities under financial leases are accounted for as: | 55 |
| Current liabilities | 31 |
| Non-current liabilities | 24 |

The Group's assets leased under Financial lease agreements comprise machinery and equipment (in Subsidiary). The leasing period is 5 years.

The carrying amount of the assets acquired under finance lease:

| | As at 31 December 2019 | As at 31 December 2018 |
|-------------------------|------------------------|------------------------|
| Machinery and equipment | 149 | 175 |

24 Non-current employee benefits

As at 31 December 2019 of the Group's and the Company's, the expenses of the one-time payments for leaving employees at a retirement age amounted to EUR 67 thousand and EUR 58 thousand (EUR 15 thousand and EUR 14 thousand as at 31 December 2018).

| | Group | Company |
|-------------------------|------------|------------|
| 31 December 2018 | 316 | 293 |
| Used in 2019 | (67) | (58) |
| Accumulated in 2019 | 17 | 17 |
| 31 December 2019 | 266 | 252 |

Actuarial gains and losses in 2019 and 2018 were insignificant; therefore, they were not separated and presented in other comprehensive income.

The Group and the Company do not have plan to fund defined benefit assets.

25 Lease

The carrying amounts of assets held under a recognized right of use and their movements during the period are as follows:

Company

| | Land | Vehicles | Total |
|-------------------------|------------|-----------|------------|
| 31 December 2018 | | | |
| IFRS 16 effect | - | - | - |
| 1 January 2019 | 115 | 111 | 226 |
| Acquisitions | | | |
| Depreciation expenses | (1) | (42) | (43) |
| 31 December 2019 | 114 | 69 | 183 |

Group

| | Land | Vehicles | Total |
|-------------------------|------------|-----------|------------|
| 31 December 2018 | | | |
| IFRS 16 effect | - | - | - |
| 1 January 2019 | 115 | 111 | 226 |
| Acquisitions | | | |
| Depreciation expenses | (1) | (42) | (43) |
| 31 December 2019 | 114 | 69 | 183 |

The carrying amounts of lease liabilities and their movements during the period are as follows:

| | Company | Group |
|-------------------------|------------|------------|
| 1 January 2019 | 226 | 226 |
| Acquisitions | | |
| Interest increase | (12) | (12) |
| Payments | (99) | (99) |
| 31 December 2019 | 115 | 115 |

The Company and the Group do not have any agreements that provide for the possibility of extension or termination and which are not expected to be exercised or are expected to be exercised.

26 Employee related liabilities

| | Group | | Company | |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| Provisions for holiday payment | 265 | 473 | 250 | 425 |
| Salaries payable | 228 | - | 197 | - |
| Social tax payables | 112 | 204 | 101 | 171 |
| Personal Income tax payables | 73 | - | 65 | - |
| Other | - | 194 | - | 194 |
| | 678 | 871 | 613 | 790 |

27 Profit tax and other current liabilities

| | Group | | Company | |
|-------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| Other taxes: | 14 | 15 | 14 | 15 |
| Other payables and accrued expenses | 375 | 160 | 361 | 158 |
| | 389 | 175 | 375 | 173 |

28 Basic and diluted profit (loss) per share

Calculation of basic and diluted earnings per share is presented below::

| | Group | | Company | |
|-----------------------------------------------------------------------------|---------------|-------------|----------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Weighted average number of ordinary shares | 39 622 | 39 622 | 39 622 | 39 622 |
| Net profit (loss) for the year, attributable to the shareholders of Company | (1 681) | 822 | (966) | 266 |
| Basic profit (loss) per share, in EUR | (0,04) | 0,02 | (0,03) | 0,01 |

Financial instruments

Overview

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

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

Credit risk

As at 31 December 2019 and 2018, the maximum exposure to credit risk is represented by the carrying amount of each financial asset, consequently, the Group's and the Company's management considers that its maximum exposure is reflected by the amount of loans receivable from related parties, trade and other receivables, net of impairment allowance, and the amount of cash and cash equivalents recognised at the date of the statement of financial position. Credit risk or risk that a counterparty will not fulfil its obligations, is controlled by credit terms and monitoring procedures, using services of external credit insurance and debt recovery agencies.

As at 31 December, the credit risk was related to:

| | Group | | Company | |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| Loans receivable from related parties | 190 | - | 190 | - |
| Trade receivables | 4,241 | 5,748 | 4,145 | 5,628 |
| Cash and cash equivalents | 138 | 354 | 98 | 336 |
| | 4,569 | 6,102 | 4,433 | 5,964 |

As at 31 December 2019, as at 31 December 2018, the main part of the loans granted consists of the loan granted to intermediate shareholder.

The concentration of the Group's and the Company's trade partners and the largest credit risk related to trade receivables as at the reporting date are disclosed below:

AKCINĖ BENDROVĖ SNAIGĖ, company code 249664610, Pramonės St. 6, Alytus, Lithuania
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are in EUR thousand unless otherwise stated)

| | Group | | | | Company | | | |
|---------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | 2019 | % | 2018 | % | 2019 | % | 2018 | % |
| Client 1 | 545 | 10 | 1 049 | 15 | 545 | 10 | 1 049 | 16 |
| Client 2 | 346 | 6 | 507 | 8 | 346 | 7 | 507 | 8 |
| Client 3 | 328 | 6 | 367 | 5 | 328 | 6 | 367 | 6 |
| Client 4 | 254 | 5 | 273 | 4 | 254 | 5 | 273 | 4 |
| Client 5 | 233 | 4 | 236 | 4 | 233 | 4 | 236 | 4 |
| Client 6 | 199 | 4 | 228 | 3 | 199 | 4 | 228 | 3 |
| Client 7 | 186 | 3 | 216 | 3 | 186 | 4 | 216 | 3 |
| Other clients | 3 368 | 62 | 3 949 | 58 | 3 163 | 60 | 3 732 | 56 |
| Impairment | (1 218) | | (1 077) | | (1 109) | -- | (980) | -- |
| Total | 4 241 | 100 | 5 748 | 100 | 4 145 | 100 | 5 628 | 100 |

Trade receivables according to geographic regions:

| | Group | | Company | |
|---------------------|--------------|--------------|--------------|--------------|
| | 2019 m. | 2018 m. | 2019 m. | 2018 m. |
| Western Europe | 1 256 | 2 345 | 1 253 | 2 306 |
| Central Europe | 1 009 | 1 028 | 1 009 | 1 028 |
| Ukraine | 989 | 962 | 989 | 962 |
| Lithuania | 521 | 989 | 428 | 908 |
| Other CIS countries | 248 | 264 | 248 | 264 |
| Other Baltic States | 40 | 91 | 40 | 91 |
| Russia | 152 | 69 | 152 | 69 |
| Other | 26 | - | 26 | - |
| | 4 241 | 5 748 | 4 145 | 5 628 |

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

In 2019, 38,7 % and 39,9 % of sales of the Group and the Company respectively were directed to Western Europe, (in 2018, respectively 38,9 % and 41,9 %) and 20,7 % and 21,5 % were directed to Ukraine (in 2018 respectively 16,0 % and 17,4 % of sales). As at 31 December 2019, the Group's and the Company's amounts receivable for items sold in Western Europe and Ukraine, less impairment losses were equal to EUR 1,256 thousand and EUR 1,253 thousand, and in Ukraine respectively EUR 989 thousand and EUR 989 thousand (as at 31 December 2018, EUR 2,345 thousand and EUR 2,306 thousand and Ukraine 961 and 962 respectively).

Although management considers that it takes all necessary measures under current circumstances to maintain stable business of the Group and the Company, the persistent instability of business environment could unpredictably affect the performance of the Group and the Company and their financial position. As at 31 December 2019, having assessed the risks, the Group and the Company recognised impairment allowance of EUR 1,218 thousand and 1,109 thousand for receivables (as at 31 December 2018, EUR 1,077 thousand and EUR 980 thousand). These financial statements reflect the current management's estimate related to the effect of the business environment on the Group's and the Company's activities and financial position. The future business environment might differ from the management's estimates

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

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

Trade receivables from the Group in the amount of EUR 1,902 thousand as at 31 December 2019 (EUR 2,900 thousand as at 31 December 2018) were insured with credit insurance by Atradius Sweden Kreditförsäkring Lithuanian branch. Trade receivables from Ukraine, Moldova, Russia and other CIS countries were not insured.

The delay analysis of trade receivables, less impairment losses, as at 31 December 2019 and 2018 is as follows:

Group, debt limitation

| | Trade receivables neither past due nor impaired | Trade receivables past due but not impaired | | | | | Total |
|-------------|-------------------------------------------------|---------------------------------------------|------------|------------|-------------|--------------------|-------|
| | | Less than 30 days | 30–60 days | 60–90 days | 90–120 days | More than 120 days | |
| 2019 | 3 304 | 590 | 56 | 121 | 29 | 141 | 4 241 |
| 2018 | 4 397 | 987 | 181 | 106 | 16 | 61 | 5 748 |

Company, debt limitation

| | Trade receivables neither past due nor impaired | Trade receivables past due but not impaired | | | | | Total |
|-------------|-------------------------------------------------|---------------------------------------------|------------|------------|-------------|--------------------|-------|
| | | Less than 30 days | 30–60 days | 60–90 days | 90–120 days | More than 120 days | |
| 2019 | 3 323 | 542 | 31 | 106 | 27 | 116 | 4 145 |
| 2018 | 4 378 | 938 | 151 | 104 | 14 | 43 | 5 628 |

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents by using cash flows statements with liquidity forecasting for future periods. The statement comprises predictable operating cash flows and effective planning of cash utilisation. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets - inventory) / total current liabilities) ratios as at 31 December 2019 were 0.50 and 0.30 respectively (0.61 and 0.44 as at 31 December 2018 respectively). The Company's liquidity and quick ratios as at 31 December 2019 were 0.49 and 0.29 respectively (0.53 and 0.35 as at 31 December 2018, respectively). Decrease of these ratios is mainly related to bank loan reclassification (Note 23).

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

The table below summarises the maturity profile of the financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments.

Group

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total | Carrying amount |
|---------------------------------------|---------------|--------------------|----------------|--------------|-------------------|---------------|-----------------|
| Interest bearing loans and borrowings | - | 412 | 9 384 | 139 | - | 9 935 | 9 935 |
| Trade and other payables | 3 005 | 3 012 | 50 | 62 | - | 6 129 | 6 129 |
| Balance as at 31 December 2019 | 3 005 | 3 424 | 9 434 | 201 | - | 16 064 | 16 064 |
| Interest bearing loans and borrowings | 9 623 | 37 | 112 | 367 | - | 10 139 | 10 139 |
| Trade and other payables | 2 474 | 4 969 | 65 | - | - | 7 508 | 7 508 |
| Balance as at 31 December 2018 | 12 097 | 5 006 | 177 | 367 | - | 17 647 | 17 647 |

Company

| | On demand | Less than 3 months | 4 to 12 months | 1 to 5 years | More than 5 years | Total | Carrying amount |
|---------------------------------------|---------------|--------------------|----------------|--------------|-------------------|---------------|-----------------|
| Interest bearing loans and borrowings | - | 405 | 9 360 | 115 | - | 9 880 | 9 880 |
| Trade and other payables | 2 940 | 3 120 | 32 | 62 | - | 6 154 | 6 154 |
| Balance as at 31 December 2019 | 2 940 | 3 525 | 9 392 | 177 | - | 16 034 | 16 034 |
| Interest bearing loans and borrowings | 9 310 | 30 | 90 | 313 | - | 9 743 | 9 743 |
| Trade and other payables | 2 500 | 4 953 | 66 | - | - | 7 519 | 7 519 |
| Balance as at 31 December 2018 | 11 810 | 4 983 | 156 | 313 | - | 17 262 | 17 262 |

The presentation of interest bearing loans and borrowing were restated by the Group and the Company due to regulator requirements. The loans were presented as payable on demand.

The interest payments on variable interest rate loans in the table above are calculated based on the average market interest rates at the period end, and these amounts may change as market interest rates change.

Interest rate risk

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

As at 31 December 2019 and 2018 the Group and the Company did not use any financial instruments to hedge against interest rate risk.

Sensitivity of Group and Company profit before taxes with respect to possible interest rate movements is not substantial. Other effect to Company and Group equity is not possible except via profit.

Foreign exchange risk

There were no derivative foreign currency transactions made in 2019 and 2018.

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2019 and 2018 were as follows:

| | 2019 | | 2018 | |
|--------------|--------------|---------------|--------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| EUR | 4 302 | 15 835 | 6 062 | 17 638 |
| USD | 77 | 22 | 40 | 9 |
| Other | - | - | - | - |
| Total | 4 379 | 15 857 | 6 102 | 17 647 |

Monetary assets and liabilities of the Company denominated in various currencies as at 31 December 2019 and 2018 were as follows:

| | 2019 | | 2018 | |
|--------------|--------------|---------------|--------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| EUR | 4 166 | 15 816 | 5 923 | 17 565 |
| USD | 77 | 22 | 40 | 9 |
| Total | 4 243 | 15 838 | 5 963 | 17 574 |

Capital management

The Group and the Company manage share capital, legal reserves, reserves, foreign currency translation, revaluation reserves and retained earnings as capital. The primary objective of the Group's and the Company's capital management

is to ensure that the Group and the Company comply with the externally imposed capital requirements and to maintain appropriate capital ratios in order to ensure their business and to maximise the shareholders' benefit.

The Group and the Company manage their capital structure and make adjustments to it in the light of changes in the economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company is obliged to keep its equity not lower than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2019 and 2018 the Group and the Company complied with this requirement.

30 Commitments and contingencies

The tax authorities may at any time perform investigation of the Company's accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties. Management of the Company is not aware of any circumstances which would cause calculation of additional significant tax liabilities.

In 2013 the Company had a heating power purchase agreement; based on the agreement, the Company is obliged, for the 10-year period, to purchase 6,000 Kwh of heating power each year. If the Company fails to purchase the agreed quantity of power or in case of agreement termination, the fine from EUR 579 thousand in the first year of the agreement to EUR 58 thousand in the tenth year of the agreement shall be imposed. The Company complied with its contractual liabilities.

31 Related party transactions

According to IAS 24 *Related Party Disclosures*, the parties are considered related when one party can unilaterally or jointly control other party or have significant influence over the other party in making financial or operating decisions or operation matters, or when parties are jointly controlled and if the members of management, their relatives or close persons who can unilaterally or jointly control the Company or the Group or have influence on it. To determine whether the parties are related the assessment is based on the nature of relation rather than the form.

The controlling parties of the Group during 2019 and 2018 were as follows:

UAB Vaidana (former controlling party 2018);
Hymana Holdings Ltd. (former controlling party 2018);
Sekenora holdings limited (the parent)

The Group has a policy to conduct related party transactions on commercial terms and conditions. Outstanding balances at the year-end are unsecured, interest-free, except the loan granted. As at 31 December 2018 and 31 December 2017 the Group has not formed any impairment allowances for doubtful debts, related to receivables from related parties for sales and provided services. Doubtful receivables are tested each year by inspecting the financial position of the related party and assessing the market in which the related party operates.

Financial and investment transactions with the related parties over the year:

| | 2019 | | | | 2018 | | | |
|------------------------------------------------|----------------|-------------------|---------------|-----------------|----------------|-------------------|---------------|-----------------|
| | Loans received | Interest expenses | Loans granted | Interest income | Loans received | Interest expenses | Loans granted | Interest income |
| Companies, controlled by ultimate shareholders | - | - | - | - | - | - | - | - |
| Controlling parties | - | - | - | - | - | - | - | 451 |
| | - | - | - | - | - | - | - | 451 |

| 2019 | | | | |
|------------------------------------------------|------------------|--------------|--------------------|-----------------|
| | Purchases | Sales | Receivables | Payables |
| Companies, controlled by ultimate shareholders | - | 25 | 225 | - |
| Controlling parties | - | - | - | - |
| Total | - | 25 | 225 | - |

| 2018 m. | | | | |
|------------------------------------------------|------------------|--------------|--------------------|-----------------|
| | Purchases | Sales | Receivables | Payables |
| Companies, controlled by ultimate shareholders | 1 440 | 24 | 4 | 171 |
| Controlling parties | - | - | - | - |
| Total | 1 440 | 24 | 4 | 171 |

The Company's transactions carried out with subsidiaries:

| | Purchases | | Sales | |
|---------------------|------------------|-------------|--------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Subsidiaries | 191 | 188 | 109 | 113 |

The Company has a policy to conduct transactions with subsidiaries on contractual terms. The Company's transactions with subsidiaries represent acquisitions and sales of raw materials and finished goods and acquisitions of marketing services, as well as acquisitions of property, plant and equipment. Outstanding balances at the year-end are unsecured, receivables are interest-free and settlement occurs at bank accounts. There were no pledged significant amounts of assets to ensure the repayment of receivables from subsidiaries.

The carrying amount of loans and receivables from subsidiaries as at 31 December in the statement of financial position:

| | 2019 | 2018 |
|--------------------------------------|-------------|-------------|
| Non-current receivables | | |
| Subsidiaries | - | - |
| Total non-current receivables | - | - |
| Current receivables | | |
| Subsidiaries | 24 | 28 |
| Total current receivables | 24 | 28 |

The delay analysis of receivables from subsidiaries and granted loans during the period as at 31 December:

| | Receivables from subsidiaries and granted loans neither past due nor impaired | Receivables from subsidiaries and granted loans past due but not impaired | | | | | Total |
|-------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------|-------------------|--------------------|---------------------------|--------------|
| | | Less than 30 days | 30–60 days | 60–90 days | 90–120 days | More than 120 days | |
| 2019 | 24 | - | - | - | - | - | 24 |
| 2018 | 28 | - | - | - | - | - | 28 |

Payables to subsidiaries as at 31 December (included under the trade payables caption in the Company's statement of financial position).

| | <u>2019</u> | <u>2018</u> |
|---------------------|-------------|-------------|
| Subsidiaries | <u>108</u> | <u>168</u> |

Remuneration of the management and other payments

Remuneration of the Group management amounted to EUR 1,045 thousand (23 employees) during the twelve months of 2019, in 2018 - EUR 946 thousand (23 employees). The management of the Group did not receive any other loans, guarantees; no other payments or property transfers were made or accrued.

32 Regulatory oversight actions regarding Company's and Group's compliance with IFRS

AB Snaigė in 2018 February 1 has received a decision No. 241-19 dated 29 January adopted by the director of the Supervision Service of the Bank of Lithuania (hereinafter – Decision), which states:

1. To oblige AB Snaigė to promptly, but not later than within 24 hours after receipt of this resolution, to make public a notice of material event, i.e. about this resolution of the Director of the Supervision Service of the Bank of Lithuania, indicating:

1.1 That pursuant to a resolution of the Director of the Supervision Service of the Bank of Lithuania, AB Snaigė was imposed a fine of EUR 207,250.00 (two hundred seven thousand two hundred fifty) for a violation of Article 22 of the Law on Securities of the Republic of Lithuania and for failure to comply with the mandatory instructions of the Bank of Lithuania;

1.2. That AB Snaigė financial statements of 2016 do not comply with IAS 1 'Presentation of Financial Statements', IAS 16 'Property, Plant and Equipment', and IAS 39 'Financial Instruments: Recognition and Measurement' requirements;

1.3. The impact of violations on the financial statements:

1.3.1. receivables from affiliated companies (at the end of 2015 – EUR 9.8 million, at the end of 2016 – EUR 10.64 million) showed signs of impairment that were not assessed and no present value of the receivables was calculated and therefore no precise impact on the Company's financial position and financial results can be established, but if the present value of receivables from related companies was lower than the carrying amount of that sum, AB Snaigė assets and unallotted result for 2015 and 2016 would be reduced;

1.3.2. in 2016, AB Snaigė, in breach of international accounting standards, used part of revaluation reserve to cover accumulated losses, therefore the revaluation reserve of AB Snaigė unlawfully decreased by EUR 3.17 million;

1.3.3 while preparing the financial statements for 2016, AB Snaigė did not assess significant uncertainties that might have raised doubts about the Company's business continuity and did not disclose this information in the financial statements;

1.4. The date when the financial statements will be corrected, evaluated and made public;

1.5. That the members of the management bodies of the Company did not comply with the principles established in the Management Code of companies listed in NASDAQ Vilnius, and therefore AB Snaigė did not publicly disclose information on compliance with the principles and standards of the Code in 2016. The directors of AB Snaigė did not act in the interests of all the shareholders and the Company because:

- Companies affiliated with the controlling shareholder received EUR 11.92 million worth of loans by 30 September 2017, by the decision of the Company's directors for which the Company does not pay accrued interest on loans (since mid-2012). The Company's money is not used to increase the value of the Company and to the benefit of all the shareholders, while the controlling shareholder can use the money received for his or her own needs and benefit from it. In addition to that, by the decisions of the Company's directors, the Company has taken a loan from a bank for the benefit of companies affiliated with the controlling shareholder, for which interest is paid from the Company's funds.

- On the proposal of the Company's Board, in breach of legal requirements and in violation of the provisions of IAS 16, by decision of the General Meeting of Shareholders, the revaluation reserve was reduced by EUR 3.17 million and became such, that in the event of certain market developments or other factors that would result in impairment of property, plant and equipment, it may not be sufficient to cover the decrease in the value of the asset, and by recording it directly in the profit (loss) statement it would reduce the profit earned by the Company or increase the losses incurred.

- Company's accumulated losses were offset by non-compliance with legal requirements and in violation of the provisions of IAS 16, but by the decision of the Company's Board, it was proposed to the General Meeting of Shareholders to pay dividends. Heads of the Company failing to comply with the mandatory instructions of the Bank of Lithuania – not justifying the recapture of receivables from affiliated companies that had signs of impairment and unlawfully eliminating accumulated

losses of the Company, i.e. not assessing the financial position and performance of the Company, if they were included in the accounting according to the requirements of international accounting standards, proposed to the Company's General Meeting of Shareholders to decide on the payment of dividends. Thus, the Heads of the Company offered to the shareholders of the Company to make a decision regarding the payment of dividends without having prepared financial statements that would present a true and fair view. The companies affiliated with the controlling party were allocated EUR 0.87 million dividends (91.1% of the total amount of allocated dividends), but although the Company stated that the receivables from affiliated companies may be recovered through paid dividends, the amounts paid were not returned to the Company. The Bank of Lithuania has concluded that the above-mentioned violations violate the essential requirements of the law, violations have been made for the benefit of the controlling shareholder and violate the interests of the Company itself and its minority shareholders.

According to this decision, mature event was announced on 1 February 2018, and formed provision for fine at 2017 207 thous. EUR. The company also appealed against this decision to the court in accordance with the procedure provided for in Lithuanian legal acts, but the court dismissed the appeal on 1 April 2020 (Note 34).

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

Company's management opinion and taken actions

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

As for receivables, the management notes that related parties are direct and indirect holders of 91.1% shares in the Company. The management developed estimation of recoverable amount of the loans receivable based on estimated future cash flows. Estimation of the future cash flows from repayment of the loans is based on forecasted dividend flows from the Company. In forecasting future dividend available the Management made reliable assumptions regarding level of EBITDA to be achieved in forthcoming years, and these assumptions showed most exact available view of the situation in the market and business sector. Dividends were paid in 2017, which was in line with estimations before. But in second half of 2017, new circumstances appeared, and these were not possible to assess properly earlier, when preparing reports (such as very minor level of dividends to be returned as loan repayment in 2017, world prices for raw materials increase extremely high and unfavourable market position, which led to much worse result in 2017). In line with new information, impairment of loans was recognized in 2017.

According to Bank of Lithuania, Company increase authorised capital from revaluation reserve unlawfully. The management notes that such possibility is clearly stated in Law on Companies of Lithuania, and Company took all necessary action to make this process clear and lawful. No loss was directly covered from revaluation reserve. Furthermore, IAS 16 does not forbid such actions as well. However, taken into account the view of regulator (which was not know before actions and regulator decision), the Management of the Company asked the shareholders to decrease share capital in favour of revaluation reserve by 3.17 mln EUR. Such decision was adopted and will be implemented in line with and according to laws of Lithuania.

Implementing the decision of Supervisory Service of the Bank of Lithuania on compliance with IAS 16, Ordinary General Meeting of shareholders, held on 30 April 2018, and Non-ordinary General Meeting of shareholders, held on 1 October 2018, decided to reduce the company's authorized capital from EUR 11,886,718.50 to EUR 8,320,702.95 and to increase the revaluation reserve by EUR 3,566,015.55 by the amount of reduced authorized capital. On 6 December 2018, notary refused to approve changed articles of the Company. After discussins with the Supervision Service of the Bank of Lithuania, Company once more addressed other notary to to approve changed articles of the Company. On 19 February 2019, Company received refusal of the notary to register documents, and applied to the Court. On 29 March 2019, District Court of Vilnius City decided to suspend examination of the civil case regarding Snaigė AB complaint on notarial acts until Snaigė

AB complaint concerning partial revocation of the director of the Supervision Service of the Bank of Lithuania adopted decision No. 241-19 dated 29 January 2018 on imposition of certain measures with respect to Snaigė AB will be solved in administrative case.

According to Bank of Lithuania, named violations were made in favour of main shareholder and in violation of Company interests. The Management of the Company believes all procedures were done correctly without any violations of the interests of any shareholder or stakeholder. Share nominal value was decreased proportionally to all shareholders, therefore any changes in asset value were not done to any shareholder, none of them because of this action appeared to have more or less than before. In addition, the Company's shareholders and other interested parties were duly informed of all the above corporate actions and loans to persons related to the controlling person by providing detailed information to the public, i.e. through a regulated stock exchange and in the 2016 and previous financial statements, and in the case of corporate decisions, also through public announcements. Therefore, all interested parties had sufficient information to be able to assess the above actions. The Company has not received any questions or requests related to any of the above actions, therefore the Company reasonably believes that the interests of all shareholders were properly represented, in accordance with the principle of equivalence and acted as a legal entity and the Corporate Governance Code of NASDAQ Vilnius AB principles and information on how the 2016 compliance with the principles and standards of the Code has been properly disclosed.

33 The impact of the pandemic COVID-19

Responding to the situation in the country, AB "Snaigė" has taken all necessary and recommended measures to protect the company's employees, clients and partners. At the time of issue of the Statements the Company is able to fulfill the orders placed and is fulfilling them, however, there exist additional risks to the company's operations:

- exports of products, which make up more than 90 percent of the Company's portfolio, may be disrupted if other countries further restrict or forcibly stoppage of the activities of the Company and the Group's partners. In the event of suspension of most trading partners, there is a risk of suspension also the Company's operations until the situation changes.
- the supply of basic raw materials from EU countries, disruption of traffic between European countries or EU members, further restriction or forced suspension of the Company's and the Group's partners activities, may also be disrupted, which risks reducing the Company's operations until the situation changes.
- If Lithuania or other countries further restrict or force the activities of the Company's and the Group's partners, there is a risk that the partners will not be able to meet their financial obligations in a timely and complete manner, what may disrupt the Company's and the Group's cash flows.
- If the Lithuanian authorities adopt even stricter operating restrictions on the Company's activities or sector due to the pandemic, the activities of the Company and the Group may be forcibly suspended.

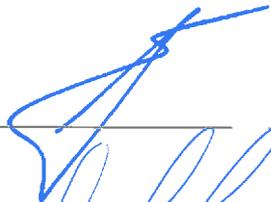
It is not yet possible to assess the extent to which the Company's and the Group's results will be affected, as neither the duration of the pandemic and related restrictions nor the exact impact on the Company's and the Group's operations are clear.

34 Subsequent events

On 1 April 2020, the Supreme Administrative Court of Lithuania dismissed the Company's appeal against the decision of the Vilnius Regional Administrative Court of 8 October 2018 in an administrative case against the Company's complaint to the respondent Bank of Lithuania on the Decision No. 241-19 of 29 January 2018 „Regarding the application of the sanction to AB Snaige" (Note 32).

On 4 March 2020, the Company signed an additional agreement with the Bank on changing the repayment terms and amounts of Loan 2 (Note 23). Under this agreement, the final repayment of the loan is postponed to 10 August 2021, and the periodic repayments of the loan are spread evenly over the entire repayment period of the loan.

Negotiations are underway with the financing bank to change the repayment schedule of Loan 1 (Note 23). The bank informed the Company about internal Bank decision to adjust payment schedule within the year. Corresponding credit agreement changes will be signed in near future.

| | | | |
|--------------------------|----------------------------|------------------------------------------------------------------------------------|----------------------|
| <u>Managing Director</u> | <u>Mindaugas Sologubas</u> |  | <u>24 April 2020</u> |
| <u>Chief Accountant</u> | <u>Vytautas Adomaitis</u> |  | <u>24 April 2020</u> |

**AB „SNAIGĒ“
CONSOLIDATED ANNUAL REPORT**

2020-04-24

Confirmation of responsible persons

Members of the Company's management bodies, employees and the head of administration and the Company's consultants, responsible for preparation of the consolidated annual report and the consolidated financial statements for 2019, confirm that, to their knowledge, the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are accurate and present fairly the assets, liabilities, financial position, profit or loss of the Company and the consolidated entities, and that the consolidated annual report correctly presents an overview of business development and operations, the condition of the Company and its consolidated companies together with a description of main risks and uncertainties encountered.

Managing Director of AB SNAIGE

Mindaugas Sologubas

Chief Accountant of AB SNAIGE

Vytautas Adomaitis

Report prepared:

24 of April, 2020

Place of preparation of the report:

AB Snaigė, Pramonės str. 6, Alytus

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1 GENERAL INFORMATION ABOUT AB SNAIGĖ

1.1 Reporting period for which the annual report is prepared

Annual report is prepared for year 2019.

1.2 Basic information about the company

The name of the Company – AB SNAIGĖ (hereinafter referred to as the Company)

Authorised capital as of 31 December 2019 – EUR 10,301,822.70

Address – Pramonės str. 6, LT-62175 Alytus

Phone – (315) 56 206

Fax – (315) 56 207; (315) 56 269

E-mail – snaige@snaige.lt

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

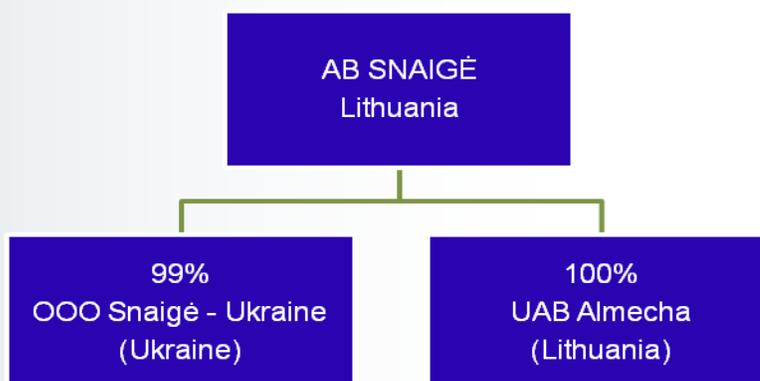
Legal organisation status – legal entity, public limited company

Registered as a Public Enterprise of the Republic of Lithuania (hereinafter referred to as LR) on 1 December 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Articles of Association of AB Snaigė were registered on 24 September 2019 in Alytus Department of the Register of Legal Entities of the Republic of Lithuania.

1.3 The type of the Company's main business activities

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

1.4. The Company's group structure



1.4.1 Information about the Company's subsidiaries

The Company's group consists of the refrigerator manufacturer AB Snaigė, based in Alytus, and the following subsidiaries:

- UAB Almecha. Main activity – manufacturing of miscellaneous machinery and equipment. The enterprise was registered in November 2006. Address: Pramonės str.6 Alytus, Lithuania.

OOO Snaigė-Ukraine. Main activity – sales of refrigeration appliances, sales, consulting and services. The enterprise was registered in November 2002. Address: Grushevski str.28-2a/43 Kiev, Ukraine

1.5 Information about the Company's offices and affiliates

The Company has no offices and affiliates.

1.6 Short history of the Company's activities

- 1963 - The Company produced its first 25 refrigerators;
- 1975 – Over 1 million refrigerators manufactured by this year;
- 1983 – The Company started export to foreign countries.
- 1990 – The Company has come under the control of the Republic of Lithuania;
- 1992 – The Company has been privatised and registered as a public limited liability the Company;
- 1995 – The Company was retooled. Use of Freon in the manufacture of refrigerators is discontinued. All the Company's products are manufactured only from ecologically clean materials;
- 1997 – The Company has achieved ISO 9001 certification for implementing international quality management standards;
- 2000 – The Company's quality management system was successfully re-certified for ISO 9001;
- 2001 – The Company has achieved ISO 14001 certification for implementing an environmental management system;
- 2002 – The Company started to produce a refrigerator with R600a environmentally friendly refrigerant; Started A + energy efficiency refrigerator production; Snaigė become EU project "Energy +" participant.;
- 2003 - A + Grade energy efficiency fridge Snaigė RF310 won the LCI contest "Product of the Year" Gold Medal;
- 2004 – The Company opened its new plant in Kaliningrad;
- 2006 – The Company acquired 100% of the capital of the Russian wholesale and retail Company Liga Service;
- 2006 - Snaigė has made its 10 millionth refrigerator;
- 2006 - Display-Cooler Snaigė CD480 awarded by golden medal in annual competition "Lithuanian product of the Year";
- 2006–2007 Snaigė recognised as the most innovative Lithuanian Company;
- 2007 - The Company's environmental management system ISO 14001 successfully certificated;
- 2007 – Snaigė Alytus plant started serial production of new line models "Snaigė ICE LOGIC" production;
- 2007 - Refrigerator Snaigė ICE LOGIC RF34SH A+ awarded "Product of the Year" gold medal;
- 2008 Snaigė ICE LOGIC RF31SM A+ was assessed as the "Product of the Year" and awarded a gold medal;
- 2008 - Snaigė awarded for "Innovation Award";
- 2009 - The loss of production and devaluation of the ruble conditioned to close the Company's factory in Kaliningrad;
- 2010 - AB Snaigė's environmental protection and occupational safety and health management systems have been successfully re-certified for a new three-year period;
- 2010 - Refrigerator Snaigė ICE LOGIC RF34SM A++ awarded by golden medal in annual competition "Lithuanian product of the Year".
- 2011 - Refrigerator Snaigė ICE LOGIC Glassy RF34SM A++ awarded by golden medal in annual competition "Lithuanian product of the Year".
- 2011 Russian company Polair, indirectly acting through UAB VAIDANA, acquired 59.86% of all shares of the Company.
- 2013 - Snaigė received the Lithuanian Exporter of the Year Award.
- 2013 - Snaigė won within category „The Innovative company“ and was awarded with the „Innovation Prize 2013“.
- 2013 - the first Lithuanian refrigerator RF34NM with frost-free "No Frost" refrigeration system is ready and launched on the market.
- 2013 - Snaigė ICE LOGIC Glassy "Side by side" refrigerator C 29SM - freezer F 22SM A++ is awarded by golden medal in annual competition "Lithuanian product of the Year".
- 2013 - production of the highest energy efficiency class A +++ refrigerator Snaigė ICE LOGIC RF34SM is ready.
- 2013 - AB Snaigė participated in the project for small and medium business "Gazelė 2013" organized by "Verslo žinios" and is recognized as one of the most successful and fastest growing Lithuanian companies.
- 2014 - Refrigerator Snaigė NO FROST RF34 awarded by golden medal in annual competition "Lithuanian product of the Year".

- 2015 - in September, the Company attended the international trade show for home appliances IFA 2015 in Berlin where it presented its latest products. SNAIGÉ's stand attracted much interest from both the attendees of the trade fair and the potential clients. What is more, a fridge upholstered in faux crocodile leather raised great interest from the journalists of the international newspaper and portal USA TODAY.
- In 2015, the Company launched a new commercial display fridge CD40.
- In 2015, AB Snaigé launched its trading operations and successfully positioned itself in Norway, Sweden, Israel, Georgia and Azerbaijan.
- In 2015, the Company introduced its customers to a few new and unique products: luxurious double fridge-freezers with glass surface doors RF34TWINS and a single-door fridge C31 welcomed by the buyers in France and across the Scandinavian countries, along with new products: cooler C 31 and freezer F 27 combination with glass surface doors.
- In 2015, existing fridges had enhancements: electronic controls in SNAIGÉ Ice Logic fridge-freezers, introduced.
- In 2015, the mass production of fridges with a freezer at the bottom RF31/RF36 A++ with partial NO FROST system was launched.
- In 2015, the design of the Young and the Premium refrigerators was implemented for Polish manufacturer AMICA “.
- In 2016, AB Snaigé fridges climbed to the top of the Lithuanian market. The Company had an 18% share of the refrigerator market.
- In 2016, the Company launched its export operations to Jordan.
- In 2016, the Company launched its cooperation with one the major Czech home appliance retail chain FAST.
- In 2016, the Company's products were presented in three trade shows in the Czech Republic held by the Company's trade partners.
- In 2017, AB Snaigé developed two new refrigerator design lines SNAIGÉ Fresh Inn and SNAIGÉ Retro and prepared them for mass production.
- In 2017, AB Snaigé took part in a trade show for home appliances in the Czech Republic.
- In 2017, the Company began trading in Belarus.
- In 2018, the Company's business was repeatedly awarded the ISO 9001 certificate.
- In 2018, the mass production of the new design lines SNAIGÉ Fresh INN and SNAIGÉ Retro was launched.
- In 2018, Snaigé's own stand was opened in a store owned by the Bulgarian home appliance chain Technopolis.
- 2019 - a 700 l commercial refrigerator was developed.
- 2019 - an inverter compressor has been introduced in refrigerators with a frost-free refrigeration system.

1.7 Mission. Vision. Values.

Mission

Our Mission is to develop financially disciplined business that provides consumers with good value and quality products and our shareholders with top-tier returns on their investments.

Vision

To become the most reliable home appliances brand for consumers in the Eastern Europe and the preferred choice for OEM supplier in the Western Europe.

Values

Open minded Trustworthy Teamwork Flexibility

1.8 List of the most important events in 2019 .

- The General Director of AB SNAIGÉ has changed. Gediminas Čeika was replaced by the former CFO of AB SNAIGÉ Mindaugas Sologubas
- A 700 l commercial refrigerator has been developed
- A project for a professional refrigeration equipment “block system” has been prepared
- A project for the installation of an electronic control unit on the doors of refrigerator has been prepared
- An inverter compressor has been introduced in refrigerators with a frost-free refrigeration system

- Serial production of a new modification wine refrigerator has started
- A climate class modification of FR240 / FR 275 T has been developed for the Moroccan market

2. AB SNAIGĖ GOVERNANCE AND MANAGEMENT

2.1 The Company's Management bodies

2.1.1 Management bodies

Management bodies:

- General shareholders meeting;
- The management board is formed of five members and elected for the period of 4 years;
- Head of the Company – Managing Director.

The calling of general shareholder meeting, the competence of the meeting has no differences from the procedures and competences indicated in the Law on Companies of Republic of Lithuania.

The management board is elected and resigned by general shareholders meeting according to the procedures indicated by the Law on Companies. The management board has a right to take decision to issue bonds. The competence of the management board has no other differences from the competences indicated in the Law on Companies. The work procedures of the management board are set by the board's work rules of procedure.

The competence of the head of the Company, his nomination and resignation procedures are not different from those indicated in the Law on Companies.

The Company has the audit committee which is the operating collegial administrative body and which was elected by shareholders in 2009. The audit committee is operating by audit committee's labour regalement. During the General Meeting of Shareholders held in 2019, the shareholders appointed two elected independent members of the Board to the Audit Committee and authorized the Board of the Company to appoint members to the Audit Committee in the future.

2.1.2 Legal basis of the Company's operations

AB Snaigė uses the Company's articles of association, Law on Companies of the Republic of Lithuania, other legal acts issued by the Republic of Lithuania and European Union as legal guidelines for operations.

2.2 Corporate governance bodies

2.2.1 Information about the members of management bodies with regard to the share of the Company's authorized capital

| NAME | Position | Available number of shares, units | Share capital, per cent | Votes, per cent |
|-----------------------------------------------------------------------|---------------------------------|-----------------------------------|-------------------------|-----------------|
| BOARD | | | | |
| Aleksey Kovalchuk | AB Snaigė chairman of the board | - | - | - |
| Oleg Tsarkov | AB Snaigė member of the board | - | - | - |
| Konstantin Kovalchuk | AB Snaigė member of the board | - | - | - |
| Igor Zentsov | AB Snaigė member of the board | - | - | - |
| Anna Korneeva | AB Snaigė member of the board | - | - | - |
| ADMINISTRATION (Managing Director and Chief Financial Officer) | | | | |
| Mindaugas Sologubas | AB Snaigė Managing Director | - | - | - |

| | | | | |
|--------------------|----------------------------|---|---|---|
| Vytautas Adomaitis | AB Snaigė Chief Accountant | - | - | - |
|--------------------|----------------------------|---|---|---|

2.2.2 Information on the management bodies involvement in other companies, institutions and organizations

Participating in other companies activities and interests (31 December 2019):

| Name | Name of organisation, position | Share of the capital and votes available in other companies, in percentage |
|---------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Aleksey Kovalchuk | Does not participate in other Lithuanian companies activities and interests | - |
| Oleg Tsarkov | Does not participate in other Lithuanian companies activities and interests | - |
| Igor Zentsov | Does not participate in other Lithuanian companies activities and interests | - |
| Anna Korneev | Does not participate in other Lithuanian companies activities and interests | - |
| Mindaugas Sologubas | UAB Almecha member of the board | - |
| | Association EPA member of the board | - |
| | UAB Verslo Architektūra Managing Director | 100 % |

2.2.3 Chairman of the board, head of administration and chief financial officer

| Name | Education, profession | Workplaces in the last 10 years and positions in them |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aleksey Kovalchuk | Finance Academy under the Government of the Russian Federation | Managing Director of OAO Polair 2009–2013 Managing Director of ZAO Polair-Nedvizhimost Advisor JSC AVIKON |
| Mindaugas Sologubas | Stockholm School of Economics in Riga, Bachelor of Economics and Business Vytautas Magnus University, Master of Finance and Banking | Managing Director of AB SNAIGĖ from 21 September 2019. Finance Director of AB SNAIGĖ from September 2014. Director of UAB Verslo architektūra from |
| Vytautas Adomaitis | Vilnius State University, Faculty of Economic Cybernetics and Finance, specialization of economist-accountant | Head of the Accounting and Finance Department AB SNAIGĖ from 03 October 1983. |

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

| NAME | Start date of the office term | End date of the office term |
|----------------------|-------------------------------|-----------------------------|
| BOARD | | |
| Aleksey Kovalchuk | 14/12/2011 | Until February 2023 |
| Oleg Tsarkov | 30/04/2015 | Until February 2023 |
| Konstantin Kovalchuk | 30/04/2018 | Until February 2023 |
| Anna Korneeva | 15/05/2019 | Until February 2023 |
| Igor Zentsov | 15/05/2019 | Until February 2023 |

| | | |
|----------------------------------------------------------------|------------|-----------------------------------------------------------------------------------|
| Mikhail Stukalo | 30/04/2018 | Until 12/03/2019 |
| Anna Kovalchuk | 30/04/2018 | Until 15/05/2019 |
| ADMINISTRATION (Managing Director and Chief Accountant) | | |
| Mindaugas Sologubas | 21/09/2019 | Term less agreement (23/09/2014 – 20/09/2019 Finance Director AB Snaige) |
| Vytautas Adomaitis | 03/10/1983 | Term less agreement |
| Gediminas Čeika | 03/01/2008 | Managing Director AB SNAIGE until 20/09/2019 |

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

There is no such information.

2.2.6 Information about benefits and loans granted to governing bodies

No benefits and loans granted to governing bodies in 2019.

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

During 2019 no salaries were paid to the board members.

2.2.8 Information about the salaries, tantiemes and other profit benefits paid to the members of the Company's Supervisory Board and the Board sourced from the enterprises where the share of the authorized capital owned by the Company amounts to more than 20 percent

No such payments were made during the accounting period.

2.2.9 Information about loans, warranties and securities of the performance of liabilities granted to the members of the management bodies during the accounting period

No loans, guarantees or securities were issued for the members of managements bodies during the accounting period.

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

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

2.2.11 The Company's and its management bodies members or employees agreements, describing compensation in case the members or employees resign, or are fired without grounded reason, or if their employment ends because of change of control of the Company

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

2.3 The Company's group's management structure

Mindaugas Sologubas – managing director.

Kęstutis Urbonavičius – technical and production director.

Rūta Petrauskaitė – marketing director.

Vytautas Adomaitis – chief accountant.

2.4 Procedures of changing the Company's articles of association

The articles of association of the Company can be modified by the decision of general shareholders meeting, with the qualified majority of 2/3, except from the cases described in the Law on Companies.

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

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

In other cases, not described by the Company's articles of association the Company follows the Civil Code of the Republic of Lithuania, Law on Companies and other legal acts of the Republic of Lithuania.

3 AB SNAIGĖ AUTHORISED CAPITAL, SHAREHOLDERS, INFORMATION ABOUT SECURITIES

3.1 Issuer's authorized capital

3.1.1 The authorized capital registered in the enterprise register

| Name of the securities | Amount of the securities | Nominal value, EUR | Total nominal value, EUR | Share of the authorized capital, in percentage |
|-----------------------------------------------|--------------------------|--------------------|--------------------------|------------------------------------------------|
| Ordinary registered shares, ISIN LT0000109274 | 39,622,395 | 0.26 | 10,301,822.70 | 100 |

3.1.2 Changes in authorized capital during the last 5 years

| Registration of changed authorized capital | The size of the authorized capital before the change | Change | Reason for change | The size of the authorized capital after the change |
|--------------------------------------------|------------------------------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| 26/05/2015 | 39,622,395.00 LTL | | Euro introduction | 11,490,494.55 EUR |
| 10/11/2016 | 11,490,494.55 EUR | + 3,566,015.55 | The increase of the authorised capital by increasing nominal value from revaluation reserve | 15,056,510.10 EUR |
| 20/12/2016 | 15,056,510.10 EUR | - 3,169,791.60 | The reduction of the authorised capital by reducing nominal value for the purpose of eliminating the loss in the statement of financial position | 11,886,718.50 EUR |
| 24/09/2019 | 11,886, 718.50 EUR | -1,584,895.80 | The reduction of the authorised capital by reducing nominal value, in order to comply with the provisions of the Law on Companies of the Republic of Lithuania | 10,301,822.70 Eur |

3.1.3 Information with regard to prospective increase of the authorized capital by converting or trading the issued loans or secondary securities for the shares

There are no issued debts or secondary securities.

3.2 Shareholders

3.2.1 Largest shareholders

4,20 per cent of the authorized capital of the Company is owned by the companies registered in Lithuania and individuals, 95,80 per cent – non-residents. As of 31 December 2019, the number of the Company's shareholders comprised 856 akcininkai (as of 31 December 2018 – 864). The major shareholder of the Company – Sekenora Holdings Limited which controls 91.10 % of shares.

The major shareholders who own or control more than 5 percent of the issuer's authorized capital as of 31 December 2019 are listed below:

| Names (company names, addresses, enterprise register codes) of the shareholders | Amount of the ordinary registered shares available, in pcs. | | Share of the authorized capital and votes available, in percentage | | | | |
|----------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------|----------------------|---------------------------------------------------------------|----------------------|------------------------------------------------------------------------------|
| | Total | incl. the ones owned by the shareholder | Total | | incl. the ordinary registered shares owned by the shareholder | | Total incl. the share of the entities group operating jointly, in percentage |
| | | | share of the votes | share of the capital | share of the appointed votes | share of the capital | |
| Sekenora Holdings Limited, 32 Kritis str., Papachristoforou Building, Cyprus, HE371000 | 36,096,193 | 36,096,193 | 91.10 | 91.10 | 91.10 | 91.10 | - |

3.2.2 Shareholders with special control rights

There are no shareholders with special control rights.

3.2.3 Restrictions of shareholders voting rights

All the shareholders have equal voting rights.

3.2.4 Shareholders agreements, about which the Issuer is informed and due to which the transfer of securities or voting rights can be restricted

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

3.3 Information about trading of issuer's securities in the regulated markets

3.3.1 Securities included in the trading lists of regulated markets

AB „Snaigė“ 39,622,395 ordinary registered shares of AB Snaigė are included into the Secondary trading list of the NASDAQ OMX Vilnius Stock Exchange. The total nominal value of the shares is EUR 10,301,822.70. The VP CD (Securities Central Depository) number is – 10927. The nominal value of a share was EUR 0.26.

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

Trade of the Company's ordinary registered shares in the securities stock exchange was started on 11 August 1995.

The ordinary registered shares of AB Snaigė have been listed in the Official trading list of NASDAQ OMX Vilnius Stock Exchange since 9 April 1998.

Since 8 May 2009 the Company on its own initiative requested NASDAQ OMX to switch its shares from NASDAQ OMX Vilnius Official listing and add them to the NASDAQ OMX Vilnius Secondary listing.

3.3.2.1 Trade on NASDAQ OMX Vilnius stock exchange

Trade in the Company's shares during 2016–2019 (EUR)

| Price | 2016 | 2017 | 2018 | 2019 |
|-------------------------|----------|-----------|----------|----------|
| Open | 0.301 | 0.255 | 0.24 | 0.13 |
| High | 0.328 | 0.36 | 0.28 | 0.2 |
| Low | 0.2 | 0.222 | 0.121 | 0.116 |
| Last | 0.255 | 0.287 | 0.13 | 0.151 |
| Traded volume | 98,471 | 350,886 | 196,152 | 200,011 |
| Turnover, million | 0.03 EUR | 0.1 EUR | 0.04 EUR | 0.03 EUR |
| Capitalisation, million | 10.1 EUR | 11.37 EUR | 5.15 EUR | 5.98 EUR |

Below you can find the graphs of the Company's shares turnover and prices during last 5 years. The data from AB NASDAQ OMX Vilnius webpage:

<http://www.nasdaqbaltic.com/market/?instrument=LT0000109274&list=3&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start=2015.01.01&end=2019.12.31>



The price of share is in EUR because the trade of shares is in EUR from 22 November 2010.

A The price of share during the reporting year (information from AB NASDAQ OMX Vilnius webpage):

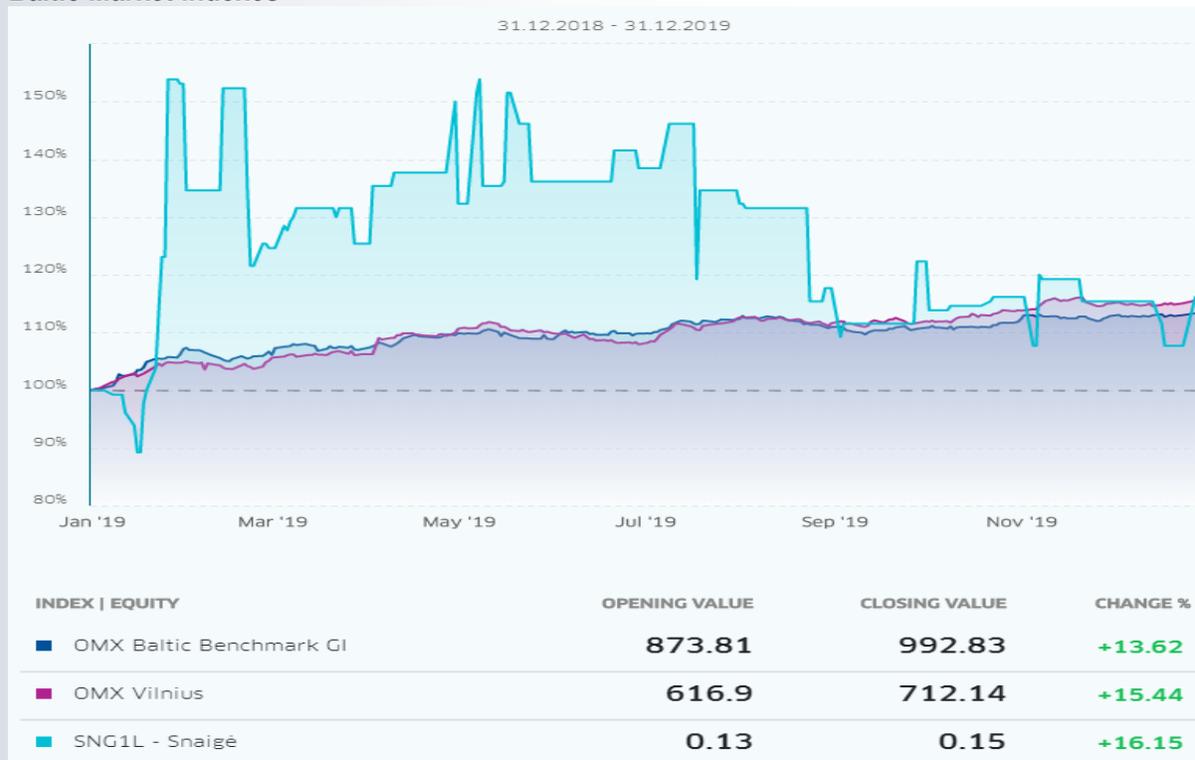
<https://www.nasdaqbaltic.com/statistics/lt/instrument/LT0000109274/trading?date=2019.01.01&end=2019.12.31>



The share prices graphs of OMX Baltic Benchmark, OMX Vilnius indexes and AB Snaigė for the period from 31 December 2018 until 31 December 2019 are presented below. The information is from AB NASDAQ OMX Vilnius webpage:

<https://www.nasdaqbaltic.com/statistics/lt/charts>

Baltic Market indexes



3.3.2.2 Trade on other regulated markets

The securities are not traded on other regulated markets.

3.3.3 Capitalization of securities

The capitalization of AB Snaigė shares and shares listed in AB NASDAQ OMX Vilnius on the last trade dates during the period 2016-2019

| Baltic equity list | 2019 | 2018 | 2017 | 2016 |
|-------------------------|----------|----------|-----------|-----------|
| Capitalization, million | 5.98 EUR | 5.15 EUR | 11.37 EUR | 10.10 EUR |

3.4 Information about the repurchase of own shares

During 2019 no repurchase of own shares was made. The Company had no own shares at the end of 2019.

3.5 Dividends

The Company does not have an established procedure for allocation of dividends. The General Shareholders' Meeting decides whether to pay dividends.

3.6 Contracts with public circulation of securities dealers

On 20 May 2013 AB Snaigė entered into a contract with UAB FMĮ Orion securities (A. Tumėno str. 4, Vilnius) on the accounting of the financial instruments issued by the Company and management of private securities accounts.

3.7 Restrictions on transfer of securities

There are no restrictions on the transfer of securities issued

4. SNAIGĖ OPERATIONS REVIEW

4.1 General rates, describing the Company's business performance, their behaviour

The financial figures for the last year are presented in general.

(consolidated data):

| | 2019 | 2018 | 2017 |
|--------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Turnover (continuing operations), EUR thousand | 32 222 | 37 572 | 39 202 |
| Gross profit (continuing operations), EUR thousand | 3 031 | 3 592 | 4 309 |
| Net profit (loss) from continuing operations, EUR thousand | (1 685) | (410) | (13 265) |
| Net (loss) from discontinued operations, EUR thousand | - | - | - |
| Net profit (loss), EUR thousand | (1 685) | (410) | (13 265) |
| Average share price, EUR | 0,157 | 0,181 | 0,284 |
| Financial figures | 2019 | 2018 | 2017 |
| Profit before tax indicator, % (current year profitability of continuing operations) | -5,23 % | -1,35 % | -34,29 % |
| General mark-up (continuing operations), % | 9,41 % | 9,56 % | 10,99 % |
| EBITDA mark-up (continuing operations), % | 2,90 % | 5,77 % | -29,44 % |
| Solvency ratio, % (general short-term solvency) | 49,98 % | 60,99 % | 57,32 % |
| Debt to assets ratio, % (general debt ratio) | 78,75 % | 77,38 % | 79,13 % |
| Return on average shareholders' equity (continuing operations), % | -30,49 % | -5,91 % | -216,57 % |

| Shares indicators | 2019 | 2018 | 2017 |
|--------------------------------------------------------------------------|-------|-------|-------|
| Net profit per share (continuing operations), EUR | -0,04 | -0,1 | -0,33 |
| Net loss per share (discontinued operations), EUR | - | - | - |
| Net profit per share (total), EUR | -0,04 | -0,1 | -0,33 |
| Average annual share market price, EUR | 0,157 | 0,181 | 0,284 |
| EBITDA per share (continuing operations), EUR | 0,02 | 0,05 | -0,29 |
| EBITDA multiplier (EBITDA per share / Average annual share market price) | 0,13 | 0,28 | -1,02 |
| Total dividends, EUR thousand | - | - | - |
| Dividends per share, EUR | - | - | - |
| Average net book share value (continuing operations), EUR | 0,15 | 0,17 | 0,15 |

4.2 Production

4.2.1 The Company's product portfolio

The Company produces various models of high-quality household refrigerators and freezers. Also, the Company produces fridges for businesses, hotels and restaurants, spare parts for refrigerators, tools and equipment. The Company produces various high quality models of household refrigerators, refrigerator-showcases, wine refrigerators, freezers and their spare parts.

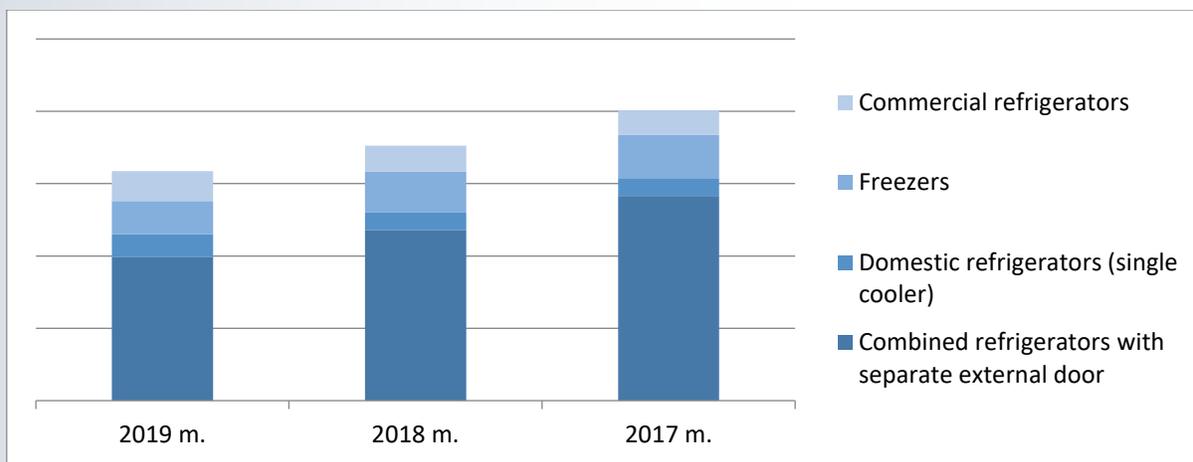
The Company's main products – refrigerators. They are classified into four main categories:

- Combined refrigerators with separate external doors;
- Single cooler refrigerators;
- Freezers;
- Commercial refrigerators.

In 2019, the Company mainly produced the combined refrigerators with separate external doors.

The consolidated sales figures for the last three years are as follows:

| Type of activities | 2019 | | 2018 | | 2017 | |
|-----------------------------------------------------|----------------|------------|----------------|------------|----------------|------------|
| | units | % | units | % | units | % |
| Company's produced refrigerators sold, units | 158,670 | 100 | 176,165 | 100 | 200,633 | 100 |
| including: | | | | | | |
| Combined refrigerators with separate external door | 99,362 | 62.6 | 117,788 | 66.9 | 141,516 | 70.5 |
| Domestic refrigerators (single cooler) | 15,741 | 9.9 | 12,258 | 7.0 | 12,228 | 6.1 |
| Freezers | 22,769 | 14.4 | 28,100 | 15.9 | 30,029 | 15.0 |
| Commercial refrigerators | 20,798 | 13.1 | 18,019 | 10.2 | 16,860 | 8.4 |



4.2.2 Termination or reduction of production volume with the critical effect on the Company's performance during the recent 3 economical years

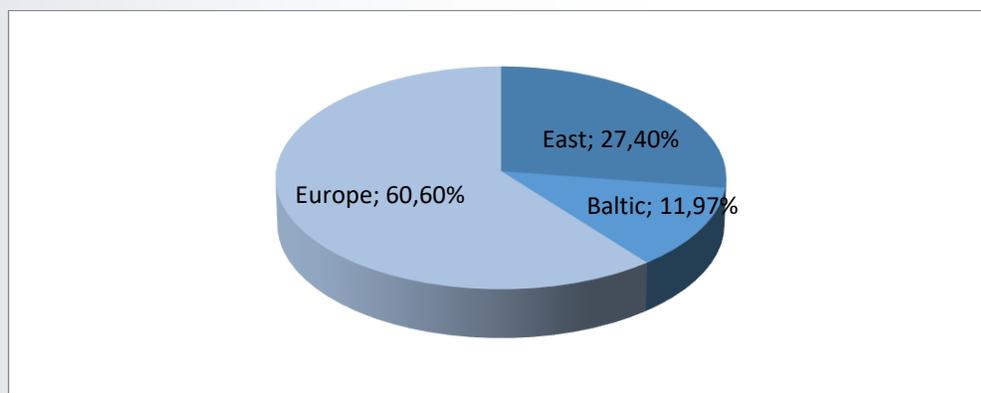
During the recent 3 economical years no termination or reduction of production volumes with a critical effect on the Company's performance occurred.

4.3 Sales

The company divides its sales markets into the following main groups by importance of sales markets and geographic distribution: **Baltic market** (Lithuania, Latvia and Estonia), **Eastern market** (Russia, Ukraine, Moldova, Kazakhstan, Uzbekistan, Tajikistan, Israel, other CIS countries), **European market** (Germany, France, Belgium, the Netherlands, Poland, Portugal, Czech Republic, Norway, other countries of Western and Central Europe).

In 2019 AB Snaigė sold over 158 thousand refrigerators of its own production. Revenues from main production sales reached EUR 29.4 million, which is 8.8 per cent less, compared to the previous year sales. Sales on the Western European market accounted for the majority of sales revenue (60.6 per cent). Lower figures (27.4 per cent) were on the Eastern market. The lowest sales revenue (12.0 per cent) was on the Baltic market. Exports accounted for 90.2 per cent of total product sales, i.e. EUR 26.5 million.

Company's sales in 2019 (according to sales revenue):



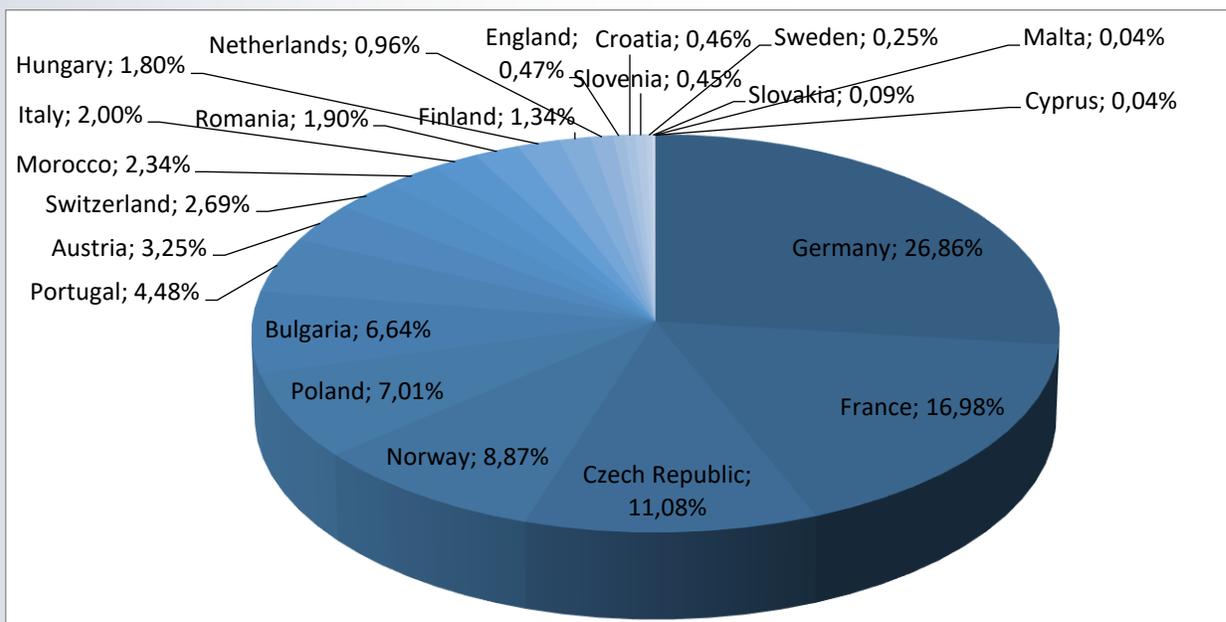
European market

On the European market AB Snaigė sales in 2019 were 93.6 thousand refrigerators and EUR 17.8 million in revenue. This is 10.6 per cent less, than in revenue as compared to the previous year. The majority of production was sold and revenue generated on the German market (26.4 thousand pcs; EUR 4.79 million), French market (15.8 thousand pcs;

EUR 3.03 million), Czech market (10.7 thousand pcs; EUR 1.98 million) and Norway market (7.7 thousand pcs; EUR 1.58 million). Company Severin (Germany) sold more than 19 thousand refrigerators and received EUR 3.2 million in revenue.

The long term clients of AB Snaigė, such as Boulanger (France), J.M. Trade (Czech Republic), Power International (Norway) are continuing successful collaboration relations with AB Snaigė.

Sales in the European market in 2019 (according to income):



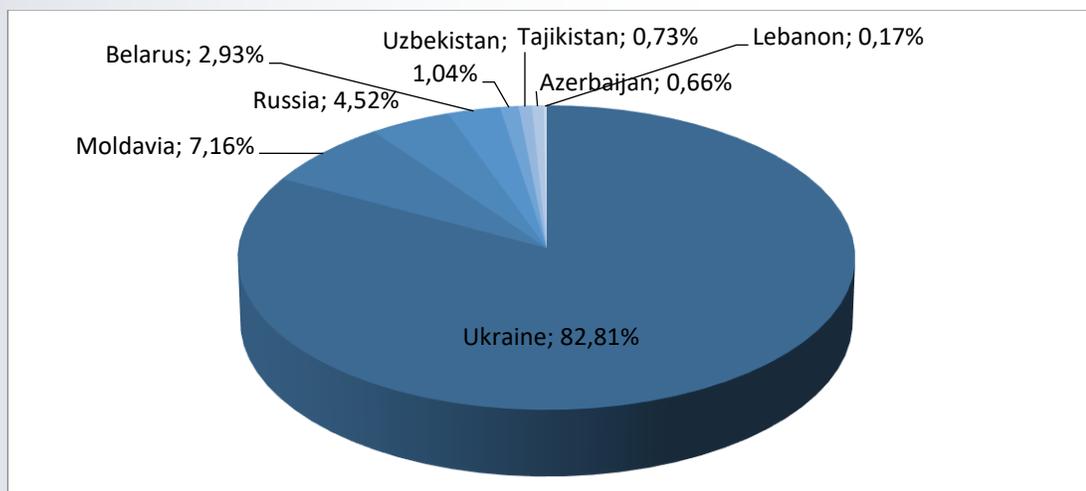
Eastern market

In 2019 the Company sold 47.4 thousand refrigerators on the Eastern market and earned EUR 8.06 million in sales revenue, i.e. in 4.7 per cent more as compared to 2018.

The majority of production was sold and revenue generated to the Ukrainian customers (38.5 thousand pcs; EUR 6.68 million). In 2019 AB Snaigė continued the development of trade connections with Azerbaijan, Belarus, Moldavia, Tajikistan and Uzbekistan. In 2019 the Company sold 6.8 thousand refrigerators and earned EUR 1.0 million in revenue.

In 2019 the Company established trade relations with Libia.

Sales in the Eastern market in 2019 (according to sales revenue):



Baltic market

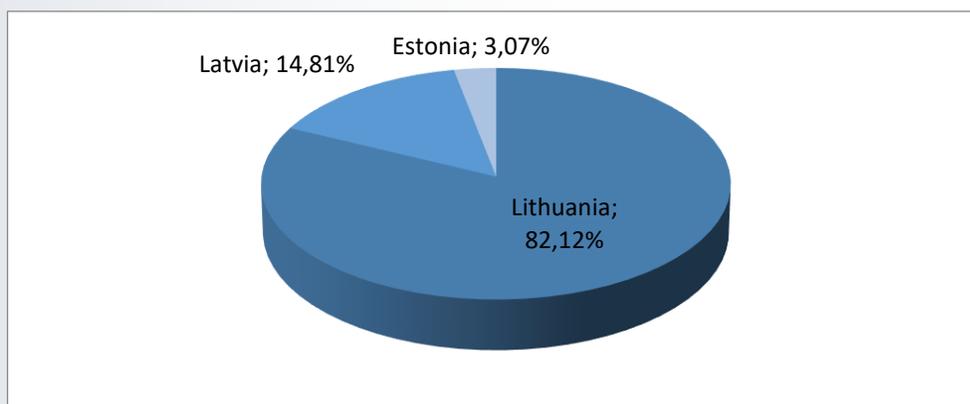
In 2019 AB Snaigė in the Baltic States market sold more than 17.7 thousand refrigerators and its income was EUR 3.5 million. This is 21.8 per cent less in revenue as compared to the previous year.

In Lithuania in 2019 AB Snaigė sold 14.4 thousand refrigerators and got more than EUR 2,9 million income.

In Latvia, in 2019 AB Snaige sold 2.7 thousand refrigerators and got over EUR 0.52 million income.

AB Snaigė in 2019 in Estonia sold 0.54 thousand refrigerators, sales revenue exceeded EUR 0.108 million.

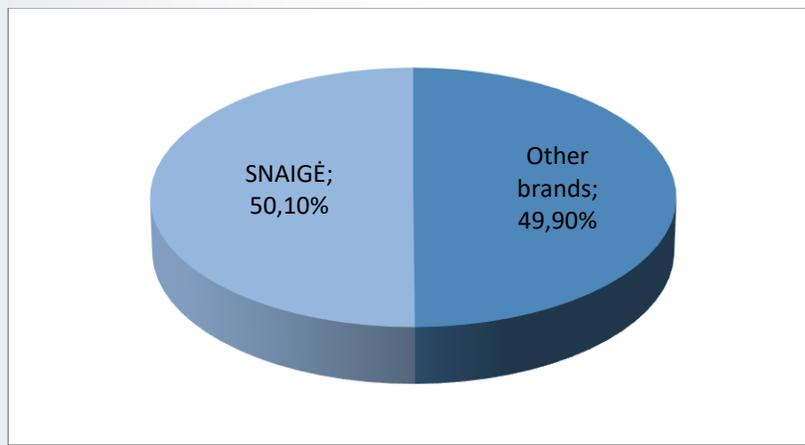
Sales in the Baltic market in 2019 (according to income):



SNAIGĖ brand portfolio

In 2019 the Company sold 50.1 percent of the products with its brand SNAIGĖ. Besides these, the Company produced refrigerators under other brands of trade partners and retail networks: Whirlpool, Severin, Amica, Bartscher, Bomann, COOL, KBS, Orima, EXQUISIT, Nab, Sibir, Regal, West, MPM, Mont Karlo, Philco, Unit, ROMO, Essentiel B, Point.

The Company's brand portfolio in 2019 (according to income):



4.4 Supply

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

The strategic suppliers are the following: SECOP GmbH, BASF, Total Petrochemical, Wanbao Europe - Sales & Technology Center, DOW, Arcelor Mittal Eisenhüttenstadt GmbH, Serwistal, Recubrimientos Plasticos S.A., Sintur Spolka z.o.o, Marcegaglia Poland Sp.z.o.o., Robertshaw s.r.o, Danfoss A/S, Lisiplast UAB, Hoda UAB, Profilita UAB, Baltijos polistirenas ,UAB, Liregus UAB., HSV Polska, Vilkritis UAB, KME Group, IMAT SpA, BVB Italia Srl, Elco E-Trade S.r.l., ebm-papst Landshut GmbH, Hydra a.s., Cebi Luxembourg S.A.

The priorities set in the purchase strategy of the Company are high quality assurance and effective logistics, competition between suppliers and continuous search for alternative raw materials. Competition between the suppliers and search for alternative raw materials stimulate continuous improvement of the purchased product. The technical servicing teams of AB Snaigē suppliers closely cooperate with the technicians and engineers of the Company in search for common technical solutions increasing quality and decreasing costs of the product.

4.5 Employees and human resource policy

4.5.1 The Company's human resource policy

The Company's success depends not only on its size, image, strategy, but to a large extent on how it treats its employees. All the challenges and changes faced by the Company are related to the employees, so business effectiveness firstly depends on the ability to manage human resources.

The Company's human resource policy and management is comprised of: human resource planning, employees' staffing (recruiting, selection, admission, and retention), employees' development, evaluation, motivation, norms of actions, assurance of occupational safety and social conditions.

While facing changes and new challenges, it is most important for the Company to retain qualified, skilled, motivated personnel, able to implement set tasks and help the Company achieve its strategic goals, with as low costs as possible.

Strategic management of human resources. The aim of the personnel policy is to help the Company to adapt to new requirements of business environment and accomplish strategic goals while increasing administration effectiveness, connecting human resource practice with the Company's common business strategy, evaluating human resources.

Human resource planning. To ensure effective number of employment positions and structure planning, to ensure human resource demand planning, evaluation of planning quality.

Analysis of operations. In order to ensure more effective management of human resources it is necessary to evaluate new operation tasks, to spin off ineffective operations, doubling of functions, to regroup and reassign functions.

Development of the Company. Personnel development is a necessary condition for achieving the Company's strategic goals, as while learning personnel obtains qualification and skills. Changing challenges, environment where the tasks

have to be completed, application of new technologies, difficult situation in the labour market indicate that it is necessary to invest into education of personnel, as it motivates, improves work quality, increases loyalty and ensures more effective adaptation to new challenges and conditions.

Evaluation of activities and career. Evaluation of personnel activities – inseparable part of career planning. Potential of a person and areas of improvement can be assessed only by an objective evaluation. The goal of activities evaluation – to align personnel activities with the Company's goals to a maximum extent. The process of activities management is the setting of clear and achievable goals, monitoring of the progress, coordination of employee's goals, correction of set goals, annual evaluation of personnel activities. While planning the career it is important that it is not only directed to the past i.e. results of person's work, but also to the future – his abilities, ability to change, implement more complex tasks – into his potential.

Personnel motivation. During the surveys the majority of employees indicate the insufficient remuneration as the most important factor hindering higher motivation. In current difficult conditions it is necessary to pay more attention to strengthening social motives: encourage personal goals, increase responsibility taken, increase association with a group or a team, form conditions to realize management, self-expression skills.

4.5.2 The employees of the Company in 2017–2019 according to the personnel groups*:

| Employees | 2019 | | | 2018 | | | 2017 | | |
|------------------|------------|------------|----------------------|------------|------------|---------------------|------------|------------|---------------------|
| | Amount | % | Average salary, EUR | Amount | % | Average salary, EUR | Amount | % | Average salary, EUR |
| Managers | 21 | 3.8 | 3,328=2582*1.289 | 22 | 3.6 | 2,577 | 23 | 3.5 | 2,530 |
| Specialists | 91 | 16.2 | 1,267=983*1.289 | 94 | 15.4 | 967 | 99 | 15.1 | 941 |
| Workers | 449 | 80.0 | 800=621*1.289 | 494 | 81.0 | 590 | 535 | 81.4 | 573 |
| In total: | 561 | 100 | 979=760*1.289 | 610 | 100 | 726 | 657 | 100 | 701 |

4.5.3 The structure of the Company's employees in according to education level*

| Education level of the employees | 2019 | | 2018 | | 2017 | |
|------------------------------------|------------|------------|------------|------------|------------|------------|
| | Amount | % | Amount | % | Amount | % |
| University education | 102 | 18.2 | 109 | 17.9 | 114 | 17.4 |
| Professional high school education | 375 | 66.8 | 403 | 66.1 | 434 | 66.0 |
| Secondary education | 80 | 14.3 | 93 | 15.2 | 104 | 15.8 |
| Uncompleted secondary education | 4 | 0.7 | 5 | 0.8 | 5 | 0.8 |
| Total: | 561 | 100 | 610 | 100 | 657 | 100 |

4.5.4 The employees of the Company and its subsidiaries in 2017–2019 according to personnel groups*:

| Employees | 2019 | | 2018 | | 2017 | |
|-----------|--------|------|--------|-----|--------|-----|
| | Amount | % | Amount | % | Amount | % |
| Managers | 23 | 3.76 | 24 | 3.6 | 25 | 3.5 |

| | | | | | | |
|---------------|------------|------------|------------|------------|------------|------------|
| Specialists | 103 | 16.86 | 107 | 16.0 | 112 | 15.7 |
| Workers | 485 | 79.38 | 538 | 80.4 | 578 | 80.8 |
| Total: | 611 | 100 | 669 | 100 | 715 | 100 |

* Average annual data

4.6 Investment policy

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

| | SNAIGE – UKRAINE | ALMECHA |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Registration date, head-office address | Registration date: November, 2002. Address: Gruševskio str. 28-2a/43, Kiev, Ukraine | Registration date: November, 2006. Address: Pramonės str. 6, Alytus, Lithuania |
| Type of activities | Sales and marketing services | Production of other equipment and machinery |
| Share of the authorized capital available to AB Snaigė, % | 99 | 100 |
| Authorized capital (EUR) | 6 266 | 398 978 |
| Share of the authorized capital unpaid by the Company | Fully paid | Fully paid |
| 2019 profit (loss) (EUR thousand) | -4 | -288 |

4.6.2 The most significant investment projects implemented in the last financial / economic year: types of investments, investment volumes, sources of investment financing, geographic distribution of investments

The total amount, spent for implementation of investment programs in 2019, was EUR 358.08 thousand.

Within the year EUR 312.55 thousand was spent on the development of new products and the preparation of their production. For EUR 11.40 thousand of this amount there was purchased and installed equipment and tools for a various applications in the production of new refrigerators. For the remaining EUR 297.42 thousand was developed a design and technological documentation for new projects.

The following new products were developed and launched within the year:

1. New cabinet;
2. New electronics;
3. Lockup freezer F27;
4. Change of the control panel for freezer F100.

And the following projects have been started and will be continued to develop in 2020:

5. „Monoblock for „walk-in“ cooling rooms“;
6. „Refrigerators FR250 and FR260“;
7. „Professional refrigerators“.

It was allocated 8.82 thousand EUR in 2019 for the development of technologies, mastering of specifically important and effective new technological projects, improvement of work places. There were purchased and installed a modular tongs for crimping of wire tips of electrical systems, and some other tools.

EUR 15.23 thousand were spent for the technical support of production, purchase of new equipment, tools and instruments, and for replacement of worn out ones, within the year. There were developed and manufactured 2 detachment dies for door production line, current leak measurement board. There were bought an electronic scales AS 220.R2, some other tools and instruments.

At the beginning of year 2019 there was realized the II-nd step of an important project – installation of the fire alarm system in production premises. It was invested for it EUR 9.45 thousand.

For improvement of the logistics and service area during the year 2019 was spent EUR 2.88 thousand, it was bought and installed the mobile work cabin in the finished production warehouse.

14.63 thousand EUR were used for upgrading the Company's computers, printers and software within the year. One of the most significant projects there was – the development and installation of product scanning system in assembly and packing shop. In addition, a few new video cameras and other IT equipment have been purchased and installed.

A project „Investments into development of innovative refrigerators series“, which was implemented with support of the EU Structural Funds and which was started in April 2017, was completed in 2019. Total cost of this project was EUR 443.50 thousand, EU funding part was EUR 200.57 thousand. In the course of project, investing in research and experimental development activities, are created refrigerators, what are characterized by high energy efficiency and other important features for consumers.

4.7 Environment protection

4.7.1 Environmental policy

The Company's environmental vision is organic products, clean technology and clean environment.

The Company's products, production technology and services cannot do the illegal exposure of atmospheric air, water, employees, consumers and environment.

Environment must not be contaminated by waste products of production more than is inevitable and allowed.

The Company's management trying to implement a vision and having a clear understanding of environmental importance, assumes the following responsibilities:

- Comply with the effective legislative and other requirements applicable to the Company and related to the aspects of environmental protection;
- Include the consideration of environmental issues into the Company's operating strategy;
- Protect the environment focusing on the reduction of pollution, consumption of electric power in production and exploitation of refrigerators and coolers;
- Continually improve environmental performance;
- Increase our staff approach to environmental protection;
- Explain the importance of environmental protection policies to the employees and allow access to the policies to all stakeholders;
- Analyse the possibilities of impact on suppliers, clients and contractors, suggest them to implement environmental protection principles in their activities, protect the environment with regard to their aspects and life cycle of their operations.

4.7.2 Environmental report

AB Snaigė is one of the most advanced manufacturing companies of Lithuania in the field of environment protection. Our vision is organic products, clean technology and clean environment.

The activities of the Company are regulated by environment protection management system, which complies with international ISO 14001 standard requirements. The system is working since 2001. The Company is currently recertified under international standard ISO 14001, version of 2015.

In 2015 the Company's pollutant emission was in line with the permitted levels; therefore, it received no comments or claims from controlling institutions or business partners.

Since 1 January 2015 AB Snaigė, in accordance with Regulation (EC) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 "On substances that deplete the ozone layer" has committed itself to the requirements and does not buy and does not use single or in a mixture with pure and impure (that is recycled and reclaimed), hydro chlorofluorocarbons (HCFC).

When developing a new product, the Company gives a priority for the manufacturing processes which save raw materials and resources, for safe transportation, waste elimination and quality of products. In manufacturing the Company tries to use materials which later can be recycled.

The Company complies with Directive 2009/125/EC of 21 October 2009 of the European Parliament and European Commission, which regulates design of the products.

Snaigė refrigerators are manufactured from ecological materials which do not contain any harmful elements. For example, every plastic part of a refrigerator is marked (according to ISO 1043:1:1997), so that it can be reused one more time, recycled according to Directive 2002/96/EC describing electrical and electronic equipment waste requirements.

When designing and producing Snaigė refrigerators, the Company uses various means to reduce the harmful effect on the environment:

- No materials are used causing greenhouse effect or deteriorating ozone;
- No materials are used which are harmful for human health;
- Analysis of materials usage is performed.

All the products manufactured by the Company meet the requirements of the following directives and regulation of the European Community regarding non-usage of harmful materials:

- RoHS2 Directive 2011/65/EU of the European Parliament and of the Council on the restriction of the use of certain hazardous substances in electrical and electronic equipment.
- REACH Regulation (EC) No 1907/2006 of the European Parliament and of the Council on the non-use of high-risk substances (151) which refrigerators may release into the environment;
- PAH Decision ZEK-01.4-08 of the Government of Germany, which means that SNAIGĖ products meet the polycyclic aromatic hydrocarbons concentration limit for 18 carcinogenic materials;
- Regulations regarding contact with food: Regulation (EC) No 1935/2004 of the European Parliament and of the Council on materials and articles intended to come into contact with food (general); Commission Regulation (EU) No 10/2011 on plastic materials and articles intended to come into contact with food (for plastics). These regulations mean that the materials applied during the manufacture of Snaigė refrigerators are allowed to contact food.

Compliance of requirements of AB Snaigė products is certified by the testing performed by the certified testing laboratory DEKRA (Germany) and the Division of Chemical Analyses of the National Public Health Supervision Laboratory (Lithuania) and the test certificates issued by these institutions.

The purchasers of a refrigerator are also provided with information regarding ecology. They are advised how to install, use, and maintain their refrigerator so that its service life would be extended as much as possible and the effect on the environment would be reduced as much as possible. In addition to this, purchasers are advised how to return the refrigerator after the expiry of its service life.

The company has a system for utilizing old refrigerators. Since mid-2008, the company has been handling waste from large household appliances - refrigerators and freezers.

AB Snaigė consistently complies with the requirements of the Kyoto Protocol regarding global warming and climate change. The company saves electricity, water and heat: the use of these resources has been reduced threefold in ten years.

4.8 Risk factors related to the business of the Company

The announcement of a COVID-19 pandemic is described at the each risk separately, as this factor affects and is a risk factor for all areas of the company's operations due to the scale and geography of the high impact.

Macroeconomic Risk. With the growth of the Lithuanian economy, further growth of private consumption and domestic demand is expected for several years in a row, which will be mainly influenced by the decreasing political uncertainties, increasing trust in the state and growth of real disposable income. As export markets are sufficiently diversified, country-specific problems would not have a material impact on the company's business. However, the announcement of the global COVID-19 pandemic and the imposition of various restrictions on most countries pose a reasonable risk of recession worldwide, which could adversely affect the Company's operations and results. It is not yet possible to quantify the potential impact of COVID-19, but it will affect both inflation risk and changes in other macroeconomic factors. The risk of higher inflation is related to global commodity prices, the volatility of which is difficult to predict at the time of reporting. The risk of exchange rate fluctuations for the Company is minimal due to small trading volumes in foreign currencies and balanced buying and selling flows in different currencies (mainly EUR and USD).

Credit Market Risk. Uncertainty about the global pandemic and its impact is currently prevalent in both the Lithuanian and global credit markets, but is expected to intensify and improve access to credit for individual countries and central banks to at least partially offset business losses and liquidity. Although the company's internal financial resources are limited and therefore its activities are partly dependent on external credit financing, it can be assumed that the company will be able to obtain short-term and long-term loans to finance its activities.

The Company's Financial Accounting Accuracy Risk. On 08 April 2020 the Company's auditor expressed a qualified audit opinion on the Company's separate and consolidated financial statements.

International Trade Restrictions Risk. The Company exports a portion of its production to third countries (outside the European Union). There is a risk that changes in foreign trade policies of third countries could aggravate export conditions to those countries. Any such change would negatively impact export opportunities for the Company and its financial situation. Although in the face of a pandemic, all countries to which products are exported declare free and unhindered movement of goods, there is a risk that more and more logistical constraints and restrictions may arise, which would negatively affect the company's ability to export products.

Market Risk. The Company is engaged in the manufacturing of a variety of commercial and household refrigerators and freezers and their sale. Investors assume the risk that the Company may suffer losses aggravating financial situation of the Company in the event of negative changes in product markets and markets of raw materials needed in production processes.

Policy Risk. The Company is engaged in manufacturing activities which generate chemical substances harmful to the environment. Environmental matters both at Lithuanian and European Union levels are policy-regulated. There is a risk that in the event of changes in existing environmental requirements and restrictions the Company might need additional investments to ensure compliance of production processes with new requirements. However, such investments should not negatively affect the financial situation of the Company. Also, due to the announced COVID-19 pandemic, there is a risk that the government of Lithuania or other countries to which the products are exported may adopt various operating restrictions that may adversely affect the company's operations and results.

Business Continuity Risk. Business continuity presumptions are disclosed under Note 2.3 of the consolidated audited financial statements of 2019.

Operational Risk. This is the risk that includes both direct and indirect losses resulting from improper or inoperative internal processes, systems or technologies, actions by staff and agents, and external factors. Constituent part of the operational risk is legal risk, i.e. risk of losses potentially occurring as a result of the Company's present or past obligations under various contracts and agreements, legal actions or laws, non-performance or improper performance.

Technical and Technological Factors. This includes physical and moral depreciation of a variety of technical means. Risk factors of this type could affect operations of the Company both directly and indirectly. Technological factors can affect the Company directly through physical and moral depreciation of technical base.

More detailed disclosures of the Company's risk management and interest rate, exchange rate, credit and liquidity risks can be found under Note 29 of the consolidated financial statements.

4.8.1 The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

The Audit Committee supervises preparation of the consolidated financial statements, systems of internal control and financial risk management and how the Company follows legal acts that regulate preparation of consolidated financial statements.

The Chief Accountant of the Company is responsible for the preparation supervision and the final revision of the consolidated financial statements. Moreover, he constantly reviews International Financial Reporting Standards (IFRS), as adopted by European Union in order to implement IFRS changes in time, analyses the Company's and the Group's significant deals, ensures collecting information from the Group companies and timely and fair preparation of this information for the financial statements. The Company's Chief Accountant periodically informs the Board about the financial statements preparation process.

4.9 Related party transactions

The information about related party transactions is disclosed under Note 30 of the consolidated financial statements.

5 OTHER INFORMATION ABOUT AB SNAIGĖ

5.1 Membership in associated organizations

AB Snaigė is a member of the EEPA association.

The EEPA is an association established by manufacturers and importers of electrical equipment and batteries and accumulators. The main objective of the association is the implementation of waste management obligations by the association members stipulated in both the EU and Lithuanian legislation. As of 2006 the association organizes waste from electrical and electronic equipment management and as of the end of 2009 – management of waste from batteries and accumulators.

AB Snaigė is a member of Vilnius Chamber of Commerce, Industry and Crafts, Alytus branch. Vilnius CCIC is a voluntary amalgamation of natural and legal persons engaged in commercial and economic activities provided by the laws of the Republic of Lithuania and implementing the principles of business self-government.

5.2 Patents, licenses

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

5.3 Recent and the most important events of the Company

The most important post balance sheet events are presented in the consolidated financial statements.

5.3.1 Recent publicly disclosed information

06-02-2020

Notification of the acquisition of voting rights

On 3rd January 2020, Snaigė AB received shareholder's SEKENORA HOLDINGS LIMITED notification on acquisition of the package of voting rights.

2020-02-28

Snaigė AB consolidated interim financial information for twelve months period ended 31 December 2019 (unaudited).

According to unaudited consolidated data, in 2019, Snaigė AB reached EUR 0.93 million EBITDA. According to Mindaugas Sologubas, CEO of Snaigė, AB, such EBITDA result was affected by poor performance of one of the subsidiary companies in 2019. "The Company itself generated EUR 1.6 million non-audited unconsolidated EBITDA from core business," Sologubas said, "which is slightly more than in 2018. This indicator is no less important for us than overall consolidated EBITDA".

In 2019, Snaigė, AB, achieved unaudited consolidated turnover of EUR 32.2 million, which is 14 percent less than in 2018. One of the main reasons for the decline in sales is the financial difficulties of one of the company's largest customer in France and the consequent loss of sales. These losses were partially compensated by the company over the course of the year.

According to the unaudited consolidated data, the company's EBITDA reached.

According to Mindaugas Sologubas, one of the most important strategic objectives of the company is the diversification of the product portfolio. "Portfolio diversification will help to avoid seasonality in the future, thus ensuring more even and efficient production. In addition, the loss of a single major customer, as it happened last year, will no longer be as harmful" Mindaugas Sologubas said.

In 2020 Snaigė, AB, will start production of larger professional refrigeration equipment, currently it is carrying out design and testing works. The expansion of the professional refrigeration category will strengthen the company's competitiveness and increase its future revenues.

The development of the production of household refrigerating appliances and expansion of the product portfolio also remain a priority - as every year the Company will update its product portfolio and introduce new products.

In 2019, the company exported its products to more than 30 countries in Europe, Asia and Africa. The largest sales revenue came from Germany, Ukraine, Lithuania, Czech Republic, Norway.

17-03-2020

On the impact of coronavirus (COVID-19) on the activities of AB Snaigė

Responding to the situation in the country, AB "Snaigė" has taken all necessary and recommended measures to protect the company's employees, clients and partners. Most of administration staff work from home remotely. The company is able to fulfill the orders placed, but the biggest challenge so far is an export, which accounts for more than 90 percent of the company's portfolio. Due to the disruption of transport movements between European countries, huge congestions at national borders and the shortage of transport companies operating under these conditions, the export of goods has become extremely difficult. For the same reason, the delivery of some raw materials is delayed.

It is not yet possible to assess how much this will affect the company's annual results, but it is clear that the impact will be negative. The Company will inform the market participants in a separate notice of the changed conditions and circumstances.

02-04-2020**According to the Court Decision**

Supreme Administrative Court of Lithuania has rejected AB Snaigė (hereinafter the Company) appellate complaint concerning Vilnius Regional Administrative Court 8 of October 2018 decision in administrative case according to Company's complaint to defendant Bank of Lithuania concerning partial revocation decision No. 241-19 dated 29 January 2018 on imposition of certain measures with respect to AB Snaigė.

5.3.2 Significant events in the company's activities

Significant events were reported to the Financial Services and Markets Supervision Department of the Bank of Lithuania, NASDAQ OMX Vilnius and published on the Company's website. www.snaige.lt.

28-02-2019**AB SNAIGĖ consolidated interim financial statements for the twelve month period ended 31 December 2018 (unaudited)****AB SNAIGĖ managed consequences of raw material prices rise**

Snaigė, AB has managed to control the disruptions caused by an increase in raw material prices and to end the year significantly more successfully than in 2017, when the company experienced an audited consolidated loss of EUR 13 million, and last year managed to reduce the unaudited consolidated loss to EUR 0.5 million.

According to Gediminas Čeika, the CEO of Snaigė, AB, insignificant unaudited consolidated loss was experienced due to the appreciation of essential raw material used for the making of fridges, which continued for two years up to the mid-2017. 'We had to overcome the margin squeeze when the prices of materials appreciated, and the prices of our production did not increase in any of our markets,' said G. Čeika. 'Despite the circumstances, since the third quarter of last year, we have managed to achieve a positive sales dynamic and get the company's profitability back to normal.'

According to the unaudited consolidated data, the company's EBITDA reached EUR 2.1 million in this year, which is significantly higher in comparison to the year 2017, when the audited consolidated EBITDA stood at EUR 11.5 million.

Snaigė, AB reached significant agreements with financing banks in terms of changing credit return terms and amounts, as well as with controlling parties on the repayment of loans. With these agreements, the company secures investments in the development of new products or even new categories.

'The company has long been nurturing plans for its product portfolio to evolve,' maintains Mr Čeika. 'These agreements with the bank and the parties controlling the company significantly accelerate the implementation of the above plans.'

During the year 2018, the unaudited consolidated turnover of Snaigė, AB exceeded EUR 37.5 million. The company's export accounted for 87 per cent and amounted to EUR 32.6 million in revenue. The company exported its products to over 30 countries in Europe and Asia. The largest share of the sales revenue came from Germany, France, Ukraine, Lithuania and the Czech Republic.

The company introduced two refrigerator lines with new designs. These are the retro style refrigerators Snaigė RETRO and modern refrigerators with larger spaces for storing fresh products called Snaigė FRESH INN. The new fridges have already reached the stores and their customers in some of the countries across Europe.

07-03-2019**Information regarding resolutions of 1th of October 2018 the Extraordinary General Meeting of Shareholders**

Company seeking to implement decisions of 1th of October 2018 the Extraordinary General Meeting of Shareholders on reduction the authorized capital of the Company and transferring to revaluation reserve the amount by which the authorized capital is reduced, applied to the notary with request to perform notarial acts and approve the changed incorporation documents (articles of association) of the Company regarding the reduction of the authorized capital of the Company. Upon the notary's refusal to perform notarial acts requested by the Company, the Company filed the complaint to District Court of Vilnius City by asking the court to oblige the notary to satisfy the Company's request for the performance of notarial acts and the approval of the amended Articles of Association.

14-03-2019**Resignation from the position of the board member of SNAIGĖ AB**

On 14 of March 2019, Snaigė AB has got notification from board member Mikhail Stukalo about his resignation from the position of the board member of Snaigė AB. The resignation date indicated in this notification is 12 March 2019.

02-04-2019**Information regarding Snaigė AB complaint to District Court of Vilnius City for notary refusal to perform notarial acts**

On 29 March 2019, District Court of Vilnius City decided to suspend examination of the civil case regarding Snaigė AB complaint on notarial acts until Snaigė AB complaint concerning partial revocation of the director of the Supervision

Service of the Bank of Lithuania adopted decision No. 241-19 dated 29 January 2018 on imposition of certain measures with respect to Snaigė AB will be solved in administrative case.

08-04-2019

Convocation of the ordinary General Meeting of Shareholders

On 30 April 2019 the ordinary General Meeting of Shareholders of Snaigė AB, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the “Company”) is convened the ordinary General Meeting of Shareholders (hereinafter, the “Meeting”).

The place of the meeting –at AB “Snaige” office, at the address Kareiviu str. 6, Vilnius, Lithuania.

The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).

The Meeting’s accounting day – 23 April 2019 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of directors of the Company initiates and convenes the meeting.

Agenda of the Meeting:

- 1.Consolidated annual report of “Snaigė” AB on the company’s activity for 2018 with information about the Company strategy and its implementation.
- 2.Auditor’s conclusion on the company’s financial statements for 2018.
- 3.Approval of the set of financial statements of the company for 2018.
- 4.Approval of distribution of profit (loss) of “Snaigė” AB for 2018.
5. The election of the Board for the new term.
6. The election of the audit committee for new term and solution related issues.
7. The change of the articles of association.

29-04-2019

AB Snaige information for the ordinary general meeting of shareholders

AB Snaige information for the ordinary general meeting of shareholders , which will take place on 30 April, 2019.

30-04-2019

Snaigė AB General meeting of Shareholders didn’t take place on 30 April 2019 because there was no quorum.

The repeated ordinary General Meeting of Shareholders Snaigė AB will be held on 15 May 2019.

On 15 May 2019 the repeated ordinary General Meeting of Shareholders of Snaigė AB, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the “Company”) is convened the ordinary General Meeting of Shareholders (hereinafter, the “Meeting”).

The place of the meeting –at AB “Snaige” office, at the address Kareiviu str. 6, Vilnius, Lithuania.

The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).

The Meeting’s accounting day – 8 May 2019 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of directors of the Company initiates and convenes the meeting.

Agenda of the Meeting:

- 1.Consolidated annual report of “Snaigė” AB on the company’s activity for 2018 with information about the Company strategy and its implementation.
- 2.Auditor’s conclusion on the company’s financial statements for 2018.
- 3.Approval of the set of financial statements of the company for 2018.
- 4.Approval of distribution of profit (loss) of “Snaigė” AB for 2018.
5. The election of the Board for the new term.
6. The election of the audit committee for new term and solution related issues.
7. The change of the articles of associations.

15-05-2019

Resolutions of the Repeated General Meeting of Shareholders

The Repeated General Meeting of shareholders of Snaige AB was held on 15 May 2019.

At the meeting was made following resolutions:

THE AGENDA QUESTION: Consolidated annual report of “Snaigė” AB on the company’s activity for 2018 with information about the Company strategy and its implementation.

In the meeting taken for information the consolidated annual report of “Snaigė” AB on the company’s activity for 2018 with information about the Company strategy and its implementation.

2. THE AGENDA QUESTION: Auditor’s conclusion on the company’s financial statements for 2018.

In the meeting taken for information with the auditor's conclusion on the company's financial statements for 2018.

3. THE AGENDA QUESTION: Approval of the set of financial statements of the company for 2018.

THE DECISION: The set of financial statements of the company for 2018 has been approved

4. THE AGENDA QUESTION: Approval of distribution of profit (loss) of Snaigė, AB for 2018.

THE DECISION: To approve the distribution of profit (loss) of AB Snaigė for 2018:

| | |
|-------------------------------------------------------------------------------|------------------|
| Retained earnings - profit (loss) - at the end of the previous financial year | EUR(12,576,142) |
| Net result for the financial year - profit (loss) | EUR(336,216) |
| Distributable result - profit (loss) - at the end of the financial year | EUR (12,912,358) |
| Transfers from reserves: | EUR 946,161 |
| • Target purpose (for acquisition of own shares) | EUR 0 |
| • Transfers from the required reserve | EUR 946,161 |
| Distributable profit | EUR (11,966,197) |
| Profit distribution: | EUR 946,161 |
| • to statutory reserves | EUR 946,161 |
| Retained earnings profit (loss) at the end of the financial year | EUR (12,912,358) |

5. THE AGENDA QUESTION: Election of the Board for a new term.

THE DECISION: At the end of the term of the Board, the following persons shall be elected as members of the Board for a new term of four years:

Aleksey Kovalchuk
Konstantin Kovalchuk
Oleg Tsarkov
Anna Korneeva
Igor Zentsov

To instruct the General Director of the company (with the right to sub-authorize) to perform all necessary actions, sign and submit documents related to the submission of changed data to the Register of Legal Entities.

6. THE AGENDA QUESTION: Election of the Audit Committee for the new term of office and resolution of related issues.

THE DECISION: Appointed as members of the Audit Committee for a new 4-year term Anna Korneeva, Igor Zentsov.

To authorize the Board of AB Snaigė to approve the regulations of the audit committee elected at this meeting, and to amend the Articles of Association as provided in the shareholders' decision on the Board's authority to establish committees, establish committees and appoint members to the audit committee.

7. THE AGENDA QUESTION: Amendment of the Articles of Association

THE DECISION: Taking into account the amendments to the Law on Companies of the Republic of Lithuania, which entered into force after the registration of the last version of the Company's Articles of Association, to amend Article 6.3 of the Articles of Association as follows:: to supplement Article 6.3 of the Articles of Association by giving the Board the authority to establish committees and to perform supervisory functions, and to approve Article 6.3 by giving new wording of the point:

„6.3. The Board of the Company is elected and revoked by the General Meeting of Shareholders in accordance with the procedure regulated by the Law on Companies of the Republic of Lithuania. The Board of the Company has the right to make a decision to issue bonds, as well as, in accordance with the procedure approved by the General Meeting of Shareholders, to resolve issues related to the determination of the remuneration of the members of the Board. The Board is authorized to establish committees provided for in the legal acts in force in the Republic of Lithuania and other committees necessary for the Company's activities and to appoint members or other persons to these committees, to approve the regulations of such committees. The competence of the Board in other matters does not differ from the competence established in the Law on Companies of the Republic of Lithuania.

The Board performs supervisory functions (established in Article 34, Paragraph 11 of the Law on Companies of the Republic of Lithuania). The rules of procedure of the board of the company shall be established by the rules of procedure of the board."

To instruct the General Director of the Company Gediminas Čeika (with the right to sub-authorize) to handle all matters related to the implementation of the decisions adopted at the General Meeting of Shareholders and to sign the amended ones, i.e. with the new wording of Item 6.3 approved by the shareholders, the Articles of Association of AB Snaigė.

31-05-2019

AB SNAIGĖ I quarter sales - more profitable

According to unaudited consolidated data, AB Snaigė reached a turnover of EUR 6.7 million in the I quarter of 2019, i.e. 12 percent lower than the same period last year. Despite lower unaudited consolidated I quarter turnover, the company's profitability increased 1.5 times. Increased profitability also had positive effect to EBITDA, which was negative (EUR -92 thousand), but significantly better than in the same period last year (loss of EUR 291 thousand).

According to Gediminas Čeika, General Manager of AB Snaigė, the results of the first quarter show that the company's profitability is gradually returning to the usual track. "We have experienced the price scissors that have arisen between 2017-2018 with rising commodity prices and unrivalled sales prices, so the relatively high profitability in the I quarter is optimistic," said Čeika. "This year we will continue to promote profitable sales, optimize production, and increase productivity. However, the most important project of the company in 2019 is diversification of the product portfolio and preparation of a new product line for serial production."

06-06-2019

Information on election of the Chairman of Board of AB Snaigė

The Board of AB Snaigė by decision dated on 27 May 2019 elected Aleksey Kovalchuk as the Chairman of the Board.

23-07-2019

Convocation of the extraordinary General Meeting of Shareholders

On 14 August 2019 the extraordinary General Meeting of Shareholders of Snaigė AB, the address of head office Pramonės str. 6, Alytus, the company code 249664610 (hereinafter, the "Company") is convened the ordinary General Meeting of Shareholders (hereinafter, the "Meeting").

The place of the meeting – at AB "Snaigė" office, at the address Kareivių str. 6, Vilnius, Lithuania.

The Meeting commences – at 10 a.m. (registration starts at 9.45 a.m.).

The Meeting's accounting day – 7 August 2019 (the persons who are shareholders of the Company at the end of accounting day of the General Meeting of Shareholders or authorized persons by them, or the persons with whom shareholders concluded the agreements on the disposal of voting right, shall have the right to attend and vote at the General Meeting of Shareholders).

The Board of directors of the Company initiates and convenes the meeting.

Agenda of the Meeting:

1. The correction of the Company situation and reduction of the authorized capital;
2. Election of the audit firm for auditing purposes of financial statements and establishment of terms regarding the payment for audit services;

The information related to 1 question of Agenda of the Meeting:

The purpose of reduction of authorized capital: according 52 article 2 part 1 point of Law on Companies of Lithuanian Republic (only for elimination losses in the balance of the Company and in that way the ratio of equity and of authorized capital will be restored (LR Law on Companies article 38 part 3)). According the Company's I quarter's 2019 year financial statements in the Company is related situation with the Company's equity and the authorized capital ratio as indicated in article 38 part 3 of Lithuanian Republic Law on Companies.

The method of reducing of authorized capital: by reducing nominal value of existing shares (see attached projects of decisions).

02-08-2019

The amended Articles of Association of AB "Snaigė" is registered in the Register of Legal Entities

On 30 July 2019 the amended Articles of Association of AB "Snaigė" was registered in the Register of Legal Entities. Amendments were approved on the repeated general meeting of shareholders which was held on 15 May 2019, taking into consideration the amendments of the Republic of Lithuania Law on Companies that come into force after registration of the last wording of the articles of association, supplemented p. 6.3 of the articles of association by authorizing the Board to establish committees and for supervision function execution.

14-08-2019

Resolutions of the Extraordinary General Meeting of Shareholders

The following resolutions were made during the Extraordinary General Meeting of Shareholders held on 14 August 2019:

1 THE AGENDA QUESTION: The correction of the Company situation* and reduction of the authorized capital;

THE DECISION:

(the decision was made according article 59 part 11 point 1 of LR Law on Companies)

5. To reduce the authorized capital of the Company from EUR 11 886 718.50 till EUR 10 301 822.70, according 52 article 2 part 1 point of Law on Companies of Lithuanian Republic (only for elimination losses in the balance of the Company and in that way the ratio of equity and of authorized capital will be restored (LR Law on Companies article 38 part 3)). The

authorized capital will be reduced by EUR 1 584 895,80. The authorized capital is reduced by reducing EUR 0,30 nominal value of existing shares by EUR 0,04 per share. The nominal value of the share after reduction will be EUR 0,26 per share.

Approved changes of p. 4.1 and p. 5.1 of the articles of association, related to reduction of the authorized capital of AB „Snaigė“ and the new redaction of the articles of association (attached), as follows:

“4.1. The authorized capital of the Company is EUR 10 301 822.70, (ten million three hundred one thousand eight hundred twenty two euro and 70 eurocents).“

and

„5.1. The authorized capital of the Company is divided into 39,622,395 (thirty nine million six hundred twenty two thousand three hundred ninety five) shares. The nominal value of one share is 0.26 euro (twenty six eurocent).“

Authorized the General Manager of the Company Gediminas Čeika (with the right to reauthorize) to perform all necessary actions relating to implementation of approved decisions by the extraordinary shareholders meeting and to sign changed articles of association.

2 THE AGENDA QUESTION: The Election of the audit firm for auditing purposes of financial statements and establishment of terms regarding the payment for audit services.

THE DECISION:

Grant Thornton Baltic UAB was elected for auditing purposes of financial statements of 2019 and 2020 years.

The General Director of the company was authorized (with the right to delegate) to sign the agreement with the audit firm by establishing the terms of payment for the audit services and other terms.

Please note that this reduction of the Company's authorized capital does not affect the Company's operations or solvency, but is merely a technical adjustment of the Company's equity structure to comply with the provisions of the Law on Companies of the Republic of Lithuania. As a result of this adjustment, neither the size of the equity of the Company nor the size of the assets of the Company is affected.

26-08-2019

SNAIGĖ, AB – significant growth in EBITDA

According to the unaudited consolidated data, in the first half of 2019 Snaigė, AB has reached EBITDA of EUR 0.6 million, which is significantly higher than compared to the same period last year, when consolidated audited EBITDA was EUR (-0.1) million.

The company's consolidated unaudited turnover in the first half of 2019 was 6% lower than compared to the same period last year. One of the main reasons for the reduction in sales was the financial difficulties of a large French customer and the consequent, likely temporary, loss of sales. The company compensates for lost sales in France with sales in other markets. Consequently, the company's turnover in the second quarter of this year was almost the same as the turnover in the same quarter of last year.

According to Gediminas Čeika, the CEO of Snaigė, AB, the company's results from the first half of the year show that the company's profitability and sales volume are slowly getting back on track.

“We are pleased with the growth of sales and EBITDA in the first half of the year, but there is still room for improvement,” said G. Čeika. “This year, we will continue encouraging profitable sales, optimize production, and increase labour productivity. However, the company's most important project for 2019 is diversification of products portfolio and preparation of a new product line for serial production.”

In the first half of 2019, the company has exported to 35 European, Asian, and African countries. The company's export amounted to 92%. In the first half of the year, the company's largest foreign sales markets were Ukraine (23%), Germany (15%), France (10%), Czech Republic (7%), and Norway (5%).

11-09-2019

AB SNAIGĖ – MANAGEMENT CHANGE

The Board of AB SNAIGĖ has appointed Mindaugas Sologubas, CFO of the company, as the new general manager of the company. M. Sologubas will take up his new position from 21st of September.

Such a decision was made after the current CEO Gediminas Čeika decided to take on new challenges, and his departure was approved by the Board.

G. Čeika has been General Manager of AB Snaigė almost 12 years. Under his leadership, the company successfully overcame the 2008 crisis, the partial loss of one of the most profitable Ukrainian market, the rise in raw material prices, other challenges of the refrigeration industry by keeping the company competitive and attractive to consumers and customers. AB SNAIGĖ has repeatedly been acknowledged as the most innovative company of Lithuania, the largest exporter and the winner of the gold medal of the Lithuanian Product of the Year. Gediminas Čeika himself was nominated as one of the best CEO in Lithuania.

Mindaugas Sologubas has been the Chief Financial Officer of AB SNAIGĖ since 2014. Prior to that he was head of the Ukrainian company Ligris.

24-09-2019**The amended Articles of Association of AB “Snaigė” is registered in the Register of Legal Entities**

On 24 September 2019 the amended Articles of Association of AB “Snaigė” (further – Company) was registered in the Register of Legal Entities. Articles of Association was changed by implementing on 14 August 2019 extraordinary general meeting of shareholders approved decision to reduce Company’s authorized capital.

After this change the authorized capital of the Company is EUR 10 301 822.70, (ten million three hundred one thousand eight hundred twenty two euro and 70 eurocents). The nominal value of one share is 0.26 euro. The number of shares remained unchanged and is 39622395 pcs.

This reduction of the Company’s authorized capital does not affect the Company’s operations or solvency, but is merely a technical adjustment of the Company’s equity structure to comply with the provisions of the Law on Companies of the Republic of Lithuania. As a result of this adjustment, neither the size of the equity of the Company nor the assets of the Company is affected.

29-11-2019**Snaigė, AB consolidated financial statements for the nine months period of 2019 year**

Over the first three quarters of this year, Snaigė, AB reached EUR 26 million in unaudited consolidated turnover. The company exported its products to over 30 countries in Europe, Asia and Africa. The largest part of its sales revenue came from Germany, Ukraine, Lithuania and the Czech Republic.

The company’s EBITDA, according to the unaudited consolidated data, reached EUR 0.8 million in the first three quarters of this year.

The new CEO of Snaigė, AB, who took up on 21 September, Mindaugas Sologubas, has stated that one of the company’s key strategic objectives is the diversification of its product portfolio. Snaigė, AB is making arrangements for the launch of the production of professional refrigeration equipment and is currently undertaking preparatory and research works.

“In future, the portfolio diversification will help avoid seasonality, thereby ensuring more evenly spread and more efficient manufacturing operations. The expansion into the category of professional refrigeration will reinforce the company’s competitive edge and increase its revenue,” said Mr Sologubas. “But we shall not leave behind the part of our business making household refrigeration equipment as we are planning to have a few new additions to it.

Snaigė, AB is also strengthening its sales unit. A month ago, it had a new manager of the Sales Department appointed, and the company has plans for recruiting a few more experts to work on the new products that will be added to the company’s portfolio.

5.4 Strategies and plans

The Company’s strategy is based on the consistent upgrading of the production efficiency and renovation and improvement of the products manufactured seeking to satisfy the consistently changing and increasing needs of our customers. Due to this consistent renovation and upgrading, we are able to assure the strength of the trademark and enhancement of the Company’s image in those markets where products with the SNAIGĖ trademark are sold and the consistence of orders in those markets to which the Company manufactures products under the orders of customers. The implementation of this strategy will enable the Company to achieve its core goal: to become the most reliable trademark in Central Europe and to be an acknowledged manufacturer in the countries of the Western Europe.

Seeking to implement the goal set, in 2019 the Company developed, updated and adapted many of its products to different trade markets, expanded existing design lines, improved existing product functions and features.

In order to make the most efficient use of available resources, the company decided to diversify its product portfolio and start production of professional refrigeration equipment. The emergence of this new product category will help to avoid seasonality, ensure more even and efficient production, strengthen the company’s competitiveness and increase its revenue in the future. In 2019, the design and testing of these products began.

Other strategic direction of the Company is the efficient consumption of available resources and increase of workforce productivity. The Company’s products compete with the products of the global scale manufacturers both by their quality and price. To make consumers choose the products of our Company, we should offer to them the most optimal price. To make this objective come true, the Company implemented a cost reduction programme that is open for participation for every Company’s employee.

6 DISCLOSURE FORM CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET

The public limited liability company AB Snaigė (hereinafter referred to as the “**Company**”), acting in compliance with Article 22 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with and for what reasons, as well as other explanatory information is provided in this form.

6.1 Summary of the Corporate Governance Report:

According to the Articles of association of AB Snaigė, the governing bodies of the Company are the General Shareholder’s Meeting, the Board and CEO. The Company does not have a Supervisory Council, but supervision functions set by the Law on Companies of the Republic of Lithuania are performed by the Board, which is comprised of 5 members and is elected for 4 years term.

During of 2019 year General meeting of shareholders Shareholders elected The Board from three representatives of the largest shareholder and two independent members of the Board and appointed two independent members of the Board to Audit Committee and authorized the Board in the future to appoint members to the Audit Committee. It could be deviated from independence requirement for one of independent member of the Board who is the Audit committee member when he started to work in the company which from middle of 2019 year has commercial relations with the Company.

The Company does not have Remuneration and a Nomination Committee as its functions, if necessary, will be performed by the Board by making decisions. The Board elects and recalls CEO of the Company, sets his/her remuneration and other conditions of the employment agreement. More information about the corporate governance, shareholders’ rights, activities of the Board and the Audit Committee as well as other key points related to the Company’s management are provided in the Consolidated Annual Report of AB Snaigė, for the year ended 31 December 2019.

6.2 Structured table for disclosure:

| PRINCIPLES/ RECOMMENDATIONS | YES/NO /NOT APPLICABLE | COMMENTARY |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders’ rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.</p> | | |
| 1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed. | YES | Information about convening shareholders meetings is provided publicly in English and Lithuanian languages through the Nasdaq Vilnius Stock Exchange Central Regulation Base https://www.nasdaqbaltic.com and on Company’s site www.snaige.lt |
| 1.2. 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 of their holders. | YES | |
| 1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares. | YES | Company’s articles of association are provided publicly on Company’s site. There are all information concerning the rights attached to earlier issued shares. |

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| 1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders. | YES | The Company would follow the applicable legal acts and the Company's Articles of Association. Currently for concluding such transactions. In accordance with currently applicable laws and the Company's Articles of Association, the Board makes decisions on the investment, transfer and lease of fixed assets with a book value exceeding 1/20 of the Company's authorized capital. |
| 1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest. | YES | |
| 1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed. | YES | Documents prepared for the general meeting of shareholders and adopted decisions are announced publicly in Lithuanian and English languages. |
| 1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot. | YES | |
| 1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person. | NO | Company has not implemented technical solutions. |

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| 1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided. | YES | When the Company has this information on the notice announcement day. |
| 1.10. Members of the company's collegial management body, heads of the administration ¹ or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders. | YES | The Manager of Company attends the general meeting of shareholders. The opportunity to attend the general meeting of shareholders are also given to Members of the Board and candidates to the Board. |
| <p>Principle 2: Supervisory board</p> <p>2.1. Functions and liability of the supervisory board</p> <p>The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.</p> | | |
| 2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. | NOT APPLICABLE | The Supervisory Board is not formed |
| 2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest. | NOT APPLICABLE | |
| 2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them. | NOT APPLICABLE | |

¹ For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

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| 2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent ² members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. | NOT APPLICABLE | |
| 2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. | NOT APPLICABLE | |
| 2.1.6. Bendrovė turėtų užtikrinti, kad The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees. | NOT APPLICABLE | |
| <p>2.2. Formation of the supervisory board</p> <p>The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.</p> | | |
| 2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks. | NOT APPLICABLE | |
| 2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience. | NOT APPLICABLE | |
| 2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on | NOT APPLICABLE | |

² For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

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| the measures taken to ensure impartiality of the supervision. | | |
| 2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof. | NOT APPLICABLE | |
| 2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances. | NOT APPLICABLE | |
| 2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders. | NOT APPLICABLE | |
| 2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures. | NOT APPLICABLE | |
| <p>Principle 3: Management Board</p> <p>3.1. Functions and liability of the management board</p> <p>The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.</p> | | |
| 3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy. | YES | The Company's Board performs supervisory functions set by Law on Companies of the Republic of Lithuania. |

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| 3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs <i>inter alia</i> the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development. | YES | By performing the functions assigned to it, the management board takes into account the needs of the company's shareholders, employees and other interest groups striving to achieve sustainable business development. |
| 3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. | YES | |
| 3.1.4 Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance ³ on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. | YES | |
| 3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence. | YES | |
| 3.2. Formation of the management board | | |
| 3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. | YES | |
| 3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be | YES | Candidates to the Board members introduce to shareholders specifying working positions in other companies, relations with Company if such has. Company's annual report discloses all known information. |

³ Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: <https://www.oecd.org/daf/anti-bribery/44884389.pdf>

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| submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. | | |
| 3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company. | YES | |
| 3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status. | YES | |
| 3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. | YES | The Chairman of the Company's Board is not and never was the manager of the Company. The Board is elected by shareholders. |
| 3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof. | YES | |
| 3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent ⁴ , it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances. | YES | Candidates to the Board members introduce themselves to the shareholders, indicating their positions in other companies, relations with the Company, if any. |

⁴ For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

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| 3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board. | YES | At present, the remuneration for members of the Board is not paid. If it were considered to pay a fee to the Board members, shareholders would be asked to confirm the amount of remuneration. This is also provided for in the Articles of Association of the Company. |
| 3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests. | YES | According information available to the Company, the members of the Board are guided by the interests of the Company and act for the benefit of Shareholders in performing their duties. |
| 3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data. | NO | There is no such practice yet. |
| <p>Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.</p> | | |
| 4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this. | NOT APPLICABLE | The Supervisory board is not formed at the Company. |

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| <p>4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.</p> | YES | Board meetings are called at appropriate intervals to ensure continuity of essential corporate governance issues. For urgent issues, extraordinary meetings are convened. |
| <p>4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials 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 present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.</p> | YES | Agenda and all materials required according to the agenda are sent to the Members of the Board by electronic mail in advance; normally the agenda is not changed during meetings unless it is a necessity to solve additional important issues. |
| <p>4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.</p> | NOT APPLICABLE | The Supervisory board is not formed at the Company. |
| <p>Principle 5: Nomination, remuneration and audit committees</p> <p>5.1. Purpose and formation of committee The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.</p> | | |
| <p>5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial</p> | YES/NO | An audit committee has been formed. The nomination and remuneration committees are not formed. If necessary functions of these committees will perform by the collegial body himself by making decisions. |

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| body should form the nomination, remuneration and audit committees ⁵ . | | |
| 5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees. | | |
| 5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole. | YES | Provisions of this Code relating to committees are applicable to the collegial body as far as possible in specific circumstances |
| 5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees. | YES | An audit committee is composed of two members. |
| 5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance. | YES/NO | The collegial body is determined authority the audit committee formed on 2019 year. Till 2019 year the shareholders meeting approved audit committee regulations and after first approving these regulations was published. |

⁵ The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

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| <p>5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.</p> | YES | |
| <p>5.2. Nomination committee</p> | | |
| <p>5.2.1. <i>The key functions of the nomination committee should be the following:</i></p> <p>1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected;</p> <p>2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;</p> <p>3) devote the attention necessary to ensure succession planning.</p> | NO | The nomination committee is not formed. |
| <p>5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.</p> | NO | The nomination committee is not formed. |
| <p>5.3. Remuneration committee</p> | | |

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------------------------------------|
| <p>The main functions of the remuneration committee should be as follows:</p> <p>1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;</p> <p>2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;</p> <p>3) review, on a regular basis, the remuneration policy and its implementation.</p> | NO | The remuneration committee is not formed. |
| 5.4. Audit committee | | |
| 5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee ⁶ . | YES | |
| 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. | YES | |
| 5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present. | YES | |

⁶ Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

| | | |
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| 5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. | YES | |
| 5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. | NO | This question will be solved in future. |
| 5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved. | YES | |
| <p>Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism for disclosing conflicts of interest related to members of the company's supervisory and management bodies The corporate governance framework should recognize the rights of shareholders as enshrined in law and promote active cooperation between the company and its shareholders in creating the company's well-being, jobs and financial stability. In the context of this principle, the term shareholders includes investors, employees, creditors, suppliers, customers, the local community and other persons with an interest in a particular company.</p> | | |
| Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value. | YES | Members of the Company's management body are trying to follow the recommendations listed in this article. |
| <p>Principle 7: Remuneration policy of the company The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.</p> | | |

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| 7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy. | NO | The Company's remuneration policy has not yet been approved |
| 7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments. | NO | The Company's remuneration policy has not yet been approved |
| 7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance. | NO | The Company's remuneration policy has not yet been approved |
| 7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance. | NO | The Company's remuneration policy has not yet been approved |
| 7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares. | NO | The Company's remuneration policy has not yet been approved |
| 7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year. | NO | The Company's remuneration policy has not yet been approved |
| 7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders. | NO | The Company's remuneration policy has not yet been approved |

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| <p>Principle 8: Role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.</p> | | |
| 8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected. | YES | |
| 8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc. | YES | |
| 8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information. | YES | |
| 8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function. | YES | The supervisory function performs the Board of the Company. The Company transfers information concerns to the Board in accordance with confidentiality requirements. |
| <p>Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.</p> | | |
| 9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following: | YES | The Company follows this requirement and discloses available information, in accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data. |
| 9.1.1. operating and financial results of the company; ; | YES | |
| 9.1.2. objectives and non-financial information of the company; | YES | |
| 9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary; | YES | |

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-------------------------------------------------------------------------------|
| 9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; | YES | Partially follows. |
| 9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities. | YES | |
| 9.1.6. potential key risk factors, the company's risk management and supervision policy. | YES | |
| 9.1.7. the company's transactions with related parties. | YES | |
| 9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.). | YES | |
| 9.1.9. structure and strategy of corporate governance. | YES | |
| 9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts. | YES | |
| 9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies. | YES | |
| 9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. | YES /NO | See 7 principle |
| 9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. | YES | The information which is disclosed to all parties concerned at the same time. |

Principle 10 : Selection of the company's audit firm

| The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--|
| 10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm. | YES | |
| 10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.. | YES | |
| 10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders. | YES | |

**AB „SNAIGĒ“
SOCIAL RESPONSIBILITY REPORT OF YEAR 2019.**

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MESSAGE FROM THE MANAGING DIRECTOR OF AB SNAIGĖ

Dear All,

In 2019 AB Snaige earned 1.7 million EUR audited non-consolidated EBITDA from its core business, almost the same as in 2018. However, the failure of one of the subsidiaries had a negative impact on the company's consolidated result. We earned less than we planned, i. y. EUR 1 million Consolidated audited EBITDA.

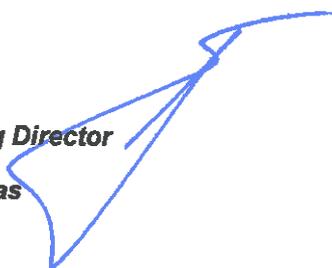
In 2019, we reached 32.2 million EUR audited consolidated turnover, which was 14% less than in 2018. This decrease is due to the financial difficulties of one of the company's largest customers in France, which also directly affected our turnover. Over the year, we have been able to partially offset these losses by increasing our turnover in other markets such as Portugal, Italy, Ukraine, Romania and others. During the year, we were able to partially compensate for these losses, increasing turnover in other markets such as Portugal, Italy, Ukraine, Romania and others.

In 2019 we have exported our products to more than 30 countries in Europe, Asia and Africa. We received the largest sales revenue from Germany, Ukraine, Lithuania, the Czech Republic and Norway.

We will continue to develop and improve our household refrigeration appliances in 2020, and as every year, we will introduce new products. However, one of the most important strategic goals for me as the new manager, and the whole team of AB Snaige, for the coming year is to diversify the product portfolio. We will start serial production of industrial refrigeration equipment, which is currently under design and testing stage. The emergence of this new product category will help to avoid seasonality, ensure more even and efficient production, strengthen the company's competitiveness and increase its revenue in the future.

AB Snaigė Managing Director

Mindaugas Sologubas



SCOPE OF THE REPORT

This report presents activities of AB Snaigé in 2019. The social responsibility report is prepared once a year and published together with the annual performance results. The report for 2019 is the third Social Responsibility Report of the Group and the Company. This report has been prepared in accordance with the European Commission Communique “Guidelines for Non-Financial Reporting (2017 / C 215/01)” and “Guidelines for the Global Reporting Initiative (GRI)”. The report is not audited.

This report provides non-financial information on responsible business to the interested parties: customers, shareholders, investors, employees, suppliers, business and social partners and the public.

PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

The company's social responsibility strategic principles

In its activities, the company follows the highest standards of business ethics and principles of social responsibility. The company seeks to preserve status of a reliable social partner not only in Alytus, but also on a national scale by contributing to solving current social problems of our society.

The company's social responsibility is divided into the following separate areas:

- Taking care of the health, well-being and motivation of its employees, development of professional competence of employees (see more - Employees).
- Maintaining good relations with communities, as well as openness to other interested parties and the public.
- Development of various social initiatives and projects for local communities.
- Education of a civil society that cares about the future of Lithuania (through educational campaigns).

COMPANY PRESENTATION AND PERFORMANCE INDICATORS

Strategy and Goals of the Company

The Company's strategy is based on the consistent upgrading of the production efficiency and renovation and improvement of the products manufactured seeking to satisfy the consistently changing and increasing needs of our customers. Due to this consistent renovation and upgrading, we are able to assure the strength of the trademark and enhancement of the Company's image in those markets where products with the SNAIGĖ trademark are sold and the consistence of orders in those markets to which the Company manufactures products under the orders of customers. The implementation of this strategy will enable the Company to achieve its core goal: to become the most reliable trademark in Central Europe and to be an acknowledged manufacturer in the countries of the Western Europe.

Seeking to implement the goal set in 2019 the Company has created, updated and adapted many of its products to different trade markets, expanded the already existing design lines, improved the existing product functions and features.

In order to make the use of available resources most efficient, the Company decided to diversify its product portfolio and start production of professional refrigeration equipment. The emergence of this new product category will help to avoid seasonality, ensure more even and efficient production, strengthen the Company's competitiveness and increase its revenue in the future. In 2019 the design and testing of these products began.

Other strategic direction of the Company is the efficient consumption of available resources and increase of workforce productivity. The Company's products compete with the products of the global scale manufacturers both by their quality and price. To make consumers choose products of our Company, we should offer to them the most optimal price. To make this objective come true, the Company implemented a cost reduction programme that is open for participation for every Company's employee.

Vision

To become the most reliable home appliances brand for consumers in the Eastern Europe and the preferred choice for OEM supplier in the Western Europe.

Mission

Our Mission is to develop financially disciplined business that provides consumers with good value and quality products and our shareholders with top-tier returns on their investments.

Values

Open minded Trustworthy Teamwork Flexibility.

Basic data about the Company

The name of the Company – AB SNAIGĖ (hereinafter referred to as the Company)

Authorised capital as of 31 December 2019 – EUR 10,301, 822.70

Address – Pramonės str. 6, LT-62175 Alytus

Phone – (315) 56 206

Fax – (315) 56 207; (315) 56 269

E-mail – snaige@snaige.lt

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

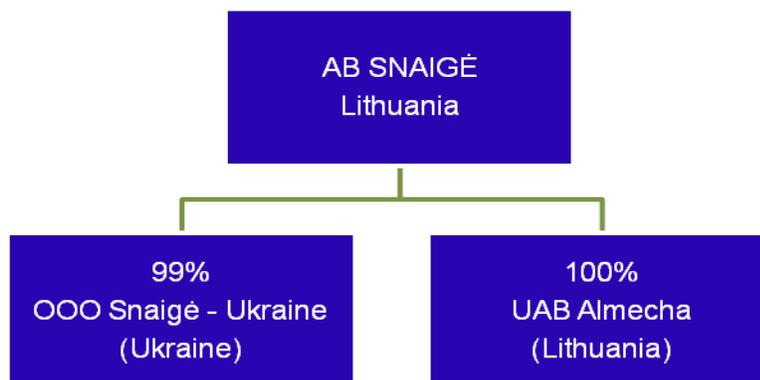
Legal organisation status – legal entity, public limited company

Registered as a Public Enterprise of the Republic of Lithuania on 1 December 1992 in the Municipality Administration of Alytus; registration number AB 92-119; enterprise register code 249664610. The latest Articles of Association of AB Snaigė were registered on 24 September 2019 in Alytus Department of the Register of Legal Entities of the Republic of Lithuania

The type of the Company's main business activities

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

The Company's company group structure



Information about the Company's subsidiaries

The Company's group consists of the refrigerator manufacturer AB Snaigė, based in Alytus, and the following subsidiaries:

- UAB Almecha. Main activity – manufacturing of miscellaneous machinery and equipment. The enterprise was registered in November 2006. Address: Pramonės str.6 Alytus, Lithuania.
- OOO Snaigė-Ukraine. Main activity – sales of refrigeration appliances, sales, consulting and services. The enterprise was registered in November 2002. Address: Grushevski str.28-2a/43 Kiev, Ukraine.

OPERATING REVIEW

General rates, describing the Company's business performance, their behaviour

The financial figures for the recent years are presented in general.

(consolidated data):

| | 2019 | 2018 | 2017 |
|--------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Turnover (continuing operations), EUR thousand | 32 222 | 37 572 | 39 202 |
| Gross profit (continuing operations), EUR thousand | 3 031 | 3 592 | 4 309 |
| Net profit (loss) from continuing operations, EUR thousand | (1 685) | (410) | (13 265) |
| Net (loss) from discontinued operations, EUR thousand | - | - | - |
| Net profit (loss), EUR thousand | (1 685) | (410) | (13 265) |
| Average share price, EUR | 0,157 | 0,181 | 0,284 |
| Financial figures | 2019 | 2018 | 2017 |
| Profit before tax indicator, % (current year profitability of continuing operations) | -5,23 % | -1,35 % | -34,29 % |
| General mark-up (continuing operations), % | 9,41 % | 9,56 % | 10,99 % |
| EBITDA mark-up (continuing operations), % | 2,90 % | 5,77 % | -29,44 % |
| Solvency ratio, % (general short-term solvency) | 49,98 % | 60,99 % | 57,32 % |
| Debt to assets ratio, % (general debt ratio) | 78,75 % | 77,38 % | 79,13 % |

| | | | |
|-------------------------------------------------------------------|----------|---------|-----------|
| Return on average shareholders' equity (continuing operations), % | -30,49 % | -5,91 % | -216,57 % |
|-------------------------------------------------------------------|----------|---------|-----------|

| Shares indicators | 2019 | 2018 | 2017 |
|--------------------------------------------------------------------------|-------|-------|-------|
| Net profit per share (continuing operations), EUR | -0,04 | -0,1 | -0,33 |
| Net loss per share (discontinued operations), EUR | - | - | - |
| Net profit per share (total), EUR | -0,04 | -0,1 | -0,33 |
| Average annual share market price, EUR | 0,157 | 0,181 | 0,284 |
| EBITDA per share (continuing operations), EUR | 0,02 | 0,05 | -0,29 |
| EBITDA multiplier (EBITDA per share / Average annual share market price) | 0,13 | 0,28 | -1,02 |
| Total dividends, EUR thousand | - | - | - |
| Dividends per share, EUR | - | - | - |
| Average net book share value (continuing operations), EUR | 0,15 | 0,17 | 0,15 |

The Company's Management bodies

Management Bodies are:

- General shareholders meeting;
- The management board is formed of five members and elected for the period of 4 years;
- Head of the Company – Managing Director.

The calling of general shareholder meeting, the competence of the meeting has no differences from the procedures and competences indicated in the Law on Companies of Republic of Lithuania.

The management board is elected and resigned by general shareholders meeting according to the procedures indicated by the Law on Companies. The management board has a right to take decision to issue bonds. The competence of the management board has no other differences from the competences indicated in the Law on Companies. The work procedures of the management board are set by the board's work rules of procedure.

The competence of the head of the Company, his nomination and resignation procedures are not different from those indicated in the Law on Companies.

The Company has the audit committee which is the operating collegial administrative body and which was elected by shareholders in 2009. The audit committee is operating by audit committee's labour regalement. During the General Meeting of Shareholders held in 2019, the shareholders appointed two elected independent members of the Board to the Audit Committee and authorized the Board of the Company to appoint members to the Audit Committee in the future.

Legal basis of the Company's operations

AB Snaigė uses the Company's articles of association, Law on Companies of the Republic of Lithuania, other legal acts issued by the Republic of Lithuania and European Union as legal guidelines for operations.

Corporate governance bodies

Information about the members of management bodies with regard to the share of the Company's authorized capital

| NAME | Position | Available number of shares, units | Share capital, per cent | Votes, per cent |
|-----------------------------------------------------------------------|---------------------------------|-----------------------------------|-------------------------|-----------------|
| BOARD | | | | |
| Aleksey Kovalchuk | AB Snaigē chairman of the board | - | - | - |
| Oleg Tsarkov | AB Snaigē member of the board | - | - | - |
| Konstantin Kovalchuk | AB Snaigē member of the board | - | - | - |
| Igor Zentsov | AB Snaigē member of the board | - | - | - |
| Anna Korneeva | AB Snaigē member of the board | - | - | - |
| ADMINISTRATION (Managing Director and Chief Financial Officer) | | | | |
| Mindaugas Sologubas | AB Snaigē Managing Director | - | - | - |
| Vytautas Adomaitis | AB Snaigē Chief Accountant | - | - | - |

Participating in other companies activities and interests (31 December 2019):

| Name | Education, profession | Workplaces in the last 10 years and positions in them |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aleksey Kovalchuk | Finance Academy under the Government of the Russian Federation | Managing Director of OAO Polair 2009–2013 Managing Director of ZAO Polair-Nedvizhimost Advisor JSC AVIKON |
| Mindaugas Sologubas | Stockholm School of Economics in Riga, Bachelor of Economics and Business Vytautas Magnus University, Master of Finance and Banking | Managing Director of AB SNAIGE from 21 September 2019. Finance Director of AB SNAIGE from September 2014. Director of UAB Verslo architektūra from August 2013. Director of ZAO LIGRIS, Nikolaev, Ukraine, from October 2011 to July 2013. Chief Financial Officer UAB GRANEX, from June 2008 to October 2011. |
| Vytautas Adomaitis | Vilnius State University, Faculty of Economic Cybernetics and Finance, specialization of economist-accountant | Head of the Accounting and Finance Department AB SNAIGE from 03 October 1983. |

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

| NAME | Start date of the office term | End date of the office term |
|----------------------------------------------------------------|-------------------------------|--------------------------------------------------------------------------|
| BOARD | | |
| Aleksey Kovalchuk | 14/12/2011 | Until February 2023 |
| Oleg Tsarkov | 30/04/2015 | Until February 2023 |
| Konstantin Kovalchuk | 30/04/2018 | Until February 2023 |
| Anna Korneeva | 15/05/2019 | Until February 2023 |
| Igor Zentsov | 15/05/2019 | Until February 2023 |
| Mikhail Stukalo | 30/04/2018 | Until 12/03/2019 |
| Anna Kovalchuk | 30/04/2018 | Until 15/05/2019 |
| ADMINISTRATION (Managing Director and Chief Accountant) | | |
| Mindaugas Sologubas | 21/09/2019 | Term less agreement (23/09/2014 – 20/09/2019 Finance Director AB Snaige) |
| Vytautas Adomaitis | 03/10/1983 | Term less agreement |
| Gediminas Čeika | 03/01/2008 | Managing Director AB SNAIGE until 20/09/2019 |

The Company's group's management structure

Mindaugas Sologubas – Managing Director

Kęstutis Urbonavičius – Technical and Production Director.

Rūta Petrauskaitė – Marketing Director.

Vytautas Adomaitis – Chief Accountant.

ADHERENCE TO HUMAN RIGHTS. EMPLOYEES AND OTHER SOCIAL ISSUES

Protection of Human Rights

The Company carries out its business activities in accordance with the principles of protection of human rights, the principles of equal opportunities and non-discrimination on other grounds, and the procedure for implementation of these principles. This means that any direct or indirect discrimination in relationship between an employer and employees, harassment, an instruction to discriminate on the basis of sex, race, ethnicity, and etc. due to circumstances that are not relative to professional competences of employees is intolerable. The Company assures that people who are searching for employment or current employees would not be subject special behaviour unless this is related to the quality of work performed or other business functions. The Company also assures the transparent wages policy, complies with the right of employees to have a rest, takes measures to help an employee to discharge his/her family obligations.

The Company regulates the principles of collection, usage, and storage of personal data of employees, sets the goals and means of management of personal data of employees, assigns persons who are authorized to review the personal data of employees, and the sets the purposes of this review.

Seeking to protect the rights of employees, in 2017, the Company adopted the policy of equal opportunities and the policy of storage of personal data of employees, the procedure for usage of information and communication technologies, and other procedures..

Principles of the Personnel Policy

Besides the size, image, and strategy of the Company, the Company's success, to a wide extent, also depends on the Company's behaviour with its employees. All challenges and changes that are faced by the Company affect its employees as well. Therefore the efficiency of the Company's business, first and utmost, is predetermined by the Company's ability to manage human resources.

The Company's personnel policy and management of human resources is composed of: planning of human resources, personnel formation (personnel attraction, selection, employment, and maintenance), personnel upbringing, evaluation of a job, personnel motivation, the standard of behaviour, occupational safety, and assurance of social conditions.

In the event of changes and new challenges, it is important to be able to maintain qualified, skilled, and motivated personnel capable of performing the tasks set with as low costs as possible and to help the Company to achieve its strategic goals.

Strategic Management of Human Resources The objective of the personnel policy is to help employees to be adapted to to new environmental requirements and implement strategic goals, this means enhancement of administration efficiency, combination of the practice of human resources and the general strategy of the Company, and evaluation of human resources.

Planning of Human Resources. This planning includes: planning of the efficient number of job positions and structure, planning of a requirement for human resources, and evaluation of planning quality.

Analysis of the Activity. Seeking to assure a more efficient management of human resources, it necessary to evaluate new tasks of the activity, eliminate an inefficient activity, duplication of functions, and regroup and redistribute functions.

Evaluation of a Job and a Career. Evaluation of the activity of personnel is the integral part of career planning. The potential and the spheres of improvement of skills of an employee may be only achieved by an unbiased evaluation. The objective of evaluation of the activity is the maximal matching of the personnel activity and the goals of the Company. The procedure of management of the activity means the setting of definite and achievable objectives, monitoring of achievement of objectives, coordination of the activity (objectives) of employees, adjustment of the objectives set, and annual evaluation of the activity of personnel. When planning a career, it is important to take into consideration not only the past, which is the results of the job of an employee, but also the future – the skills of an employee, his/her capability for development and response to changes, and performance of more complex tasks – his/her potential.

Personnel Motivation. During an interview, most candidates indicate insufficient remuneration as a major factor predetermining low motivation. For the time being, still being under difficult economic conditions, it is necessary to pay more attention to strengthening social motivations: for encouragement of personal achievements,

increase of responsibility, formation of group or team membership, creation of conditions for management, personal expression, and etc..

Turnover of Employees

The employees of the Company in 2017–2019 according to the personnel groups *:

| Employees | 2019 | | | 2018 | | | 2017 | | |
|------------------|------------|------------|----------------------|------------|------------|---------------------|------------|------------|---------------------|
| | Amount | % | Average salary, EUR | Amount | % | Average salary, EUR | Amount | % | Average salary, EUR |
| Managers | 21 | 3.8 | 3328=2582*1.289 | 22 | 3.6 | 2,577 | 23 | 3.5 | 2,530 |
| Specialists | 91 | 16.2 | 1267=983*1.289 | 94 | 15.4 | 967 | 99 | 15.1 | 941 |
| Workers | 449 | 80.0 | 800=621*1.289 | 494 | 81.0 | 590 | 535 | 81.4 | 573 |
| In total: | 561 | 100 | 979=760*1.289 | 610 | 100 | 726 | 657 | 100 | 701 |

*Average yearly data

The structure of the Company's employees in 2017–2019 according to education level*

| Education level of the employees | 2019 | | 2018 | | 2017 | |
|------------------------------------|------------|------------|------------|------------|------------|------------|
| | Amount | % | Amount | % | Amount | % |
| University education | 102 | 18.2 | 109 | 17.9 | 114 | 17.4 |
| Professional high school education | 375 | 66.8 | 403 | 66.1 | 434 | 66.0 |
| Secondary education | 80 | 14.3 | 93 | 15.2 | 104 | 15.8 |
| Uncompleted secondary education | 4 | 0.7 | 5 | 0.8 | 5 | 0.8 |
| Total: | 561 | 100 | 610 | 100 | 657 | 100 |

The employees of the Company and its subsidiaries in 2017–2019 according to personnel groups*:

| Employees | 2019 | | 2018 | | 2017 | |
|---------------|------------|------------|------------|------------|------------|------------|
| | Amount | % | Amount | % | Amount | % |
| Managers | 23 | 3.76 | 24 | 3.6 | 25 | 3.5 |
| Specialists | 103 | 16.86 | 107 | 16.0 | 112 | 15.7 |
| Workers | 485 | 79.38 | 538 | 80.4 | 578 | 80.8 |
| Total: | 611 | 100 | 669 | 100 | 715 | 100 |

Wage System

The Company is seeking to form an effective and fair wages policy the purpose of which is to attract, maintain, and motivate employees whose qualification and results of a job help the Company to successfully perform its mission and achieve the tasks set. In 2017, the Company formed and adopted a wages system that regulates the procedure for payment for work, the accountancy of wages for works in a night shift, overtime work, work during days off and holidays, time limits for settlement of accounts with employees, sets the categories of employees according to employment positions, indicates the procedures for payment and amounts of wages according to employment positions and groups of positions, and supplements the procedure for allocation of supplemental payments (additions, premiums, and bonuses). The wages system is applied to all the Company's employees.

The Company seeks to pay fair wages meeting market conditions with due consideration of competences of each individual employee and the benefit generated by him/her for the Company. The wages system was adopted after consultations with the representatives of the Company's trade union in accordance with the principles of equality and non-discrimination on other grounds.

Trade Unions

The trade union uniting 38 percent of the total number of employees of the Company is operating in the Company. Representatives of the trade union are invited to the meetings of the Company's management. Economic, social, and labour issues that are important to the Company also are discussed with the trade union.

Union Agreement

The Company has entered into the union agreement with the trade union representing the Company's employees. This agreement is fulfilled in accordance with the principles of mutual understanding and openness. If any disagreement arises, problems are settled amicably and in a spirit of mutual trust. The union agreement provides for the regulations for conclusion and amendment of employment contracts, the time limits of work and rest, payment of wages, terms and conditions of work, and qualification and social security issues. The objective of the agreement is the formation of conditions for the consistent development of business and assurance of the level of working conditions which is better than provided for in the legal acts of the Republic of Lithuania.

The union agreement foresees the following additional social guarantees for employees: in the event of death of the Company's employee the member of the employee's family will receive a death allowance; in the event of death of the member of the family of an employee, an employee receives an allowance; allowances also are paid to congratulate an employee with a jubilee (50 years, 60 years anniversary); during Christmas events children of employees are given Christmas gifts; during a calendar year the Company allocates funds for arrangement and prizes of some events organized by its employees

Upbringing of Competences

The upbringing of personnel is an indispensable condition for the achievement of the strategic objectives of the Company because due to training personnel acquires qualification and capabilities. Changing challenges of the Company, the environment for the performance of tasks, application of new technologies, and a complex situation in the labour market witnesses that investments in personnel training (improvement of professional skills) are indispensable because training motivates, upgrades the quality of work, enhances loyalty, and assures more efficient adaptation to new challenges and conditions.

The Company systematically plans training sessions and carries training according to an adopted training programme. In 2019, 24 management employees participated in external trainings, which mean that they upgraded their professional qualification at consultation seminars, conferences, and target trainings; 27 employees were trained according to consistent professional training programmes; 4 workers acquired new adjacent specializations. In 2019, duration of professional training amounted to 906 hours.

It is adopted the procedure for internal training of employees of production divisions in the Company, which provides for the development of required programmes, training and periodical attestation of employees. Internal trainings and periodical attestation are arranged seeking to help to acquire or update professional knowledge, to acquire or to test skills required to assure due technological processes of the Company, to consistently maintain the high professional level of employees.

The Company's Occupational Safety Division instructs newly employed employees on the introduction themes concerning prevention of accidents and health protection, fire safety, and civil safety. The managers of divisions instruct their inferiors at the workplace once per year.

Employees operating and maintaining potentially hazardous machinery are trained in accordance with the Procedure for Training of Employees and Assessment and Evaluation of Knowledge of Employees in the Field of Occupational Safety and Health Protection adopted by the Managing Director. Employees operating energy plants are periodically attested in accordance with the procedures prescribed by the Order of the Minister of Energy of the Republic of Lithuania.

Integration of New Employees

A new company means new goals, other specificity of operation, career opportunities, traditions, and other internal code of conduct. For this purpose the Company has developed the *Standard for Demand for Employees, Recruiting, Selection of Employees, Determination of their Qualifications, and Introduction of New Employees* and the training procedure. A new employee becomes familiar with the Company's organizational culture, employees, and the activities of divisions according to the programme developed. A mentor is appointed to boost the integration of a new employee in the work collective, to help a new employee to understand the principles of work, to perceive the Company's values, and to understand the Company's mission and vision. Based on his/her experience and competence, the mentor trains a new employee at the workplace and helps to understand business, its processes, purposes, and responsibility so that a new employee could start creating a new value as soon as possible.

Practice Opportunities

The Company cooperates with educational institutions and provides the students of universities and colleges with an opportunity to apply their theoretic knowledge and acquire practical skills.

Occupational Safety and Health Protection

The Company boasts efficient long-standing occupational safety traditions. Employees form the most important wealth of the Company. Therefore investments in occupational safety and health protection are among the most important obligations of the Company's management. The Company seeks to avoid any possible accident or a professional disease and bring them to naught. The Company carries out the uninterrupted assessment of workplaces and the environment of workplaces.

Firstly, the health and safety of employees is evaluated during the implementation of new technologies. The Company spares no pains to assure that new equipment and machinery is as safe as possible, and new materials and raw materials are not harmful for the health of employees. The Company takes measures to eliminate a noise, vibration, and dust content – major factors that can cause professional diseases.

Seeking to protect employees against possible affect of harmful factors, both collective and individual protective equipment are applied. Employees are trained to work safely, are familiarized with the requirements of normative legal acts in the field of occupational safety and health protection.

The Company flexibly matches hours of work and relaxation. Working schedules provide for daily breaks for relaxation, there are recreation rooms in the premises of the Company.

The Company has implemented the occupational safety and health protection management system. The Company was given a certificate certifying that AB Snaigé has implemented the management system meeting the requirements of LST 1977:2008 (BS OHSAS 18001:2007) OHSAS 18001 standard. This certificate is an expression of the Company's priorities and responsibility for creation of safe working conditions so that accidents and professional diseases would be avoided

ENVIRONMENT PROTECTION

Environment Protection Policy

AB Snaigė is rated among the most advanced and innovative Lithuanian production companies in the field of environment protection. The Company's goal comprises ecological products, environmentally friendly technologies, and clean environment.

To achieve this goal, the Company has implemented the certified environment protection management system meeting the requirements of international ISO 14001 standard.

The Company regularly upgrades the efficiency of the environment protection, makes efforts to reduce emissions, focuses on environmental friendliness, economic consumption of natural resources, and safe environment.

Products

During design of new products, the Company always gives a priority to production that saves raw materials and resources, ensures safe transportation, minimization of waste, and achievement of top quality of products. The Company makes efforts to use materials that later on could be recycled.

AB Snaigė complies with the 21 October 2009 Directive 2009/125/EC of the European Parliament and of the Council governing the product design.

Snaigė refrigerators are made of environment friendly materials that are free of harmful components. For example, each plastic component part of a refrigerator is marked (in accordance with ISO) so that marking indicates that a component part may be used repeatedly and re-processed in accordance with the requirements of Directive 2002/96/EC on waste electrical and electronic equipment.

The technological process of coating the surface of products is ecologically clean: this is a dry coating that is dried by gas. Refrigeration system is filled with R600a gas which has natural origin and doesn't deplete ozone layer, while a hydrocarbon compound cyclopentane which is used for insulation of refrigerators is not harmful for the environment.

All the products manufactured by the Company meet the requirements of the following directives and regulation of the European Community regarding non-usage of harmful materials:

- RoHS2 Directive 2011/65/EU of the European Parliament and of the Council on the restriction of the use of certain hazardous substances in electrical and electronic equipment.
- REACH Regulation (EC) No 1907/2006 of the European Parliament and of the Council on the non-use of high-risk substances (151) which refrigerators may release into the environment;
- PAH Decision ZEK-01.4-08 of the Government of Germany, which means that SNAIGĖ products meet the polycyclic aromatic hydrocarbons concentration limit for 18 carcinogenic materials; regarding contact with food:
 - Regulation (EC) No 1935/2004 of the European Parliament and of the Council on materials and articles intended to come into contact with food (general);
 - Commission Regulation (EU) No 10/2011 on plastic materials and articles intended to come into contact with food (for plastics). These regulations mean that the materials applied during the manufacture of Snaigė refrigerators are allowed to contact food.

Compliance of requirements of AB Snaigė products is certified by the testing performed by the certified testing laboratory DEKRA (Germany) and the Division of Chemical Analyses of the National Public Health Supervision Laboratory (Lithuania) and the test certificates issued by these institutions.

The less energy the refrigerator consumes the less impact it has on the environment. Most Snaigė products have top and high A+, A++, and A+++ energy efficiency classes. The annual electricity consumption of such a refrigerator is reduced by 30 percent.

The purchasers of a refrigerator are also provided with information regarding ecology. They are advised how to install, use, and maintain their refrigerator so that its service life would be extended as much as possible

and the effect on the environment would be reduced as much as possible. In addition to this, purchasers are advised how to return the refrigerator after the expiry of its service life.

Environment Protection

From 1 January 2015, AB Snaigė in accordance with Regulation (EC) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 on substances that deplete the ozone layer assumed an obligation and does not buy and use virgin and non-virgin (which is recycled or recovered) hydrochlorofluorocarbons (HCFC) whenever alone or in a mixture.

The Company also pays a lot of attention to such pollutants as nitrogen or carbon oxides, particulate matter, styrene, and cyclopentane. Their emission is systematically monitored and controlled. In 2019, the total emission of the aforementioned pollutants amounted to 18.09 t, which is significantly less than permissible limit amounting to 34.73 t.

Protection of Surface Waters

The impact made by the Company's production and economic activity on the environment is regulated by the Pollution Permit issued by the Environmental Protection Agency under the Ministry of Environment of the Republic of Lithuania. The Company strictly follows the permissible pollution limits as indicated in this Pollution Permit. The function of supervision is carried out in accordance with the Company's monitoring programme, which sets the quality parameters of discharged surface (rainfall) waters and sewage resulting from the economic activity and indicates the periodicity and scope of performance of prevention analyses of the pollutants discharged with sewage.

The Company systematically analyzes the results obtained and reviews any changes: increase and decrease of individual pollutants. In addition to this, the technical conditions of inner vehicles of the Company as well as vehicles entering the territory of the Company are examined on a permanent basis. The production process is carried out in accordance with the Regulation of Delivery of Chemical Materials from a Warehouse to Production Premises.

Protection of Subsoil, Soil, and Ground Waters

While seeking to protect the quality of underground waters and soil, the Company executes the programme of analysis of the Company's underground waters for 2016 to 2020 period, which was adopted by Environmental Protection Agency under the Ministry of Environment of the Republic of Lithuania. There are five wells installed in the territory of the Company. Water specimens for the analysis of the quality of ground waters are taken out of these wells with the periodicity foreseen in the programme.

In 2019, the full scope of ground water analyses was made in accordance with the monitoring programme. Parameters that were analysed include: the ground water level, physical and chemical parameters (water ion concentration (pH), the oxidation and reduction potential (Eh)), and other parameters. Beyond that, the general chemical water composition (concentration of core ions and permanganate value) was analysed, the chemical oxygen consumption value and concentration of heavy metals was determined. Compared to the analyses made last year, the quality of subsoil waters was gradually becoming better, neither analysed parameters achieved or exceeded the parameters set.

Waste Management

Though waste cannot be avoided during the production process of refrigerators, the Company does not spare pains to reduce waste as much as possible and to manage waste as efficiently as possible. Therefore the amounts and types of pollutants generated by the Company do not exceed the standard values set.

Waste free production has been implemented in some production areas of the Company, where generated waste is further used in production processes. For instance, the waste generated in workshops of plastics thermoforming and injection moulding is further ground in mills and reused in production.

In some workshops, the Company implemented advanced technologies that minimize production waste. For example, metal cabinet body parts are painted by means of advanced powder painting technology that boasts 98 percent efficiency of useful usage of paint. Waste amounts to 2 percent only. Traditional painting technology has 80 percent efficiency factor, which means that in this event waste amounts to 20 percent. The other example of efficient usage of raw materials is the production of metal cabinet body parts. These parts are made of sheet metal with accurate dimensions that is cut into workpieces during the production process. The

efficiency factor of usage of metal in this production area amounts to 92 percent, whereas in the efficiency factor of usage of a metal in other areas only amounts to 78 percent.

The major share of the waste generated by the Company such as cardboard, metals, plastics, wood, and etc., is fit for use as recyclable materials. This waste is transferred to waste managers who specialize in recycling of specific types of waste and manage waste in accordance with the requirements of the legal acts of the European Union and the Republic of Lithuania.

The Company holds a licence for the management of the waste of electric and electronic equipment, namely, refrigerators and is a member of the Electronic Distributors Association (EDA) and the Packing Management Association (PMA). Due to active participation in the joint management of old refrigerators and packages resulting from the sale of refrigerators, the Company contributes to the execution of governmental tasks of management of aforesaid waste.

Application of Chemicals

Seeking to implement the provisions of REACH Regulation concerning the usage of environment and health friendly materials, the Company regularly carries out the inventory of the chemicals used in production and makes efforts to replace harmful materials by less harmful ones or absolutely non-harmful ones. For example, plastic parts are only painted with ecologic waterborne paints.

In accordance with the requirements of the Company's environment protection management system regarding operation with chemicals, the impact of chemicals on the environment is modelled and supervised and the information obtained is entered in the data safety sheets of most chemical materials. On the basis of this information, prevention measures for the management of chemicals emissions in the environmental air and sewage are prepared. This significantly contributes to the management of harmful waste of a chemical origin.

Seeking to assure that the information declared in material data safety sheets would be as accurate as possible, the Company closely cooperates with the suppliers of harmful materials. The Company also requests from suppliers to attach to material data safety sheets the annex '*Impact Scenario*', which would in detail and thoroughly describe the impact made by a chemical on the environment and means and methods for the reduction of this impact and the protection against this impact.

Usage of Natural Resources

The workshops and administration premises of the Company are heated by the Company's boiler-house plant operating on biomass that replaces fossil fuels. Capacity of the boiler-house plant: 4 MW. Heat energy, generated during 2019 amounted to 6,304 MWh, which is the equivalent of 653,096 cubic m of natural gas. The Company's heat energy savings amounted to EUR 26,782 compared to the generation of the same heat energy amount by means of natural gas.