

4 April 2012
Vilnius

CONFIRMATION OF THE COMPANY'S RESPONSIBLE PERSONS

Hereby we confirm, that by our knowledge Consolidated Financial Statements for the year 2011 prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss of APB Apranga, as well as of Apranga Group consolidated companies.

As well we confirm that by our knowledge Consolidated Report for the year 2011 gives correct overview of business development and activities of Apranga Group.



Apranga Group General Manager
Rimantas Perveneckas



Apranga Group Chief Financial Officer
Saulius Bačauskas

APB APRANGA

Consolidated and Company's Financial Statements,
Consolidated Annual Report and
Independent Auditor's Report

for the year ended 31 December 2011

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Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholders of APRANGA APB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of APRANGA APB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 5 – 37 which comprise the stand alone and consolidated balance sheet as of 31 December 2011 and the stand alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers UAB, J. Jasinskio 16B, LT-01112 Vilnius, Lithuania

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PricewaterhouseCoopers UAB, company code 111473315, VAT payer's code LT114733113, registered office at J. Jasinskio 16B, LT-01112 Vilnius, is a private company registered with the Legal Entities' Register of the Republic of Lithuania. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.



Report on other legal and regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2011 set out on pages 38 – 75 and have not noted any material inconsistencies between the financial information included in it and the audited Financial statements for the year ended 31 December 2011.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to read 'C. Butler', written in a cursive style.

Christopher C. Butler
Director

Vilnius, Republic of Lithuania
4 April 2012

A handwritten signature in blue ink, appearing to read 'Rimvydas Jogėla', written in a cursive style.

Rimvydas Jogėla
Auditor's Certificate No.000457

STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2011	2010	2011	2010
Revenue	4	340 781	301 319	153 071	135 461
Cost of sales	5	(180 820)	(167 515)	(90 395)	(84 929)
Gross profit		159 961	133 804	62 676	50 532
Selling costs	5	(111 303)	(99 269)	(47 040)	(40 520)
General and administrative expenses	5	(19 641)	(18 406)	(15 037)	(13 830)
Other income	6	1 012	716	28 193	12 273
Net foreign exchange gain (loss)		(61)	63	(21)	23
Operating profit (loss)		29 968	16 908	28 771	8 478
Finance costs	7	(219)	(865)	(450)	(1 305)
Profit (loss) before income tax		29 749	16 043	28 321	7 173
Income tax credit (expense)	8	(4 935)	(2 706)	(1 610)	(190)
Profit (loss) for the year	11	24 814	13 337	26 711	6 983
Other comprehensive income					
Currency translation difference		342	52	-	-
TOTAL COMPREHENSIVE INCOME		25 156	13 389	26 711	6 983
Basic and diluted earnings (losses) per share (in LTL)	11	0,45	0,24	0,48	0,13

The notes on pages 9 to 37 are an integral part of these financial statements.

These financial statements were approved by Management Board on 4 April 2012 and signed by:


Rimantas Perveneckas
General Director


Saulius Bačauskas
Chief Financial Officer

(all tabular amounts are in LTL thousands unless otherwise stated)

BALANCE SHEET

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2011	2010	2011	2010
ASSETS					
Non-current assets					
Property, plant and equipment	12	71 555	82 015	49 978	55 912
Intangible assets	13	608	859	445	630
Investments in subsidiaries	14	-	-	16 101	15 504
Prepayments	17	862	632	326	250
Trade and other receivables	20	151	69	151	69
Deferred tax assets	9	-	222	-	222
		73 176	83 797	67 001	72 587
Current assets					
Inventories	15	64 034	51 982	37 035	28 956
Available for sale financial assets	18	10 510	-	10 510	-
Non-current assets held for sale	16	1 118	1 118	1 118	1 118
Prepayments	17	1 831	1 125	1 349	846
Trade and other receivables	20	2 440	1 365	13 393	13 869
Cash and cash equivalents	21	8 056	4 188	3 040	1 389
		87 989	59 778	66 445	46 178
TOTAL ASSETS		161 165	143 575	133 446	118 765
EQUITY AND LIABILITIES					
Equity					
Ordinary shares	22	55 292	55 292	55 292	55 292
Legal reserve	23	3 262	2 912	3 262	2 912
Translation difference		92	(385)	-	-
Retained earnings		64 456	53 950	43 492	30 954
		123 102	111 769	102 046	89 158
Non-current liabilities					
Deferred tax liabilities	9	3 763	3 055	1 335	-
Obligations under finance leases		-	3	-	-
Other liabilities		392	273	392	272
		4 155	3 331	1 727	272
Current liabilities					
Borrowings	24	1 178	4 128	14 053	18 793
Obligations under finance leases		3	10	-	-
Current income tax liability		972	469	79	12
Trade and other payables	25	31 755	23 868	15 541	10 530
		33 908	28 475	29 673	29 335
Total liabilities		38 063	31 806	31 400	29 608
TOTAL EQUITY AND LIABILITIES		161 165	143 575	133 446	118 765

The notes on pages 9 to 37 are an integral part of these financial statements.

These financial statements were approved by Management Board on 4 April 2012 and signed by:


 Rimantas Perveneckas
 General Director


 Saulius Bačauskas
 Chief Financial Officer

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Note	Share capital	Legal reserve	Translation reserve	Retained earnings	Total
Balance at 1 January 2010		55 292	2 912	(464)	40 640	98 380
Comprehensive income						
Profit for the year 2010					13 337	13 337
Other comprehensive income						
Currency translation difference		-	-	79	(27)	52
Total comprehensive income		-	-	79	13 310	13 389
Balance at 31 December 2010		55 292	2 912	(385)	53 950	111 769
Comprehensive income						
Profit for the year 2011		-	-	-	24 814	24 814
Other comprehensive income						
Currency translation difference		-	-	477	(135)	342
Total comprehensive income		-	-	477	24 679	25 156
Transactions with owners						
Transfer to legal reserve	23	-	350	-	(350)	-
Dividends paid	10, 23	-	-	-	(13 823)	(13 823)
Balance at 31 December 2011		55 292	3 262	92	64 456	123 102

COMPANY

		Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2010		55 292	2 912	23 971	82 175
Comprehensive income					
Profit for the year 2010		-	-	6 983	6 983
Balance at 31 December 2010		55 292	2 912	30 954	89 158
Comprehensive income					
Profit for the year 2011		-	-	26 711	26 711
Transactions with owners					
Transfer to legal reserve	23	-	350	(350)	-
Dividends paid	10, 23	-	-	(13 823)	(13 823)
Balance at 31 December 2011		55 292	3 262	43 492	102 046

The notes on pages 9 to 37 are an integral part of these financial statements.

These financial statements were approved by Management Board on 4 April 2012 and signed by:


Rimantas Perveneckas
General Director


Saulius Bačauskas
Chief Financial Officer

STATEMENTS OF CASH FLOW

	Note	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2011	2010	2011	2010
OPERATING ACTIVITIES					
Profit (loss) before income taxes		29 749	16 043	28 321	7 173
Adjustments for:					
Depreciation and amortization	5	17 644	19 907	8 814	9 027
Impairment charge	12	424	450	358	348
Change in allowances for slow-moving inventories	5	(908)	(1 042)	(865)	(1 194)
Gain on disposal of property, plant and equipment		(22)	(30)	(22)	(10)
Write-off of property, plant and equipment		26	335	22	328
Dividends income	6	-	-	(19 218)	(5 474)
Interest expenses, net of interest income	6, 7	76	863	257	1 017
		46 989	36 526	17 667	11 215
Changes in operating assets and liabilities:					
Decrease (increase) in inventories		(11 144)	14 271	(7 214)	15 186
Decrease (increase) in receivables		(2 093)	1 667	(2 219)	5 608
Unrealized foreign exchange loss (gain)		342	80	-	(26)
Increase (decrease) in payables		7 890	(8 500)	4 881	(6 330)
Cash generated from operations		41 984	44 044	13 115	25 653
Income taxes paid		(3 502)	(1 460)	-	(82)
Interest paid	7	(219)	(865)	(450)	(1 305)
Net cash from operating activities		38 263	41 719	12 665	24 266
INVESTING ACTIVITIES					
Interest received		26	2	76	288
Dividends received	6	-	-	19 218	5 474
Loans granted	26	(20 000)	-	(21 665)	(31 928)
Loans repayments received	26	20 000	-	23 699	40 077
Purchases of property, plant and equipment and intangible assets		(9 759)	(4 592)	(4 453)	(2 217)
Proceeds on disposal of property, plant and equipment		2 398	53	1 401	347
Purchases of available-for-sale financial assets	18	(10 393)	-	(10 393)	-
Investment in subsidiaries	14	-	-	(449)	(4 873)
Net cash used in investing activities		(17 728)	(4 537)	7 434	7 168
FINANCING ACTIVITIES					
Dividends paid		(13 707)	-	(13 707)	-
Proceeds from borrowings		14 400	55 988	106 546	138 857
Repayments of borrowings		(14 400)	(87 992)	(108 336)	(165 153)
Repayments of obligations under finance leases		(10)	-	-	-
Net cash from financing activities		(13 717)	(32 004)	(15 497)	(26 296)
NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS					
		6 818	5 178	4 602	5 138
CASH AND BANK OVERDRAFTS:					
AT THE BEGINNING OF THE PERIOD	21	60	(5 118)	(2 739)	(7 877)
AT THE END OF THE PERIOD	21	6 878	60	1 863	(2 739)

The notes on pages 9 to 37 are an integral part of these financial statements.

These financial statements were approved by Management Board on 4 April 2012 and signed by:


Rimantas Perveneckas
General Director


Saulius Bačauskas
Chief Financial Officer

APB APRANGA, company's code 121933274, Kirtimu 51, Vilnius
NOTES TO CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(all tabular amounts are in LTL thousands unless otherwise stated)

1. GENERAL INFORMATION

APB Apranga, (hereinafter "the Company"), was incorporated and commenced its operations in March 1993 in Lithuania. The Company's main office is situated in Kirtimu str. 51, Vilnius, Lithuania. The Company has legal form of public limited liability company under the Law on Companies of Republic of Lithuania. The principal activity of the Company and its subsidiaries (hereinafter "the Group") is retail trade of apparel.

At 31 December the Company's shareholders were:

	2011		2010	
	Number of shares	% of total ownership	Number of shares	% of total ownership
UAB MG Baltic investment	29 677 397	53,7	29 677 397	53,7
Swedbank AS (Estonia) clients	6 948 159	12,6	6 515 396	11,8
UAB Minvista	4 022 349	7,3	3 824 084	6,9
SEB AB clients	3 245 056	5,9	3 732 290	6,8
Other	11 398 999	20,6	11 542 793	20,9
Total	55 291 960	100,0	55 291 960	100,0

The ultimate parent company whose financial statements are available for public use is UAB Koncernas MG Baltic. The ultimate controlling individual of the Group is Mr. D. J. Mockus.

The Company's shareholders' meeting has the power to amend the financial statements between their issue and the approval at Annual General Meeting of Shareholders.

The Company is listed on NASDAQ OMX Vilnius Stock Exchange.

At 31 December 2011 the Group consisted of the Company and the following its wholly owned subsidiaries:

Name	Country	Headquarters	Principal activity
UAB Apranga LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga BPB LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga PLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga SLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga MLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
SIA Apranga	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga LV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga BPB LV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga PLV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga SLV	Latvia	Terbatas 30, Riga	Retail trade of apparel
SIA Apranga MLV	Latvia	Terbatas 30, Riga	Retail trade of apparel
OU Apranga ¹	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga Estonia	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga BEE	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga PB Trade	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga ST Retail	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel

¹ The Company directly owns 33.33% shares and indirectly through its subsidiary owns the rest 66.67% of shares (Note 14)

At 31 December the Group's number of shops was:

Country	Total number of shops		Shops, where premises are owned by Group	
	2011	2010	2011	2010
Lithuania	78	73	7	7
Latvia	32	31	-	-
Estonia	11	10	-	-
Total	121	114	7	7

At 31 December 2011 the Group and the Company employed 1 325 and 598 people respectively (2010: 1 228 and 560 people respectively).

The shareholders of the Company have a statutory right to approve or not these financial statements and to require preparation of a new set of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost convention, except for available for sale financial assets stated at fair value.

These financial statements comprise the Group's consolidated financial statements and the Company's separate financial statements.

2.2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

International Financial Reporting Standards require that in preparing the financial statements, management of the Company and the Group make estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, except for the following:

(a) Income taxes

Tax authorities have right to examine accounting records of the Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year (the Latvian and Estonian subsidiaries - 3 and 7 year period after the current year respectively) and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances which would raise substantial liability in this respect to the Company and to the Group.

(b) Related party transactions

In the normal course of business the Company and the Group enters into transactions with its related parties. These transactions, except for the Company's transactions with its subsidiaries, are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

The Company's transactions with its subsidiaries are priced predominantly at cost. Annual management fees are charged to the subsidiaries for an estimated amount which adjusts pricing of all transactions carried out with subsidiaries during the year to the market rates.

(c) Revenue recognition

Management judgment is needed to determine whether revenue for certain sales transactions should be recorded on a gross basis or on a net basis. Revenue is recognised on a gross basis where the role is that of principal in a transaction. The gross basis represents the sales price after discounts, with any related costs charged to expenses. Where the Company or the Group would act on a consignment basis in a transaction, revenue would be recognised on the net basis and inventory held on consignment is not recognised in the balance sheet.

(d) Estimates concerning useful lives of tangible and intangible assets

The useful lives of tangible and intangible assets are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life. If useful lives of tangible and intangible assets determined by management are longer by one year, then depreciation and amortization expenses of the Group and the Company would be lower by LTL 2 100 thousand and LTL 1 089 thousand respectively for the year ended 31 December 2011.

(e) Impairment of property, plant and equipment

Each shop is considered to represent a separate cash generating unit for impairment test. The Group and Company has tested its leasehold improvements and other fixed assets whether those have suffered any impairment, in accordance with the accounting policies stated in note 2.9. The Group and Company has used "value in use" calculations to test for impairment as information on fair value less costs to sell was not available. These calculations require the use of estimates (note 12).

2.3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company and the Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on 1 January 2011.

(a) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2011:

- IAS 24 'Related Party Disclosures' (amended November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. As a result of the revised standard, the Group and Company now also discloses contractual commitments to purchase and sell goods or services to its related parties.

(b) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2011 but they are not relevant to the Group's and the Company's operations:

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.
- Classification of Rights Issues – Amendment to IAS 32 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.
- Limited Exemption From Comparative IFRS 7 Disclosures for First-time Adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.
- Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1, IFRS 3, IFRS 7, IAS 1, to IAS 21, IAS 28, IAS 31, IAS 32, IAS 34, IAS 39 and IFRIC 13.

(c) The following new standards, amendments to existing standards and interpretations have been issued and adopted by the European Union but are not yet effective and have not been early adopted by the Group and the Company:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets
- IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities; not yet adopted by the EU.
- IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Ventures; not yet adopted by the EU.
- IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 Investments in Associates; not yet adopted by the EU.
- IFRS 13, Fair Value Measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair

APB APRANGA, company's code 121933274, Kirtimu 51, Vilnius
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FOR THE YEAR ENDED 31 DECEMBER 2011

(all tabular amounts are in LTL thousands unless otherwise stated)

value, and a single source of fair value measurement and disclosure requirements for use across IFRSs; not yet adopted by the EU.

- IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements; not yet adopted by the EU.
- IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures; not yet adopted by the EU.
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The amendment is not expected to have impact on the Company's financial statements.
- Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income; not yet adopted by the EU.
- Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits; not yet adopted by the EU.
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013). The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, Inventories, to the extent that they are realised in the form of inventory produced; not yet adopted by the EU.
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria; not yet adopted by the EU.
- Disclosures – Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off; not yet adopted by the EU.
- Recovery of Underlying Assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012). The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value; not yet adopted by the EU.
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011). The amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, and guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time; not yet adopted by the EU.

The Group and Company will estimate the effect to its operations from all new and amended standards and interpretations, that are not yet adopted by EU, when they will be adopted.

2.4 CONSOLIDATION

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

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are

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measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as General Director and other 6 Directors who make strategic decisions.

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Lithuanian Litas, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

(b) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlements of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

(c) Group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Lithuanian Litas using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

The applicable rates used for the principal currencies as of 31 December 2011 and 2010 were as follows:

2011			2010		
1 EUR	=	3.4528 LTL	1 EUR	=	3.4528 LTL
1 LVL	=	4.9421 LTL	1 LVL	=	4.8643 LTL
			10 EEK	=	2.2067 LTL

2.7 INTANGIBLE ASSETS

Intangible assets expected to provide economic benefit to the Company and the Group in future periods are valued at acquisition cost less subsequent accumulated amortisation.

Amortisation is calculated on a straight-line basis to write off the cost of each asset over the estimated useful life as follows:

Software	3-5 years
Licences and rights acquired	5-9 years

Amortisation is accounted for as selling expense.

2.8 PROPERTY, PLANT AND EQUIPMENT

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group 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 statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged so as to write-off the cost of fixed assets to their residual value over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	15-50 years
Plant and equipment	5-20 years
Leasehold improvements	4-10 years
Other fixed assets	3-6 years

All depreciation of property, plant and equipment is recognised in the statement of comprehensive income and accounted for as selling expenses.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.9). Impairment of property, plant and equipment as well as reversals of impairment during the year are included into selling costs caption in the statement of comprehensive income.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income within operating profit.

The Group and the Company capitalise borrowing costs that relate to assets that take more than 12 months to get ready for use. Otherwise borrowing costs are recognised as expenses of the current reporting period. The policy is applied from 1 January 2009 prospectively.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each balance sheet date, the Company and the Group reviews the carrying amounts of its tangible and intangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

2.10 INVESTMENTS IN SUBSIDIARIES

In the separate Company's financial statements investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Dividends received are credited to the Company's statement of comprehensive income.

2.11 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered through a disposal rather than through continuing use. This condition is regarded as met only when the disposal is highly probable and the asset is available for immediate disposal sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the carrying value of assets and fair value less costs to sell.

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value represents the estimated selling price less all estimated costs to be incurred in selling.

2.13 FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are recognized on the Company's and Group's balance sheet when the Company or the Group becomes a party to the contractual provisions of the instrument.

The Group and the Company classifies all its financial assets into the category of loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. All "regular way" purchases and sales of financial assets are recognised using settlement date accounting.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the statement of comprehensive income.

(b) Available for sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other financial assets categories.

After initial recognition available-for-sale financial assets are measured at fair value based on available market prices or quotes of brokers. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. The result of revaluation of available-for-sale securities is recognised in revaluation reserve of financial assets, reported under equity.

Revaluation of available-for-sale debt securities is calculated as difference between market value and amortised cost calculated using the original effective interest rate. When the securities are disposed of, the related accumulated fair value revaluation is included in the statement of comprehensive income as gain (loss) from sale of available-for-sale securities. If there is objective evidence that the value of an investment has been impaired, the cumulative net loss that has been recognised directly in equity is charged to profit (loss) for the year. Interest earned while holding available-for-sale financial assets is reported as interest income.

The Group and the Company assess at each date of preparation of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Available for sale financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(c) Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

(d) Bank and subsidiaries borrowings

Interest-bearing bank and subsidiaries loans and overdrafts are initially measured at fair value. Bank and subsidiaries borrowings are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of comprehensive income.

Borrowings are classified as current liabilities unless the Company or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(e) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2.14 SHARE CAPITAL

(a) Ordinary shares

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

2.15 RESERVE

(a) Translation reserve

The translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries. Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding assets, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

(b) Other reserves

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. These reserves can be used only for the purposes approved by annual general meeting of shareholders.

Legal reserve is included into other reserves. Legal reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5 per cent of net result are required until the reserve reaches 10 per cent of share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

2.16 INCOME TAX

(a) Current income tax

The Group companies are taxed individually irrespective of the overall results of the Group. Since 1st January 2010 the Group companies in Lithuania may transfer the estimated tax losses (or part thereof) to another Group company in Lithuania, which has a right to reduce the taxable profit with the respective amount of the tax losses transferred for the same taxable period. Such a procedure in 2010 and 2011 was in force for Latvian companies too. The Group companies have not used this option in 2010 and 2011, as the companies both in Latvia and Lithuania has earned a taxable profit.

The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the respective country in which group entity operates.

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

The income tax rate applied for the Company and subsidiaries operating in Lithuania was 15 per cent in 2010 and in 2011. Income tax rate applied for the Company and subsidiaries operating in Lithuania on reporting period taxable profits is 15%. Income tax rate on reporting period taxable profits in Latvia is 15 per cent and in Estonia nil. However, in Estonia profit tax is payable in the year of distribution of earnings at a rate of 21 per cent in 2010 and after.

(b) Deferred income tax

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group and the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group and the Company intends to settle its current tax assets and liabilities on a net basis.

2.17 LEASES

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

(a) the Company or the Group as lessor

Payments received under operating leases (net of any incentives given to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease (Note 12).

(b) the Company or the Group as lessee

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The property, plant and equipment acquired under finance leases (when the ownership is not transferred to the Group at the end of the lease period) is depreciated over the shorter of the asset's useful life and the lease term.

If sale and leaseback transaction results in a finance lease, any excess or shortfall of sales proceeds over the carrying amount is not recognised immediately and is deferred and amortised over the lease term.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction was established at fair value, any profit or loss is recognised immediately, except that if loss is compensated for by future lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

2.18 EMPLOYEE BENEFITS

(a) Social security contributions

The Company and the Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group and the Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Bonus plans

The Company and the Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 PROVISIONS

Provisions for restructuring costs and legal claims are recognised when: the Company or the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 REVENUE RECOGNITION AND RELATED EXPENSES

Revenues are recognized as income on an accrual basis when earned. Expenses are charged to operations as incurred.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received of receivable for goods and services provided net of value-added tax, rebates and discounts.

Revenue is recognized as follows:

(a) Sales of goods – retail

Sales of goods are recognized when the Company or another Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in operating expenses. Revenue received under consignment where the Group and the Company is a consignee is recognised on a net basis.

(b) Sales of services

Revenue from services is recognised on performance of the services.

(c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Rental income

Payments received under operating leases (net of any incentives given to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.21 DIVIDEND DISTRIBUTION

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

2.22 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit attributed to the shareholders of the Company and the Group from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Group and the Company and held as treasury shares, if any.

2.23 RELATED PARTIES

A related party is a person or entity that is related to the entity that is preparing its financial statements:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The risk management function within the Group and the Company is carried out in respect of financial risks (credit, market (which consist of currency, interest rate and price) and liquidity), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The financial risks relate to the following financial instruments: available for sale financial assets, trade receivables, cash and cash equivalents, trade and other payables and borrowings. The accounting policy with respect to these financial instruments is described in previous section

Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with high credit ratings are accepted. Sales to wholesale customers are rare and immaterial, therefore risk control only assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are settled in cash or using major credit cards.

Company's credit risk arising from trade receivables from subsidiaries and loans to subsidiaries is managed by controlling financial performance of subsidiaries on a monthly basis. All the subsidiaries have been profitable during the financial year (except, SIA Apranga SLV), therefore, in the management's opinion, the credit risk is not related to the aforementioned amounts. SIA Apranga SLV has positive cash flows during the reporting period, it by about in double has reduced debt to the Company, and, in the management's opinion, as well is avoiding the credit risk.

Available for sale financial assets is invested only to Lithuanian government bonds.

The Company and Group have no significant concentration of credit risk.

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Liquidity risk

Liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group and the Company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's and the Company's liquidity reserve (comprises undrawn borrowing facility (Note 24) and cash and cash equivalents (Note 21) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice set by the group. In addition, the Group's and the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these; and maintaining debt financing plans.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payables due within 12 months equal their carrying balances as the impact of discounting is not significant.

GROUP	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Total
As at 31 December 2011					
Borrowings	-	1	1 195	-	1 196
Obligations under finance leases	1	2	-	-	3
Trade and other payables	15 774	1 019	34	-	16 827
Total	15 775	1 022	1 229	-	18 026

As at 31 December 2010					
Borrowings	-	-	4 264	-	4 264
Obligations under finance leases	1	2	7	3	13
Trade and other payables	12 206	1 389	26	-	13 621
Total	12 207	1 391	4 297	3	17 898

COMPANY	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Total
As at 31 December 2011					
Borrowings	16	33	14 214	-	14 263
Obligations under finance leases	-	-	-	-	-
Trade and other payables	6 002	1 019	34	-	7 055
Total	6 018	1 052	14 248	-	21 318

As at 31 December 2010					
Borrowings	-	-	19 135	-	19 135
Obligations under finance leases	-	-	-	-	-
Trade and other payables	3 634	1 389	26	-	5 049
Total	3 634	1 389	19 161	-	24 184

Market risk

Cash flow and fair value interest rate risk

As the Group and the Company most significant interest-bearing assets are available for sale financial assets, however, its income and operating cash flows are substantially independent of changes in market interest rates. The Company has loans to subsidiaries with floating interest rates, but the cash flow risk is mitigated by applying the same variable element of interest rate on those loans as the banks are charging the Company.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk, but this is not included in sensitivity analysis as the change in interest rates has no impact on profit or equity of the Group.

The Company's and Group's borrowings consist of loans with floating interest rate, which are related to VILIBOR and EONIA. The Company and the Group did not use any derivative financial instruments in order to control the risk of interest rate changes.

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Trade and other receivables and payables are interest-free and have settlement dates within one year.

The Group's and the Company's cash flow and fair value interest rate risk is periodically monitored by the Group's management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group and the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post tax profit of a 1per cent shift in interest rates would be a maximum increase or decrease of LTL 9 thousand (2010: LTL 32 thousand) for the Group and LTL 115 thousand (2010: LTL 135 thousand) for the Company.

Foreign exchange risk

The Company and the Group has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. At the moment the Company and the Group doesn't use any derivative financial instruments in order to control foreign currencies exchange risk.

The Group operates in Lithuania, Latvia and Estonia and accordingly has three functional currencies that all are pegged with EUR (Estonia since 1st January 2011 has adopted the euro) and do not fluctuate significantly.

Price risk

The Group is not exposed to the market risk with respect to financial instruments as it does not hold any equity securities.

(b) Capital risk management

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group and Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than LTL 150 thousand and of a private limited liability company must be not less than LTL 10 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2010 and 31 December 2011, the Company and all its Lithuanian subsidiaries complied with these requirements.

Pursuant to the Latvian Commercial Law the authorised share capital of a private limited liability company must be not less than LVL 25 thousand. In addition, the losses of the company should not exceed 50 per cent of the company's share capital. As at 31 December 2010 and 31 December 2011, all of the Company's Latvian subsidiaries complied with these requirements.

Pursuant to the Estonian Commercial Code the authorised share capital of a private limited liability company must be not less than EEK 40 thousand (EUR 2.5 thousand). In addition, the shareholders' equity should not be lower than 50 per cent of the company's share capital. As at 31 December 2010 and 31 December 2011, all of the Company's Estonian subsidiaries complied with these requirements.

In addition, the Group and Company has to comply with the financial covenants imposed in the agreement with SEB Bank. The Group and Company was in compliance with the covenants as at 31 December 2010 and 2011.

(c) Fair value estimation

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

The fair values of available for sale financial assets are estimated with reference to quoted market prices.

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4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the General Director and other 6 Directors (responsible for managing, marketing, human resources, purchases, development and finance) that are used to make strategic decisions.

The Directors consider the business from both a geographic and product perspective to certain extent. From product perspective Directors review only sales volume and gross margin by brand name. Gross margins of different brands are not significantly different, therefore can be aggregated into one reportable segment. Geographically, Directors separately consider operations in Lithuania, Latvia and Estonia depending on where the stores are located. Different legislation, consumer habits and economic situation substantially affect the average sales and expenses in each country, therefore Directors believe that each country represents a separate reportable segment.

All financial information, including the measure of profit and total assets, is analysed on a country basis.

The segment information provided to the Directors for the reportable segments for the year ended 31 December is as follows:

31 December 2011	Lithuania	Latvia	Estonia	Total	Inter-company elimina- tions	Total in consolidated financial statements
Total segment revenue	236 668	83 115	46 056	365 839	-	
Inter-segment revenue	(21 485)	(2 760)	(813)	(25 058)	-	
Revenue from external customers	215 183	80 355	45 243	340 781	-	340 781
Gross margin	46,8%	47,0%	47,3%	46,9%		46,9%
Other income and expenses:						
Rent and utilities	26 468	8 528	4 597	39 593		39 593
Remuneration and social security contributions	32 165	8 810	4 261	45 236		45 236
Depreciation and amortisation	11 813	4 246	1 585	17 644		17 644
PPE impairment charges	358	66	-	424		424
Other income and expenses	11 890	9 244	6 105	27 239		27 239
Finance income	294	41	89	424	(281)	143
Finance costs	(475)	(23)	(2)	(500)	281	(219)
Income tax expense	2 928	1 124	883	4 935		4 935
Profit (loss) for the year	14 967	5 801	4 046	24 814	-	24 814
Total assets	141 076	30 475	14 653	186 204	(25 039)	161 165
Additions to non-current assets (other than financial instruments and prepayments for leases)	4 077	3 547	588	8 212	(851)	7 361

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31 December 2010	Lithuania	Latvia	Estonia	Total	Inter-company elimina- tions	Total in consolidated financial statements
Total segment revenue	207 882	75 043	38 458	321 383	-	
Inter-segment revenue	(16 171)	(2 963)	(930)	(20 064)	-	
Revenue from external customers	191 711	72 080	37 528	301 319	-	301 319
Gross margin	43,7%	44,7%	47,6%	44,4%		44,4%
Other income and expenses:						
Rent and utilities	24 626	6 533	3 761	34 920		34 920
Remuneration and social security contributions	25 297	7 459	3 543	36 299		36 299
Depreciation and amortisation	13 422	4 916	1 569	19 907		19 907
Costs incurred in association with closing shops	657	-	-	657		657
PPE impairment charges	348	102	-	450		450
Other income and expenses	14 081	6 911	3 671	24 663		24 663
Finance income	451	52	221	724	(724)	-
Finance costs	(1 382)	(156)	(51)	(1 589)	724	(865)
Income tax expense	1 063	831	812	2 706		2 706
Profit for the year	3 290	5 351	4 696	13 337	-	13 337
Total assets	125 802	28 563	17 068	171 433	(27 858)	143 575
Additions to non-current assets (other than financial instruments and prepayments for leases)	2 410	541	2 457	5 408	(798)	4 610

In 2011 as well as in 2010, the Group managed to operate profitably in all countries. Gross profitability was around 47% in all countries in 2011. A bit higher gross profitability in Estonia was due to the fact that there are no outlet stores in this country. Also, the relatively small number of outlet stores in Latvia led to a bit higher Latvia profitability comparing to that in Lithuania. Altogether, among other factors, outlets in Lithuania and Latvia in 2011 amounted to less turnover, as well as outlets worked with higher profitability. This significantly influenced the growth of the gross profitability. Net profitability remained the highest in Estonia. In Lithuania it has increased significantly due to the above factors as well, due to lower financial costs, reduced depreciation and amortization costs, and other costs.

The total non-current assets other than financial instruments and deferred tax assets located in Lithuania is LTL 57 139 thousand (2010: LTL 64 928 thousand), and the total of these non-current assets located in other countries is LTL 16 037 thousand (2010: LTL 18 578 thousand).

5. EXPENSES BY NATURE

For the year ended 31 December cost of sales consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Cost of goods sold	181 728	168 561	91 260	86 124
Write-down of inventories to net realisable value	2 857	3 765	2 192	3 057
Reversal of prior year write-down of inventories to net realisable value	(3 765)	(4 811)	(3 057)	(4 252)
Total cost of sales	180 820	167 515	90 395	84 929

A positive impact on inventory write-down to net realizable value was influenced by the sales of goods, which value was earlier write-down.

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For the year ended 31 December selling costs consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Rent and utilities	39 593	34 920	16 964	16 117
Remuneration	28 132	22 097	12 126	8 568
Social security contributions	7 799	6 399	3 374	2 590
Depreciation and amortization (Note 12, 13)	17 644	19 907	8 814	9 027
Impairment charge (Note 12)	424	450	358	348
Advertising and marketing	4 056	3 010	2 245	1 637
Franchise expenses	7 166	6 321	131	(301)
Bank commissions	3 555	3 776	1 292	1 251
Labelling, packing and repairing	1 358	1 107	689	464
Logistics and distribution	467	455	237	221
Business trips	1 109	827	810	598
Total selling costs	111 303	99 269	47 040	40 520

For the year ended 31 December general and administrative expenses consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Remuneration	7 076	5 936	6 974	5 863
Social security contributions	2 229	1 867	2 196	1 842
IT and communications	1 217	1 114	604	480
Repair and maintenance	4 198	3 785	2 271	1 952
Taxes (excluding income tax)	770	601	299	317
Consulting and audit expense	1 418	1 804	1 177	1 536
Costs incurred in association with closing shops (including PPE write-off)	-	657	-	657
Other expenses	2 733	2 642	1 516	1 183
Total general and administrative expenses	19 641	18 406	15 037	13 830

6. OTHER INCOME

For the year ended 31 December other income consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Rent income	384	400	409	425
Management fees	-	-	7 831	5 764
Gain from disposal of fixed assets, net	22	30	22	10
Interest income	143	2	193	288
Dividends	-	-	19 218	5 474
Other income	463	284	520	312
Total other income	1 012	716	28 193	12 273

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7. FINANCE COSTS

For the year ended 31 December finance costs consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Interest on bank borrowings	219	865	219	866
Interest on borrowings from subsidiaries	-	-	231	439
Total finance costs	219	865	450	1 305

8. INCOME TAX EXPENSE

Domestic income tax is calculated at 15 per cent of the estimated profit for the year.

The total income tax charge can be reconciled to the accounting profit before tax as follows:

	Group		Company	
	2011	2010	2011	2010
Profit (loss) before tax	29 749	16 043	28 321	7 173
Tax at the domestic income tax rate	4 462	2 406	4 248	1 076
Tax effect of income not subject to tax	5	(83)	(2 888)	(906)
Tax effect of expenses that are not deductible in determining taxable profit	262	145	250	20
Effect of different tax rates of foreign subsidiaries	206	238	-	-
Tax expense	4 935	2 706	1 610	190
Effective income tax rate	16,6%	16,9%	5,7%	2,6%

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

	Group		Company	
	2011	2010	2011	2010
Current income tax expense	4 005	1 688	53	-
Deferred tax	930	990	1 557	162
Income tax of prior periods	-	28	-	28
Total income tax expense	4 935	2 706	1 610	190

9. DEFERRED INCOME TAX

The movement in deferred income tax account was as follows:

	Group		Company	
	2011	2010	2011	2010
At beginning of year	(2 833)	(1 843)	222	384
Income statement (charge) credit	(930)	(990)	(1 557)	(162)
At end of year	(3 763)	(2 833)	(1 335)	222

In 2010 and 2011 deferred income tax asset and liability related to the entities operating in Lithuania and Latvia were calculated at 15 per cent rate, deferred income tax asset and liability related to the entities operating in Estonia – at 21 per cent rate.

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Deferred tax assets and liabilities recognised as follows:

	Group		Company	
	2011	2010	2011	2010
Deferred tax assets:				
Inventory write down	429	557	329	459
Accruals	388	287	334	227
Taxable losses	-	1 842	-	1 800
Total deferred tax assets	817	2 686	663	2 486
Deferred tax liability:				
Undistributed profits of subsidiaries	(1 873)	(2 449)	-	-
Depreciation of property, plant and equipment	(2 707)	(3 070)	(1 998)	(2 264)
Total deferred tax liabilities	(4 580)	(5 519)	(1 998)	(2 264)
Total deferred tax (liabilities) assets, net	(3 763)	(2 833)	(1 335)	222

Deferred income tax assets are recognised only to the extent that realization of the related tax benefit is probable in the foreseeable future.

	Group		Company	
	2011	2010	2011	2010
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	59	1 243	59	1 231
Deferred tax asset to be recovered within 12 months	758	1 443	604	1 255
	817	2 686	663	2 486
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	(2 754)	(1 809)	(1 342)	(366)
Deferred tax liability to be recovered within 12 months	(1 826)	(3 710)	(656)	(1 898)
	(4 580)	(5 519)	(1 998)	(2 264)
Deferred tax (liabilities) assets, net	(3 763)	(2 833)	(1 335)	222

In 2010 and 2011 the Group and the Company did not have tax losses for which no deferred income tax asset should be recognised.

10. DIVIDENDS PER SHARE

	2011	2010
Approved dividends	13 823	-
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292
Approved dividends per share, LTL	0.25	0.00

No dividends were paid to the shareholders in 2010. In 2011 dividends of LTL 0.25 per share was paid to the shareholders.

In respect of the current year, the Board of Directors propose a dividend of LTL 0.37 per share to be paid to the shareholders (Note 23). This dividend is subject to approval by the shareholders at the Annual Shareholder's Meeting and has not been included as a liability in these financial statements.

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11. EARNINGS PER SHARE

	Group		Company	
	2011	2010	2011	2010
Profit (loss) for the year	24 814	13 337	26 711	6 983
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292	55 292	55 292
Basic and diluted earnings (losses) per share, LTL	0.45	0.24	0.48	0.13

Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share are the same as basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

At 31 December property, plant and equipment consisted of the following:

GROUP	Buildings	Plant and equipment	Leasehold improvements	Other fixed assets	Construction in progress	Total
Cost						
At 31 December 2009	39 679	1 532	39 825	96 259	-	177 295
Additions	-	-	718	2 979	905	4 602
Exchange differences	-	-	(8)	(16)	-	(24)
Disposals and write-offs	-	(39)	(1 989)	(4 282)	-	(6 310)
Transfers	-	-	532	15	(547)	-
At 31 December 2010	39 679	1 493	39 078	94 955	358	175 563
Additions	-	25	1 999	5 268	2 140	9 432
Exchange differences	-	-	(31)	(412)	-	(443)
Disposals and write-offs	(108)	(6)	(4 158)	(2 974)	(522)	(7 768)
Transfers	80	-	1 472	158	(1 710)	-
At 31 December 2011	39 651	1 512	38 360	96 995	266	176 784
Accumulated depreciation						
At 31 December 2009	6 897	1 264	19 264	51 350	-	78 775
Charge for period	1 042	55	5 187	13 172	-	19 456
Disposals and write-offs	-	(39)	(1 445)	(4 219)	-	(5 703)
Exchange differences	-	(2)	(7)	(14)	-	(23)
At 31 December 2010	7 939	1 278	22 999	60 289	-	92 505
Charge for period	1 038	50	4 535	11 593	-	17 216
Disposals and write-offs	(108)	(6)	(2 865)	(2 491)	-	(5 470)
Exchange differences	-	-	(24)	(372)	-	(396)
At 31 December 2011	8 869	1 322	24 645	69 019	-	103 855
Impairment charge						
At 31 December 2009	-	-	222	593	-	815
Charge for period	-	-	68	382	-	450
Write-offs	-	-	(222)	-	-	(222)
At 31 December 2010	-	-	68	975	-	1 043
Charge for period	-	-	192	232	-	424
Write-offs	-	-	(64)	(29)	-	(93)
At 31 December 2011	-	-	196	1 178	-	1 374
Carrying amount						
At 31 December 2009	32 782	268	20 339	44 316	-	97 705
At 31 December 2010	31 740	215	16 011	33 691	358	82 015
At 31 December 2011	30 782	190	13 519	26 798	266	71 555

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COMPANY	Buildings	Plant and equipment	Leasehold improvements	Other fixed assets	Construction in progress	Total
Cost						
At 31 December 2009	39 679	1 533	20 219	40 959	-	102 390
Additions	-	-	14	1 290	905	2 209
Disposals and write-offs	-	(39)	(1 423)	(3 400)	-	(4 862)
Transfers	-	-	532	15	(547)	-
At 31 December 2010	39 679	1 494	19 342	38 864	358	99 737
Additions	-	25	110	2 031	2 140	4 306
Disposals and write-offs	(108)	(6)	(1 582)	(2 571)	(522)	(4 789)
Transfers	80	-	1 472	158	(1 710)	-
At 31 December 2011	39 651	1 513	19 342	38 482	266	99 254
Accumulated depreciation						
At 31 December 2009	6 897	1 264	8 176	21 956	-	38 293
Charge for period	1 042	54	2 793	4 791	-	8 680
Disposals and write-offs	-	(39)	(880)	(3 056)	-	(3 975)
At 31 December 2010	7 939	1 279	10 089	23 691	-	42 998
Charge for period	1 038	50	2 813	4 575	-	8 476
Disposals and write-offs	(108)	(6)	(1 489)	(1 773)	-	(3 376)
At 31 December 2011	8 869	1 323	11 413	26 493	-	48 098
Impairment charge						
At 31 December 2009	-	-	222	479	-	701
Charge for period	-	-	4	344	-	348
Write-offs	-	-	(222)	-	-	(222)
At 31 December 2010	-	-	4	823	-	827
Charge for period	-	-	192	166	-	358
Write-offs	-	-	-	(7)	-	(7)
At 31 December 2011	-	-	196	982	-	1 178
Carrying amount						
At 31 December 2009	32 782	269	11 821	18 524	-	63 396
At 31 December 2010	31 740	215	9 249	14 350	358	55 912
At 31 December 2011	30 782	190	7 733	11 007	266	49 978

At 31 December 2011 the Group's and the Company's buildings with the carrying amount of LTL 30 782 thousand (2010: LTL 31 740 thousand) have been pledged as security for outstanding loans from financial institutions (Note 24).

The Company's buildings with the total carrying amount of LTL 1 140 thousand as of 31 December 2011 (2010: LTL 1 338 thousand) was leased to third parties.

At 31 December the acquisition cost of the fully depreciated property, plant and equipment still in use was as follows:

	Group		Company	
	2011	2010	2011	2010
Plant and equipment	1 167	1 182	1 167	1 182
Leasehold improvements	6 400	9 121	-	1 423
Other fixed assets	24 464	22 580	9 492	9 453
Total	32 031	32 883	10 659	12 058

At 31 December 2011 the carrying amount of the property, plant and equipment acquired under finance lease contracts was LTL 12 thousand (2010: LTL 14 thousand).

The Group and the Company has tested its leasehold improvements and other fixed assets for impairment in accordance with the accounting policies stated in note 2.9.

Estimation of the value in use was based on the discounted pre-tax cash flows (DCF) of the latest available business plan. DCF was estimated over remaining useful life of leasehold improvements (vast majority of premises are leased). The weighted average cost of capital (further – WACC) of 10 per cent (2010: 10 per cent) was used for value in use estimation.

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Based on the calculations performed the Management concluded that impairment charges of LTL 1 374 thousand for the Group (2010: LTL 1 043 thousand) and LTL 1 178 thousand for the Company (2010: LTL 827 thousand) should be recorded against the leasehold improvements and other fixed assets.

If the estimated pre-tax discount rate applied to the discounted cash flows for cash generating units had been 1% higher than management estimates (for example 11 per cent instead of 10 per cent), the Group and the Company would not have recognised higher impairment loss against leasehold improvements and other fixed assets nor in 2010, nor in 2011.

13. INTANGIBLE ASSETS

At 31 December intangible assets consisted of the following:

	Group			Company		
	Licenses and rights acquired	Software	Total	Licenses and rights acquired	Software	Total
Cost						
At 31 December 2009	1 656	1 928	3 584	1 329	1 644	2 973
Additions	-	8	8	-	8	8
Write-offs	-	(2)	(2)	-	(2)	(2)
At 31 December 2010	1 656	1 934	3 590	1 329	1 650	2 979
Additions	138	38	176	138	16	154
Write-offs	(899)	(46)	(945)	(899)	(40)	(939)
At 31 December 2011	895	1 926	2 821	568	1 626	2 194
Accumulated amortisation						
At 31 December 2009	1 102	1 179	2 281	1 033	971	2 004
Charge for period	149	303	452	83	264	347
Write-offs	-	(2)	(2)	-	(2)	(2)
At 31 December 2010	1 251	1 480	2 731	1 116	1 233	2 349
Charge for period	140	287	427	76	263	339
Write-offs	(899)	(46)	(945)	(899)	(40)	(939)
At 31 December 2011	492	1 721	2 213	293	1 456	1 749
Carrying amount						
At 31 December 2009	554	749	1 303	296	673	969
At 31 December 2010	405	454	859	213	417	630
At 31 December 2011	403	205	608	275	170	445

At 31 December the acquisition cost of fully amortized intangible assets still in use was as follows:

	Group		Company	
	2011	2010	2011	2010
Licenses	50	950	50	950
Software	544	538	387	421
Total	594	1 488	437	1 371

14. INVESTMENTS IN SUBSIDIARIES

The Company's investments in subsidiaries at 31 December are as follows:

Name	Country of incorporation	Ownership %	Cost	
			2011	2010
UAB Apranga LT	Lithuania	100	2 500	2 500
UAB Apranga BPB LT	Lithuania	100	500	500
UAB Apranga PLT	Lithuania	100	300	300
UAB Apranga SLT	Lithuania	100	300	300
UAB Apranga MLT	Lithuania	100	300	-
SIA Apranga	Latvia	100	7 511	7 511
SIA Apranga LV	Latvia	100	529	529
SIA Apranga BPB LV	Latvia	100	297	297
SIA Apranga PLV	Latvia	100	297	297
SIA Apranga SLV	Latvia	100	292	292
SIA Apranga MLV	Latvia	100	297	-
OU Apranga ¹	Estonia	100	1 545	1 545
OU Apranga Estonia	Estonia	100	441	441
OU Apranga BEE	Estonia	100	330	330
OU Apranga PB Trade	Estonia	100	331	331
OU Apranga ST Retail	Estonia	100	331	331
Total investments			16 101	15 504

¹ The Company directly owns 33.33% shares and indirectly through its subsidiary owns the rest 66.67% of shares.

The changes in investments are as follows:

	2011	2010
Beginning of the year	15 504	10 631
Establishment of UAB Apranga MLT	300	-
Establishment of SIA Apranga MLV	297	-
Increase in share capital of SIA Apranga	-	4 873
At end of the year	16 101	15 504

Increase in share capital of SIA Apranga and OU Apranga

In July 2010 the Company increased the share capitals of its subsidiaries SIA Apranga and OU Apranga. The share capital of SIA Apranga was increased from LVL 500 thousand (LTL 2 638 thousand) to LVL 1 500 thousand (LTL 7 511 thousand). The share capital of OU Apranga was increased from EEK 13 000 thousand (LTL 2 869 thousand) to EEK 21 000 thousand (LTL 4 634 thousand). OU Apranga Estonia has acquired all of the newly issued OU Apranga shares. All newly issued shares have been fully paid in cash.

Establishment of UAB Apranga MLT

In May 2011, the Company established a subsidiary UAB Apranga MLT. The share capital of the subsidiary comprises of 300 shares with a par value of LTL 1000 each. All shares have been fully paid in cash.

Establishment of SIA Apranga MLV

In November 2011 the Company has established a subsidiary SIA Apranga MLV. The share capital of subsidiary is LVL 60 thousand (equivalent to LTL 297 thousand), the Company has made first instalment to share capital in amount of LVL 30 thousand (equivalent to LTL 148 thousand) in cash.

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15. INVENTORIES

	Group		Company	
	2011	2010	2011	2010
Goods for resale	64 560	53 521	37 320	29 787
Write-down of goods for resale to net realisable value	(2 857)	(3 765)	(2 192)	(3 057)
Goods in transit	1 748	1 754	1 324	1 754
Materials and spare parts	583	472	583	472
Total	64 034	51 982	37 035	28 956

During the year ended 31 December 2011 the Group and the Company recognised as cost of sales write-down of book value of the goods for resale to their net realizable value of LTL 2 857 thousand and LTL 2 192 thousand respectively (31 December 2010 - LTL 3 765 thousand and LTL 3 057 thousand respectively). The reversal of write-down of book value of the goods for resale to net realizable value of LTL 3 765 thousand and LTL 3 057 thousand made during the year ended 31 December 2009 was credited to cost of sales of the Group and the Company in 2010 (4 811 thousand and LTL 4 252 thousand in 2009).

At 31 December 2011 inventories of the Group and the Company have been pledged as security for outstanding loans from financial institutions (Note 24). The total carrying amount of Group's pledged inventories as at 31 December 2010 and 2011 was LTL 35 264 thousand, Company's - LTL 24 764 thousand.

16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2011 and 2010 non-current assets held for sale consisted of the 91 per cent ownership in UAB Palangos Varuna. Purchase of shares in the entity was not considered to be a business combination as the entity did not constitute a business. In substance it was the purchase of the long term assets. There were no impairment charge on non-current assets held for sale in 2011 and 2010, as the cost of investments did not exceed their fair value as of 31 December 2011 and 2010.

17. PREPAYMENTS

At 31 December prepayments consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Prepayments	2 693	1 757	1 675	1 096
Less non-current portion of prepayments	(862)	(632)	(326)	(250)
Current portion of prepayments	1 831	1 125	1 349	846

18. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Group		Company	
	2011	2010	2011	2010
Assets as per balance sheet:				
Trade and other receivables	2 591	1 434	13 544	13 938
Cash and cash equivalents	8 056	4 188	3 040	1 389
Total	10 647	5 622	16 584	15 327
Available for sale financial assets	10 510	-	10 510	-
Total	10 510	-	10 510	-
Total assets	21 157	5 622	27 094	15 327

In 2011 the Company has acquired the Lithuanian Government issued the long-term bonds (redemption years various from 2015 to 2018) denominated in Litas and in Euros, which are recorded as Available for sale financial assets.

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	Group		Company	
	Category - Financial liabilities measured at amortised cost		Category - Financial liabilities measured at amortised cost	
	2011	2010	2011	2010
Liabilities as per balance sheet:				
Borrowings	1 178	4 128	14 053	18 793
Obligations under finance leases	3	13	-	-
Trade and other payables	16 827	13 621	7 055	5 049
Total	18 008	17 762	21 108	23 842

19. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Group		Company	
	2011	2010	2011	2010
Available for sale financial assets	10 510	-	10 510	-
Trade and other receivables with no history of counterparty defaults	2 074	951	1 528	524
Receivables from related parties (note 26)	517	483	12 016	13 414
Cash at bank that have high credit ratings (cash on hand is excluded)	1 245	678	5	18
Total	14 346	2 112	24 059	13 956

20. TRADE AND OTHER RECEIVABLES

At 31 December trade and other receivables consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Trade receivables from subsidiaries	-	-	11 025	10 423
Loans to subsidiaries	-	-	474	2 508
Other receivables from related parties	517	483	517	483
Trade receivables from unrelated parties	397	240	304	154
Other receivables	1 704	738	1 224	370
Less: allowance for impairment of receivables	(27)	(27)	-	-
Total	2 591	1 434	13 544	13 938
Less non-current portion of other receivables	(151)	(69)	(151)	(69)
Current portion	2 440	1 365	13 393	13 869

Trade receivables that are less than three months past due are not considered impaired. There were no receivables past due but not impaired as at 31 December 2011 and 2010.

As of 31 December 2011 and 2010, trade receivables of LTL 27 thousand were impaired and provided for by the Group. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group and the Company does not hold any collateral as security.

The carrying amounts of the Company's loans to subsidiaries are denominated in the following currencies:

	2011	2010
LTL	210	1 255
EUR	264	1 253
Total	474	2 508

The interest rate at 31 December 2011 is 3.6 per cent (2010: 3.5 per cent), maturity date – 31 December 2012 (2010: 31 December 2011).

In the opinion of management, the carrying amount of the receivables approximates their fair value.

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21. CASH AND CASH EQUIVALENTS

At 31 December cash and cash equivalents consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Cash at bank	1 245	678	5	18
Cash on hand	730	660	270	190
Cash in transit	6 081	2 850	2 765	1 181
Total	8 056	4 188	3 040	1 389

Cash in certain bank accounts and future cash inflows into these accounts were pledged to banks as security for credit facilities granted. At 31 December 2011, the cash balances of the Group and the Company in the pledged accounts amounted to LTL 5 thousand (2010: LTL 16 thousand) (Note 24).

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2011	2010	2011	2010
Cash and cash equivalents	8 056	4 188	3 040	1 389
Bank overdrafts	(1 178)	(4 128)	(1 178)	(4 128)
Total	6 878	60	1 862	(2 739)

22. SHARE CAPITAL

At 31 December 2011 issued share capital of the Company consisted of 55 291 960 (2010: 55 291 960) ordinary shares at par value of LTL 1 each. All issued shares are fully paid.

Subsidiaries did not hold any shares of the Company as of 31 December 2011 and 2010. The Company did not hold its own shares as of 31 December 2011 and 2010.

23. PROFIT DISTRIBUTION

Under Lithuanian Law on Companies the Company has to allocate 1/20 of its net profit to the legal reserve until it reaches 1/10 of the Company's authorised capital (up to LTL 5 529 thousand as at 31 December 2011).

On 29 April 2011 the Company's shareholders' meeting decided to pay out LTL 13 823 thousand in dividends and allocate LTL 350 thousand to legal reserve (On 30 April 2010 the Company's shareholders' meeting decided not to pay dividends and not allocate to legal reserve).

In respect of the current year, the Board of directors propose a dividend of LTL 20 458 thousand to be paid to the shareholders and LTL 1 350 thousand to allocate to the Company's legal reserve in 2012. This dividend and legal reserve allocation are subject to approval by shareholders at the Annual Shareholder's Meeting.

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24. BORROWINGS

At 31 December the carrying amounts of the borrowings consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Bank overdrafts	1 178	4 128	1 178	4 128
Borrowings from subsidiaries	-	-	12 875	14 665
Total	1 178	4 128	14 053	18 793

The bank credit lines are secured by cash in certain of bank accounts (Note 21), buildings and equipment (Note 12) and inventories (Note 15).

At 31 December the carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2011	2010	2011	2010
LTL	1 178	4 128	6 824	9 774
EUR	-	-	7 229	9 019
Total	1 178	4 128	14 053	18 793

The weighted average interest rates at the balance sheet date were as follows:

	Group		Company	
	2011	2010	2011	2010
Bank overdraft	1.7%	3.3%	1.7%	3.3%
Borrowings from subsidiaries	-	-	1.5%	2.6%

Exposure of the Group's and the Company's borrowings to interest rate changes and the contractual repricing dates fall into period of 6 month or less.

Interest rate of majority of the borrowings is based on market interest rate, therefore, in the opinion of the management, carrying amount of borrowings approximates to their fair value.

Group's and Company's borrowing facilities contracted but undrawn as at the date of the balance sheet were LTL 60 669 thousand (2010: LTL 48 312 thousand).

25. TRADE AND OTHER PAYABLES

At 31 December trade and other payables consisted of the following:

	Group		Company	
	2011	2010	2011	2010
Payables to subsidiaries	-	-	203	99
Payables to other related parties	113	240	113	237
Trade payables	10 521	8 316	3 433	2 460
Employee benefits and related payables	8 636	5 566	5 917	3 556
Advances received	288	253	173	149
Taxes payable	6 004	4 428	2 396	1 776
Accrued expenses and other payables	6 193	5 065	3 306	2 253
Total	31 755	23 868	15 541	10 530

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26. RELATED PARTY TRANSACTIONS

The Company's and the Group's transactions with related parties and balances arising from these transactions as of 31 December were as follows:

Related parties	Accounts payable		Accounts receivable		Income received		Purchases	
	2011	2010	2011	2010	2011	2010	2011	2010
UAB Konzernas MG Baltic	47	42	-	-	-	-	415	316
UAB Minvista	-	-	-	-	21	-	-	-
UAB Mineraliniai vandenys	2	-	-	-	1	-	7	-
UAB Troja	-	-	-	-	-	-	-	1 075
UAB MG Baltic Investment	50	180	1	2	-	-	593	1 071
UAB MG Valda	15	16	-	-	-	-	149	153
UAB Palangos Varūna	-	-	517	483	-	-	-	-
UAB Laisvas Nepriklausomas Kanalas	-	-	8	2	40	21	22	27
VŠĮ Vito Gerulaičio vardo teniso akademija	-	-	-	-	-	-	16	-
UAB UPG Baltic	-	-	-	-	-	-	23	-
UAB Alfa Media	-	2	-	-	-	-	-	2
Total	114	240	526	487	62	21	1 225	2 644

Prevailing types of related party contracts are rent, management service fee, advertising, centralised services (telecommunications, utilities and etc.).

The Company's transactions with subsidiaries and balances arising from these transactions as of 31 December were as follows:

Subsidiaries	Borrowings and accounts payable		Loans and accounts receivable		Income received		Purchases	
	2011	2010	2011	2010	2011	2010	2011	2010
UAB Apranga LT	6 349	4 861	421	200	6 586	5 802	347	350
UAB Apranga BPB LT	415	785	121	61	2 276	450	126	84
UAB Apranga PLT	405	-	105	190	1 160	348	42	39
UAB Apranga SLT	-	-	264	1 172	368	320	49	33
UAB Apranga MLT	-	-	67	-	105	-	-	-
SIA Apranga	464	-	9 027	8 307	18 481	13 742	3	53
SIA Apranga LV	1 419	2 836	278	240	7 138	2 029	145	120
SIA Apranga BPB LV	-	-	223	726	243	240	24	30
SIA Apranga PLV	471	9	59	118	752	246	12	46
SIA Apranga SLV	-	-	88	157	50	48	1	10
SIA Apranga MLV	149	-	2	-	2	-	-	-
OU Apranga	15	-	565	1 277	4 056	3 083	1	20
OU Apranga Estonia	3 010	6 150	187	172	6 131	763	144	275
OU Apranga BEE	10	1	32	144	430	155	33	21
OU Apranga PB Trade	376	9	29	150	137	121	31	39
OU Apranga ST Retail	474	113	22	17	109	94	20	20
Total	13 557	14 764	11 490	12 931	48 024	27 441	978	1 140

Prevailing types of intra-group transactions are centralised supplies of goods for resale, management service fees, centralised purchasing of services (telecommunications, IT, utilities and etc.), financing, distribution of earnings. Dividend income in amount of LTL 19 218 thousand received from the subsidiaries in 2011 is presented in 'Income received' together with other income (2010: LTL 5 474 thousand).

The debts of Group companies are offset each month, and the remaining portion of the debt is paid no later than in 30 days. The Company's and the Group's and related parties debts are paid within 30 days.

Guarantees provided on behalf of related parties

Guarantees provided on behalf of related parties are disclosed in Note 27.

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Compensation of key management personnel

The General Director and other Directors of the Company are considered to be the key management of the Group. There were 7 members of the key management as at 31 December 2011 (7 members of the key management as at 31 December 2010). 3 of them also belong to the Management Board, which consists of 6 members.

	Group		Company	
	2011	2010	2011	2010
Short-term employee benefits	3 076	1 628	2 974	1 555
Social security	969	516	936	491
Average number of key managers	7	7	7	7

On 29 April 2011 the Company's shareholders' meeting decided to pay out annual bonuses of LTL 420 thousand to the key management.

27. COMMITMENTS AND CONTINGENCIES

Legal proceedings

As of 31 December 2011 and 2010 the Company and the Group were not involved in any legal process, which in the opinion of management, would have a material impact on the financial statements.

Guarantees

As of 31 December 2011 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers amounted LTL 24 774 thousand (31 December 2010: LTL 23 220 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 31 December 2011 amounted to LTL 32 388 thousand (31 December 2010: LTL 30 531 thousand).

As of 31 December 2011 and 2010 the Company's had no guarantees to the credit institutions issued to secure the obligations of subsidiaries. As of 31 December 2011 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled LTL 1 278 thousand (31 December 2010: LTL 1 143 thousand).

Lease commitments

The Company and the Group has entered into 54 and 107 rental agreements of stores respectively (2010: 50 and 114). The agreements' termination period differs from 1 to 6 months.

At 31 December the future aggregate minimum lease payments under operating leases in connection with the rent of premises where the Group and the Company is a lessee were as follows:

	Group		Company	
	2012	2011	2012	2011
Lease payable within:				
One year	45 829	40 442	18 371	16 800
From second to fifth year	143 557	131 141	58 210	55 337
Thereafter	52 965	60 464	20 233	22 203
Total	242 351	232 047	96 814	94 340

Minimum lease payments may be dependent on the turnover of goods in leased premises, or indexed at appropriate inflation rate.

Options granted

Options for assets

The Group issued irrevocable call options to INDITEX Group granting the right to purchase assets (leasehold improvements and PPE located in the premises of shops and inventory) of subsidiaries UAB Apranga LT, UAB Apranga BPB LT, UAB Apranga PLT, UAB Apranga SLT, UAB Apranga MLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, OU Apranga Estonia, OU Apranga BEE, OU Apranga PB Trade and OU Apranga ST Retail operating brands of INDITEX Group (ZARA, BERSHKA, PULL AND BEAR, STRADIVARIUS and MASSIMO DUTTI). The options are exercisable in 2014 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them. These options have substituted the options issued by the Company to purchase shares of subsidiaries issued to INDITEX Group.

The Group issued irrevocable call options to company PROMOD SAS granting the right to purchase assets (PPE located in the premises of shops and inventory) of Company and subsidiaries SIA Apranga and OU Apranga

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operating the brand of PROMOD. The options are exercisable in 2015 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

The Group also issued irrevocable call options to ALDO Group granting the right to purchase assets (PPE located in the premises of shops and inventory) of Company and subsidiaries SIA Apranga and OU Apranga operating the brand of ALDO. The options are exercisable in 2017 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

Options for lease rights

Subsidiaries UAB Apranga LT, UAB Apranga BPB LT, UAB Apranga PLT, UAB Apranga SLT, UAB Apranga MLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, OU Apranga Estonia, OU Apranga BEE, OU Apranga PB Trade and OU Apranga ST Retail operating brands of INDITEX Group (ZARA, BERSHKA, PULL AND BEAR, STRADIVARIUS and MASSIMO DUTTI) granted irrevocable options exercisable in 2014 by virtue of which INDITEX Group might acquire the lease rights and might become lessee in all or part of the lease agreements for the premises where ZARA, BERSHKA, PULL AND BEAR, STRADIVARIUS and MASSIMO DUTTI stores are located.

Company and its subsidiaries SIA Apranga and OU Apranga operating brand PROMOD granted irrevocable options exercisable in 2015 by virtue of which PROMOD SAS might acquire the lease rights and might become lessee in the lease agreements for the premises where PROMOD stores are located.

Company and its subsidiaries SIA Apranga and OU Apranga operating brand ALDO granted irrevocable options exercisable in 2017 by virtue of which ALDO Group might acquire the lease rights and might become lessee in the lease agreements for the premises where ALDO stores are located.

At 31 December, the future aggregate minimum lease payments under operating leases in connection with the rent of premises where the Group and the Company issued options to purchase lease rights were as follows:

	Group		Company	
	2012	2011	2012	2011
Lease payable within:				
One year	24 370	20 739	1 667	1 075
From second to fifth year	76 918	67 323	5 489	4 023
Thereafter	32 357	34 665	3 391	2 320
Total	133 645	122 727	10 547	7 418

It is not anticipated that any material liabilities will arise from the contingent liabilities.

28. EVENTS AFTER THE REPORTING PERIOD

There were no events in the Group and in the Company after the reporting period that could significantly influence the decisions of the users of the financial statements.

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APB APRANGA

Consolidated Annual Report

for the year ended 31 December 2011

**APB APRANGA, company's code 121933274, Kirtimu 51, Vilnius
CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

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1. GENERAL INFORMATION

Consolidated annual report is prepared for the year ended 31 December 2011.

Name of the Issuer: trade company "Apranga"
 Legal form: public limited liability company
 Date and place of registration: 1993 03 01 Board of Vilnius City
 Code of Enterprise: 121933274
 Registered office: Kirtimu str. 51, Vilnius, LT-02244, Lithuania
 Telephone number: +370 5 2390808
 Fax number: +370 5 2390800
 E-mail address: info@apranga.lt
 Internet address: www.apranga.lt

At 31 December 2011 Apranga Group (hereinafter the Group) consisted of the parent company APB Apranga (hereinafter the Company) and its 100 per cent owned subsidiaries listed below. The principal activity of the Company and its subsidiaries is retail trade of apparel.

Title	Legal form	Date and place of registration	Enterprise code	Registered office	Telephone, fax, e-mail, www
UAB Apranga LT	Private limited liability company	27 04 2004 State enterprise Centre of Registers of the Republic of Lithuania	300021271	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga BPB LT	Private limited liability company	29 11 2005 State enterprise Centre of Registers of the Republic of Lithuania	300509648	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga PLT	Private limited liability company	21 03 2007 State enterprise Centre of Registers of the Republic of Lithuania	300551572	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga SLT	Private limited liability company	14 01 2008 State enterprise Centre of Registers of the Republic of Lithuania	301519684	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga MLT	Private limited liability company	13 05 2011 State enterprise Centre of Registers of the Republic of Lithuania	302627022	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
SIA Apranga	Private limited liability company	20 11 2002 Enterprise Register of the Republic of Latvia	40003610082	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga LV	Private limited liability company	30 03 2004 Enterprise Register of the Republic of Latvia	40003672631	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga BPB LV	Private limited liability company	10 01 2007 Enterprise Register of the Republic of Latvia	40003887840	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga PLV	Private limited liability company	10 01 2007 Enterprise Register of the Republic of Latvia	40003887747	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga SLV	Private limited liability company	19 11 2008 Enterprise Register of the Republic of Latvia	50103201281	Terbatas 30, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga MLV	Private limited liability company	30 11 2011 Enterprise Register of the Republic of Latvia	40103486301	Terbatas 30, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
OU Apranga	Private limited liability company	19 07 2006 Tallinn City Court Register department	11274427	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt

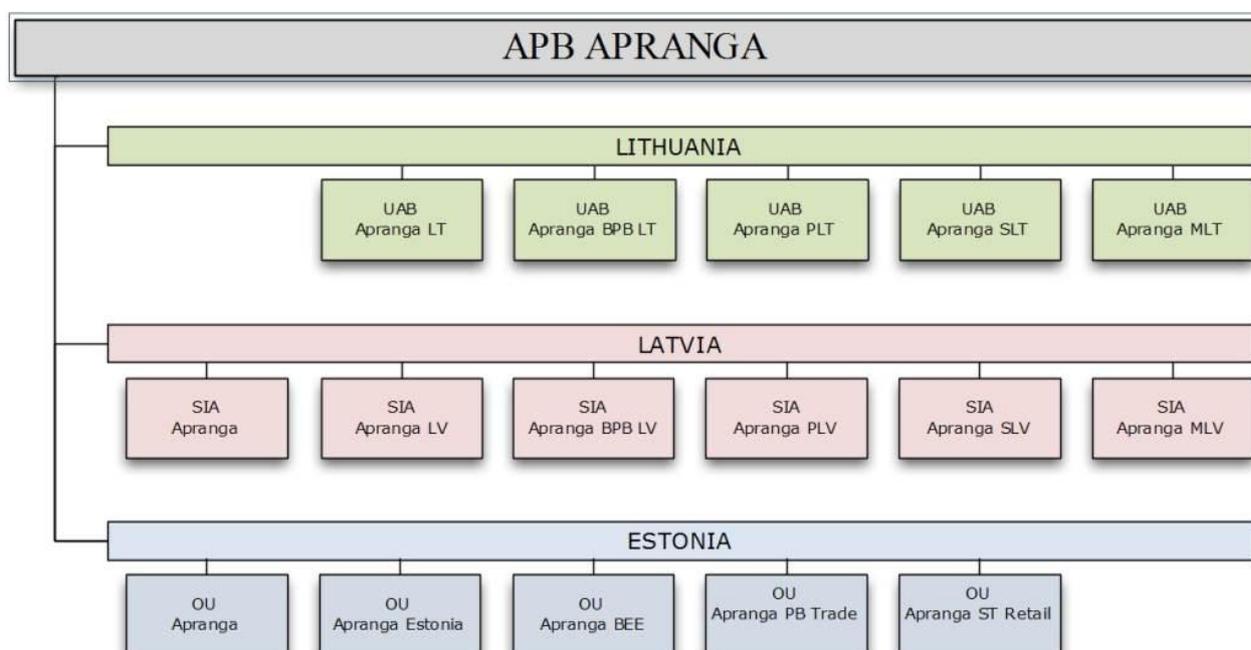
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Title	Legal form	Date and place of registration	Enterprise code	Registered office	Telephone, fax, e-mail, www
OU Apranga Estonia	Private limited liability company	12 04 2004 Tallinn City Court Register department	11026132	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga BEE	Private limited liability company	04 09 2007 Tallinn City Court Register department	11419148	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga PB Trade	Private limited liability company	21 08 2008 Tallinn City Court Register department	11530250	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga ST Retail	Private limited liability company	21 08 2008 Tallinn City Court Register department	11530037	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt

At the end of 2011, the Group consisted of 17 companies.

Structure of the Group at 31 December 2011:



For more information on subsidiaries refer to Note 14 to Consolidated financial statements.

2. OPERATING HIGHLIGHTS

In 2011, facing the recovering economy and consumption in the Baltic countries, Apranga group focused on increase in turnover, improve of operational efficiency, strengthening the competitiveness of the company, further development and modernization of the retail chain.

The exceeded year 2011 plans and the successful implementation of the goals set have led to excellent financial-economic performance and a very good chance of successful Group operation in 2012.

2.1 RETAIL MARKET OVERVIEW

The turnover of the retail chain operated by Apranga Group has made LTL 429.2 million (incl. VAT), and increased by 13.1% comparing to the year 2010. The Group managed to exceed by 2.2% the targeted retail trade turnover plan (EUR 420.0 million) set for 2011.

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The retail turnover of the Apranga Group in 2011 increased in all quarters. The turnover, comparing to the same period 2010, most increased in the fourth quarter – by 17.6%:

	Q1	Q2	Q3	Q4	Q1-Q4
Total change, %	8,3%	15,6%	10,3%	17,6%	13,1%

The turnover of the retail chain operated by Apranga Group has made LTL 273.4 million in the main domestic market of Lithuania, or by 11.9% more than in 2010. The share of Lithuanian chain turnover comprised 63.7%, or by 0.7 point less than in 2010.

The retail turnover of the Apranga Group chain in foreign markets (Latvia and Estonia) has made LTL 155.8 million in 2011, or 15.2% more, than in 2010. The foreign turnover share in total Group's turnover has increased from 35.6% to 36.3% during the year.

The retail turnover of the Apranga Group chain in Latvia has made LTL 100.5 million in 2011 and has increased 12.5% during the year.

The retail turnover of the Apranga Group chain in Estonia has made LTL 55.3 million and has increased 20.5% in comparison to 2010.

The largest increase of retail turnover in Estonia in 2011 was influenced by new stores openings during February-May 2010 and August 2011.

Retail turnover of Group's stores by countries (LTL thousand, VAT included):

Country	2011	2010	Change
Lithuania	273 388	244 256	11,9%
Latvia	100 501	89 364	12,5%
Estonia	55 340	45 910	20,5%
Total:	429 229	379 530	13,1%

In 2011 the Group consistently developed 5 different store chains:

- Economy – clothes to whole family (Apranga)
- Business wear (City, Massimo Dutti)
- Youth clothes
- Prestige – luxury fashion
- Zara franchise stores

The Group also run 8 outlets as at 31 December 2011.

Retail turnover of Group's stores by chains (LTL thousand, VAT included) was as follows:

Chain	2011	2010	Change
Economy	48 241	44 204	9,1%
Youth	153 014	132 822	15,2%
Business	36 950	31 916	15,8%
Luxury	50 156	40 037	25,3%
Zara	123 664	108 249	14,2%
Outlets	17 204	22 302	-22,9%
Total	429 229	379 530	13,1%

The Group managed to achieve high growth rates in all developed chains. The fastest growth was experienced in prestige (25.3%) and business (15.8%) chains. The recovery of the consumption was most strongly felt in high product quality and most fashionable goods segment in 2011. And it was almost not affected by the emigration. In 2010-2011, the Group managed to radically change the situation with old stock, therefore the decrease in outlets turnover - regular and positive result.

2.2 DEVELOPMENT AND MODERNIZATION OF THE RETAIL CHAIN

In 2011, the Group basically came back to the moderate development of the chain and launched a retail chains' essential renovation and modernization phase.

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In 2008-2011 the dynamics of the number of stores and sales area was as follows:

	2009 01 01	2010 01 01	2011 01 01	2012 01 01
The number of stores	101	109	114	121
Stores area (thousand sq. m.)	61,4	63,4	63,0	64,7

During the year 2011 the Group opened 9, reconstructed 5 and closed 2 outlet stores. The total sales area operated by the Group during the year 2011 increased by 2.8%.

The total area of stores by countries was as follows (thousand sq. m):

Country	2011	2010	Change
Lithuania	41,3	40,0	3,1%
Latvia	17,8	17,5	1,8%
Estonia	5,6	5,5	3,2%
Total:	64,7	63,0	2,8%

In 2011, even 4 new Promod stores were opened. This was consistent result of Promod chain development after in 2010 purchased eight Promod stores.

In August 2011, the first Massimo Dutti store was opened in the Baltic States. The franchise contract for the Massimo Dutti chain development in the Baltic States - this is the fifth franchise contract with the world's largest retailer Inditex group, which continue to extend all the earlier franchise contracts to a new three-year period.

In order to maintain a high level of technology and enhance the competitiveness of the chain, the Group launched a retail chains' essential renovation and modernization phase. In May 2011, in Vilnius shopping centre Akropolis the flagship new concept "Apranga" store was opened after reconstruction. A similar store in August 2011 was reconstructed in Riga. In first half 2012 will be opened renovated and with a completely new concept Aprangos galerija and City flagship stores.

In the middle 2011 the franchise contract for the development of the footwear and accessories chain "Aldo" in the Baltic States was signed with the Canadian company "Aldo". The development of footwear chain - a new direction and a new challenge for the Group. First 3 Aldo stores were opened in March 2012.

The number of stores by countries was as follows:

Country	2011	2010	Change
Lithuania	78	73	6,8%
Latvia	32	31	3,2%
Estonia	11	10	10,0%
Total	121	114	6,1%

At 31 December the number of stores by chains was as follows:

Chain	2011	2010	Change
Economy	12	12	0,0%
Youth	62	57	8,8%
Business	13	11	18,2%
Luxury	16	15	6,7%
Zara	10	10	0,0%
Outlets	8	9	-11,1%
Total	121	114	6,1%

Total investments into development of the chain amounted to LTL 7.4 million in 2011. Investments (acquisitions) by assets type are presented in Note 12 ("Property, plant and equipment") and Note 13 ("Intangible assets") of Notes to consolidated and Company's financial statements. Investments (acquisitions) by segments are disclosed in Note 4 ("Segment information"). The Group is not engaged in activities related to research and experimental development, except to the extent of process improvement.

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2.3 MAIN INDICATORS

The Group has earned LTL 29 749 thousand of *profit before income tax* in 2011, while profit before taxes was LTL 16 043 thousand during 2010, an increase of 85.4%.

EBITDA of the Group totalled LTL 47 612 thousand during 2011, and it was LTL 36 815 thousand in corresponding previous year period. *EBITDA* margin has increased from 12.2% to 14.0% during the year. *ROE* and *ROA* ratios reached 20.2% and 15.4% correspondently. The liquidity of the Group strengthened – the current ratio increased to 2.6.

Main Group Indicators	2011	2010	2009	2008	2007
Net sales, LTL thousand	340 781	301 319	314 912	418 622	368 907
Net sales in foreign markets, LTL thousand	125 598	109 608	106 964	139 087	126 621
Like-to-like sales	10,7%	-2,4%	-30,3%	-3,0%	9,4%
Gross profit, LTL thousand	159 961	133 804	129 506	186 203	167 948
Gross margin	46,9%	44,4%	41,1%	44,5%	45,5%
Operating profit, LTL thousand	29 968	16 908	(16 607)	21 310	32 736
Operating profit margin	8,8%	5,6%	-5,3%	5,1%	8,9%
EBT, LTL thousand	29 749	16 043	(19 734)	17 466	30 042
EBT margin	8,7%	5,3%	-6,3%	4,2%	8,1%
Net profit (losses), LTL thousand	24 814	13 337	(16 905)	13 784	24 923
Net margin	7,3%	4,4%	-5,4%	3,3%	6,8%
EBITDA, LTL thousand	47 612	36 815	6 158	41 822	48 499
EBITDA margin	14,0%	12,2%	2,0%	10,0%	13,1%
Earnings (losses) per share (EPS), LTL	0,45	0,24	(0,36)	0,39	0,71
Price-to-Earnings ratio (P/E), times	11,2	29,6	(7,6)	5,5	20,3
Return on equity (end of the period)	20,2%	11,9%	-17,2%	14,5%	28,4%
Return on assets (end of the period)	15,4%	9,3%	-9,7%	6,5%	12,3%
Net debt to equity*	-5,6%	0,0%	37,7%	75,5%	84,8%
Current ratio, times	2,6	2,1	1,0	0,9	1,0

* (Interest bearing liabilities less cash) / Equity

The *operating expenses* of the Group totalled LTL 129 993 thousand during 2011 and increased by 11.2%, comparing to the same period 2010 (while sales increased by 13.1% during this period).

Main Group Indicators	2011	2010	Change
Net sales, LTL thousand	340 781	301 319	13,1%
Net sales in foreign markets, LTL thousand	125 598	109 608	14,6%
Gross profit, LTL thousand	159 961	133 804	19,5%
Operating expenses	(129 993)	(116 896)	11,2%
Operating profit, LTL thousand	29 968	16 908	77,2%
EBT, LTL thousand	29 749	16 043	85,4%
Net profit (losses), LTL thousand	24 814	13 337	86,1%
EBITDA, LTL thousand	47 612	36 815	29,3%

The *finance costs* of the Group totalled LTL 219 thousand during 2011 and decreased 3.9 times, comparing to the same period 2010. Total finance debts of the Group decreased from LTL 4.1 million at 31 December 2010 to LTL 1.2 million at 31 December 2011.

In order to optimize the level of inventories and to adapt to the growing demand, the Group's inventories during the year 2011 has been gradually increased and in a year period grew by almost 23% (the Company inventories increased by 27%).

The key improvements of the financial position of the Group during the year 2011 determined by:

- high turnover growth rates,
- the increase in gross margins from 44.4% to 46.9% through more efficient purchases, inventory and sales management,
- balanced and controlled growth of operating expenses.

For additional information on the operations by countries of the Group refer to Note 4 to the Consolidated financial statements.

2.4 PERSONNEL

Average number of employees and average salary by categories in 2011 were as follows:

Employee category	Number of employees		Average monthly salary, LTL	
	Group	Company	Group	Company
Administration	120	79	6 054	7 284
Stores' personnel	1 156	470	1 572	1 671
Logistics	49	49	1 823	1 823
Total	1 325	598	2 238	2 433

The average monthly salary in the Group has increased by 17.4% during the year.

During the 2011 the number of employees in the Group and the Company has increased by 97 (+7.9%) and 38 (+6.8%) people, respectively. The main reasons of the increase was opening of the new stores and the increase of turnover.

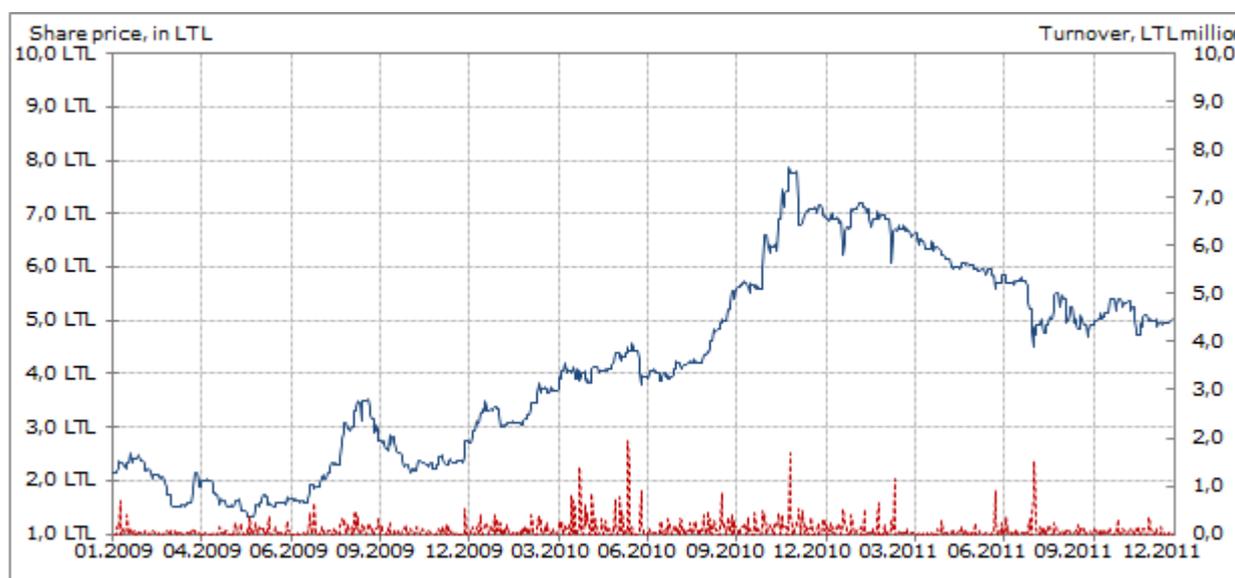
Average number of employees by education level in 2011 was as follows:

Education level	Group	Company
High	377	209
Professional	228	131
Secondary	168	73
Basic	8	2
Student	544	183
Total:	1 325	598

2.5 TRADING INFORMATION

The price of the Company share during the year 2011 decreased by 30% from LTL 7.15 per share (the maximum share price during the year was LTL 7.21 per share) to LTL 5.02 per share (the minimum share price during the year was LTL 4.33 per share). In this way, the market capitalization of the Company decreased from LTL 395 million at the beginning of the year to LTL 278 million at the end of December 2011. The average price of share during the year 2011 was LTL 5.66 per 1 share. Company's share turnover reached LTL 25 million during the year.

Company share price and share turnover during the period 2009-2011:



Company and OMX Baltic Benchmark GI index change for the period 2007-2011:



3. OPERATING PLANS

Apranga Group plans to reach LTL 461.8 million (EUR 133.7 million) retail chain turnover (including VAT) in 2012, or by 7.6% more, than in 2011.

Apranga Group plans to double investments into development and renovation of the chain in 2012. Apranga Group will open 9-11 new stores during 2012, and 8 stores will be totally reconstructed.

4. BUSINESS PHILOSOPHY

- We work and strive to work only with the fastest-growing, commercially the most successful global brands and chains operating in different markets and acceptable to our market;
- We never make compromises in the selection of the best locations for stores ("Location – more important than money", "We have to be where we can not not to be");
- We aim to install stores according to the highest European design and technology requirements;
- We strive to use in best the power of the obvious market leader, as well as rapid development opportunities in competitive environment.

5. RISKS

The types of risks that Group faces and risk management are described in Note 3 to the Consolidated financial statements.

6. ENVIRONMENTAL PROTECTION

Group uses the latest technology and the latest technology processes that meet environmental standards and help reduce the negative impact on the environment. In 2011 the Group reduced the water consumption by about 14 percent, the usage of electricity remained at the same level as in 2010.

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7. CONSOLIDATION

In order to ensure the fairness of preparation consolidated financial statements and to reduce associated risks, the unified centralised accounting and business information management system has been implemented in all Group companies. All Group companies use the standard chart of accounts and apply unified accounting principles.

More information on the principles of preparation of the consolidated financial statements is presented in Note 2.4 to the Consolidated financial statements.

8. SECURITIES

All 55 291 960 ordinary shares of nominal value LTL 1 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Baltic equity list of NASDAQ OMX Vilnius Stock Exchange. For more information on the share capital of the Company refer to Note 22 to Consolidated financial statements.

Neither Company, nor its subsidiaries directly or indirectly acquired own shares.

By the knowledge of the Company's management, there are no restrictions imposed on transfer of Company's shares.

All Company's shares give equal rights to shareholders and there are no shareholders with special control rights.

By the knowledge of the Company's management, there are no restrictions imposed on voting rights.

By the knowledge of the Company's management, there are no agreements among shareholders which may limit transfer of shares, or their voting rights.

Each owner of the ordinary registered share has the following property rights:

- 1) To receive part of the company's profit (dividend);
- 2) To receive a part of the assets of the company in liquidation;
- 3) To receive shares without payment if the share capital is increased out of the company's funds, except the cases specified in the Law on Companies.
- 4) To have the pre-emption right to acquire the shares or convertible debenture issued by the company, except in cases when General Shareholder's Meeting pursuant to Law on Companies decides to withdraw the pre-emption right in acquiring the company's issued shares for all shareholders;
- 5) As provided by laws to lend to the company, however the company borrowing from its shareholders has no right to mortgage or pledge its assets to shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his/her place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the company and shareholders are prohibited from negotiating a higher interest rate;
- 6) To receive Company's funds in event the share capital is decreased on purpose to pay Company's funds to shareholders;
- 7) Shareholders have other property rights provided by laws of the Republic of Lithuania.

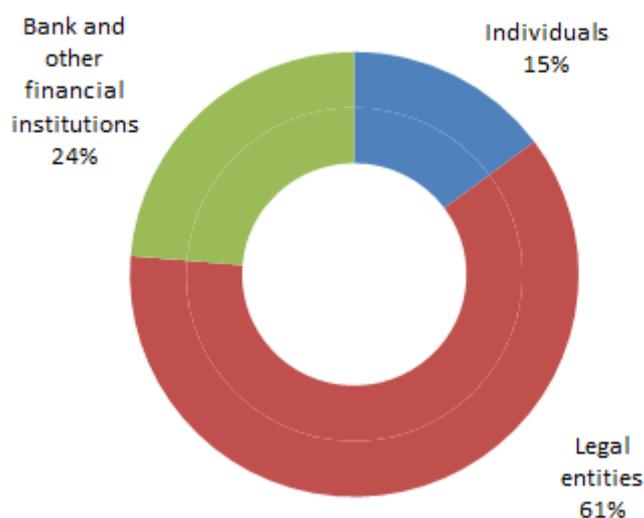
Each owner of the ordinary registered share has the following non-property rights:

- 1) To attend and vote in General Shareholder's Meetings. One ordinary registered share grants to its owner one vote at the General Shareholders' Meeting. The right to vote at the General Shareholder's Meeting may be withdrawn or restricted in cases established by laws of the Republic of Lithuania, also in cases when share ownership is contested;
- 2) To receive information on the company as provided by Law on Companies;
- 3) To file a claim to the court requesting compensation of damage to company resulting from non-performance or improper performance of the duties of the Manager of the Company or members of the Board of the company which duties have been prescribed by law and these Articles of Association of the company as well as in other cases as may be prescribed by law;
- 4) Other non-property rights prescribed by law.

At 31 December 2011 the Company had 3 397 shareholders. Company's shareholders which owned or had under management more than 5% of share capital were as follows:

Shareholder	Enterprise code	Address	Number of shares	% of total ownership
UAB MG Baltic Investment	123249022	Jasinskio 16B, Vilnius, Lithuania	29 677 397	53,7%
Swedbank AS (Estonia) clients	10060701	Liivalaia 8 Tallinn, Estonia	6 948 159	12,6%
UAB Minvista	110685692	Jasinskio 16, Vilnius, Lithuania	4 022 349	7,3%
SEB AB clients	502032908101	Sergels Torg 2, Stockholm, Sweden	3 245 056	5,9%

Distribution of holdings according to holder groups at 31 December 2011:



There are no material agreements where the Company is a counterparty and which may come into force, or may change, or may end with the change of control over the Company. Information about related party transactions is provided in the Note 26 to the Consolidated financial statements.

At 1 July 1999 the Company concluded an open-ended agreement with AB FMI Finasta (entity code: 122570630, address: Maironio str. 11, Vilnius) on supervision of securities accounts.

9. CORPORATE GOVERNANCE

The management bodies of the Company specified in the Articles of Association are as follows: General Shareholders' Meeting, a collegial management body – Board, and a single-person management body – Manager of the Company.



Competence of General Shareholders' Meeting is the same as specified by the Law on Companies. The General Meeting shall have the exclusive right to:

- 1) Amend the Articles of Association of the Company;
- 2) Elect the members of the Board;
- 3) Remove the Board or its members;
- 4) Select and remove the firm of auditors, set the conditions for auditor remuneration;
- 5) To determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- 6) Take a decision regarding conversion of shares of one class into shares of another class, approve share conversion procedure;
- 7) Approve the annual accounts;
- 8) Take a decision on profit/loss appropriation;
- 9) Take a decision on the formation, use, reduction and liquidation of reserves;
- 10) Take a decision to issue convertible debentures;
- 11) Take a decision to withdraw for all the shareholders the right of pre-emption in acquiring the shares or convertible debentures of a specific issue of the Company;
- 12) Take a decision to increase the authorised capital;
- 13) Take a decision to reduce the authorised capital;
- 14) Take a decision for the Company to purchase own shares;
- 15) Take a decision on the reorganisation or division of the Company and approve the terms of reorganisation or division;
- 16) Take a decision to transform the Company;
- 17) Take a decision to restructure the Company;
- 18) Take a decision to liquidate the Company, cancel the liquidation of the Company, except where otherwise provided by the Law on Companies;
- 19) Elect and remove the liquidator of the Company, except where otherwise provided by the Law on Companies.

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General Shareholders' Meeting has a right to amend the Articles of Association under the qualified majority of votes, which may not be less than 2/3 of all votes the shareholders attending at the Meeting, except for the exceptions specified by Law on Companies.

The Board, consisting of six members, is elected by General Shareholders' Meeting for a 4 year term. Company's Board members election and revocation procedure is the same as specified by Law on Companies. Company's Board activity is conducted by chairman of the Board. The Board elects its chairman from among its members.

The Board continues in office for the period established in the Articles of Association or until a new Board is elected and assumes the office but not longer than until the annual General Shareholders' Meeting during the final year of its term of office.

Board of Company considers and approves:

- 1) The activity strategy of the Company;
- 2) The annual report of the Company;
- 3) The management structure of the Company and the positions of the employees;
- 4) The positions to which employees are recruited by competition;
- 5) Regulations of branches and representative offices of the Company.

The Board adopts the following resolutions:

- 1) Resolutions for the Company to become an incorporator or a member of other legal entities;
- 2) Resolutions to establish branches and representative offices of the Company;
- 3) Resolutions to invest, dispose of or lease the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated individually for every type of transaction);
- 4) Resolutions to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated for the total amount of transactions);
- 5) Resolutions to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the share capital of the Company;
- 6) Resolutions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the share capital of the Company;
- 7) Resolutions to restructure the Company in the cases laid down in the Law on Restructuring of Enterprises;
- 8) Resolutions regarding issuance of debenture of the Company (except issuance of convertible debenture);
- 9) Other resolutions within the competence of the Board as prescribed by the Articles of Association or the resolutions of the General Shareholders' Meeting.

The Board analyses and assesses the documents submitted by the Manager of the Company on:

- 1) The implementation of the activity strategy of the Company;
- 2) The organisation of the activities of the Company;
- 3) Financial standing of the Company;
- 4) The results of economic activities, income and cost estimates, the stocktaking data and other accounting data of changes in the assets.

The Board elects and removes from office the Manager of the Company, fixes his/her remuneration and sets other terms of the employment agreement, approves his/her job description, provides incentives and imposes penalties.

The Board analyses and assesses the Company's draft annual financial statement and draft of profit/loss distribution and submits them to the General Shareholders' Meeting together with the annual report of the Company. The Board is responsible for convening and arrangement of the General Shareholders' Meeting in due time.

Each member of the Board is entitled to initiate convening of the Board meeting. The Board may adopt resolutions and its meeting shall be deemed to have taken place when the meeting is attended by more than 2/3 of the members of the Board. The resolution of the Board is adopted if more votes for it are received than the votes against it. In the event of a tie, the Chairman of the Board shall have the casting vote. The member of the Board is not entitled to vote when the meeting of the Board discusses the issue related to his/her activities on the Board or the issue of his/her responsibility.

The Manager of the Company – General Director - is a single-person management body of the Company. The Manager of the Company acts at his/her own discretion in relation of the Company with other persons.

The Manager of the Company is elected and removed from office by the Board which also fixes his/her salary, approves his/her job description, provides incentives and imposes penalties. The employment agreement is concluded with the Manager of the Company and is signed on behalf of the Company by the Chairman of the Board or other person authorized by the Board.

In his/her activities the Manager of the Company complies with laws and other legal acts, Articles of Association, General Shareholders' Meeting resolutions, Board resolutions, his/her job descriptions.

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The Manager of the Company acts on behalf of the Company and is entitled to enter into the transactions at his/her own discretion. The Manager of the Company may conclude the following transactions provided that there is a decision of the Board to enter into these transactions: to invest, dispose of or lease the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated individually for every type of transaction); to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated for the total amount of transactions); to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the share capital of the Company; to acquire the tangible long-term assets the price whereof exceeds 1/20 of the share capital of the Company.

The Manager of the Company is responsible for:

- 1) The organization of the Company's activity and implementation of its objectives;
- 2) The drawing up of the annual financial statements and the drafting of the annual report of the Company;
- 3) Concluding an agreement with the firm of auditors;
- 4) Submission of information and documents to the General Shareholders' Meeting and the Board in cases prescribed by Law on Companies or at their request;
- 5) Submission of the documents and data of the Company to manager of the Register of Legal Entities;
- 6) Submission of documents to the Securities Commission and Lithuanian Central Securities Depository;
- 7) Public announcement of information prescribed by Law on Companies in a daily newspaper indicated in Articles of Association;
- 8) Submission of information to shareholders;
- 9) The performance of other duties prescribed by laws as well as in the Articles of Association and the job descriptions of the Manager of the Company.

The Manager of the Company organises daily activities of the Company, hires and dismisses employees, concludes and terminates employment contracts with them, provides incentives and imposes penalties.

The Manager of the Company is responsible for preparation of the draft share subscription agreement and its data correctness. The Manager of the Company issues authorizations and procurations within the scope of its competence.

The Manager of the Company is accountable and regularly reports to the Board on the implementation of Company's activity strategy, the organization of the Company's activity, the financial standing of the Company, the results of economic activity, the income and cost estimates, the stocktaking data and other accounting data of changes in the assets.

10. MANAGEMENT OF THE COMPANY

On 30 April 2010 the Annual General Meeting of Company shareholders elected Company's members of the Board for new 4-year term. On 29th April 2011 Vidas Lazickas was elected to Company's Board instead of Raimondas Paškevičius, who resigned on 21st October 2010. 30th April 2014 is the end term of all Company's members of the Board.

BOARD OF THE COMPANY



Darius Mockus
Chairman of the Board

Darius Mockus (born in 1965) - Chairman of the Board since 2 May 2002 (member of the Board since 23 March 1995). Education: Vilnius University, Faculty of Economics, Industrial Planning. He has 981 958 shares of the Company, representing 1.78% of the share capital and votes. With related companies Minvista UAB (Code of Enterprise: 110685692; Registered office: Jasinskio 16, Vilnius), MG Baltic Investment UAB (Code of Enterprise: 123249022; Registered office: Jasinskio 16B, Vilnius) and family members he has 34 682 704 shares, representing 62.73% of the share capital and votes.

Information on positions in other companies:

President and chairman of the board of concern MG Baltic UAB;
General Director and chairman of the board of holding MG Baltic Trade UAB;
Member of the board of Laisvas ir nepriklausomas kanalas UAB;
Chairman of the board of Mitnija UAB;
Chairman of the board of Stumbras AB;
Member of the board of MG Valda AB.

Information on shareholdings in other companies above 5%:

Concern MG Baltic UAB - 100% of the share capital;
Minvista UAB - 99.99% of the share capital.

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Information about participation in other organizations:
President of Honour of the Lithuanian Tennis Union.



Rimantas Perveneckas
Member of the Board, General Director

Rimantas Perveneckas (born in 1960) - APB Apranga group General Director, Member of Board of APB Apranga since 23 February 1993, in the Company since 1983. Education: Vilnius University, Faculty of Trade, specialization in Trade Economics. He has 1 000 000 shares of the Company, representing 1.81% of the share capital and votes. Has no positions in other companies. Has no shareholdings in other companies above 5%.



Ilona Šimkūnienė
Member of the Board, Purchasing Director

Ilona Šimkūnienė (born in 1963) - Apranga group Purchasing Director, Member of Board of APB Apranga since 27 March 1998, in the Company since 1985. Education: Vilnius University, Faculty of Trade, specialization in Trade Economics. She has 49 573 shares of the Company, representing 0.09% of the share capital and votes, and together with spouse Mindaugas Šimkūnas has 94 910 shares, representing 0.17% of the share capital and votes.

Information on positions in other companies:
Chairman of the board of Apranga LT UAB;
Chairman of the board of Apranga BPB LT UAB;
Chairman of the board of Apranga PLT UAB;
Chairman of the board of Apranga SLT UAB;
Chairman of the board of Apranga MLT UAB;
Chairman of the board of Apranga LV SIA;
Chairman of the board of Apranga BPB LV SIA;
Chairman of the board of Apranga PLV SIA;
Chairman of the board of Apranga SLV;
Chairman of the board of Apranga MLV;
Chairman of the board of Apranga Estonia OU;
Chairman of the board of Apranga BEE OU;
Chairman of the board of Apranga PB Trade OU;
Chairman of the board of Apranga ST Retail OU.

Has no shareholdings in other companies above 5%.



Vidas Lazickas
Member of the Board

Vidas Lazickas (born in 1965) - Member of Board of APB Apranga since 29 April 2011. Education: Vilnius University, Faculty of Economics, specialization in Production Management and Organization. He has 32 065 shares of the Company, representing 0.06% of the share capital and votes.

Information on positions in other companies:
Director of Economy and Finances of the MG Baltic group;
General Director and Member of the board of holding MG Baltic Investment;
Director and Member of the board of Minvista UAB;
Member of the board of MG Valda UAB;
Member of the board of MG Baltic Trade UAB;
Member of the board of Mitnija UAB.

Has no shareholdings in other companies above 5%.

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Marijus Strončikas
Member of the Board

Marijus Strončikas (born in 1974) - Member of Board of APB Apranga since 30 April 2010. Education: Kaunas Technical University, Faculty of Informatics, master of IT Science. He has 4 365 shares of the Company, representing 0.01% of the share capital and votes.

Information on positions in other companies:
IT Director of concern MG Baltic UAB;
Purchasing Director and Member of the board of Stumbras AB;
Member of the board of Mineraliniai vandenys UAB.

Has no shareholdings in other companies above 5%.



Ramūnas Gaidamavičius
Member of the Board, Development Director

Ramūnas Gaidamavičius (born in 1968) - APB Apranga group Development Director, Member of Board of APB Apranga since 30 April 2010, in the Company since 2002. Education: Vilniaus University of Technology, Faculty of Mechanics, specialization in Machine Building. He has 5 000 shares of the Company, representing 0.01% of the share capital and votes.

Information on positions in other companies:
Chairman of the board of Apranga SIA;
Chairman of the board of Apranga OU;
Member of the board of UAB „Apranga LT UAB“;
Member of the board of SIA „Apranga LV SIA“;
Member of the board of SIA „Apranga BPB LV SIA“;
Member of the board of SIA „Apranga PLV SIA“;
Member of the board of SIA „Apranga SLV SIA“;
Member of the board of SIA „Apranga MLV SIA“;
Member of the board of OÜ „Apranga Estonia OU“;
Member of the board of OÜ „Apranga BEE OU“;
Member of the board of OÜ „Apranga PB Trade OU“;
Member of the board of OÜ „Apranga ST Retail OU“.

Has no shareholdings in other companies above 5%.

MANAGEMENT OF THE COMPANY AND THE GROUP

The key management members of the Company and the Group as of 31 December 2011:

Name, Surname	Position	Number of shares owned	Part in the share capital	Start at company
Rimantas Perveneckas	General Director	1 000 000	1,81%	1983
Ilona Šimkūnienė	Purchasing Director	94 910	0,17%	1985
Ramūnas Gaidamavičius	Development Director	5 000	0,01%	2002
Saulius Bačauskas	Chief Financial Officer	16 000	0,03%	2003
Aušra Tartilienė	Inditex chain director	37 556	0,07%	1989
Irma Marcinkienė	Marketing director	1 863	0,003%	2000
Audronė Martinkutė	Personnel director	360	0,001%	2002

* with related parties

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Information about CFO of the Company and the Group:



Saulius Bačauskas
 Chief Financial Officer

Saulius Bačauskas (born in 1974) - Apranga Group Finance and Economics Director, in the Company since 2003. Education: Vytauto Didžiojo University, Business management faculty, MA of finance and banking. He has 16 000 shares of the Company, representing 0.03% of the share capital and votes.

Information on positions in other companies:

Member of the board of Apranga LT UAB;
 Member of the board of Apranga BPB LT UAB;
 Member of the board of Apranga PLT UAB;
 Member of the board of Apranga SLT UAB;
 Member of the board of Apranga MLT UAB;
 Member of the board of Apranga OU.

Has no shareholdings in other companies above 5%.

Information about members of the management bodies on 31 December 2011 was as follows:

Name, Surname	Position	Number of shares owned and part in the share capital	Election date	End of term	Amounts received from the Company in 2011, LTL
Darius Juozas Mockus	Chairman of the Board	981 958 1.78%	30 04 2010	30 04 2014	Receives no remuneration
Rimantas Perveneckas	Member of the Board, General Director	1 000 000 1.81%	30 04 2010	30 04 2014	-
Ilona Simkuniene	Member of the Board, Purchasing Director	49 573 0.09%	30 04 2010	30 04 2014	-
Ramunas Gaidamavicius	Member of the Board, Development Director	5 000 0.01%	30 04 2010	30 04 2014	-
Vidas Lazickas	Member of the Board	32 065 0.06%	29 04 2011	30 04 2014	Receives no remuneration
Marijus Strončikas	Member of the Board	4 365 0.01%	30 04 2010	30 04 2014	Receives no remuneration
Saulius Bačauskas	Chief Financial Officer	16 000 0.03%	-	-	-
Dividends and bonuses to members of the board and management, in total (6)					1212 378
Dividends and bonuses to members of the board and management, on average (6)					202 063
Remuneration to members of the board and management, in total (4)					2 177 778
Remuneration to members of the board and management, on average (4)					544 445

There are no agreements between the Company, members of its management bodies, or its employees regarding special compensations in case of their resignation, or dismissal without legitimate reason, or the end of their duties connected with the change of the Control over the Company.

11. AUDIT COMMITTEE

The Audit Committee exceptionally (The Security commission of the Republic of Lithuania, No. 1K-18, 21 August 2008, article 4) consists of 2 members, 1 of them is independent. The Audit Committee is elected for a 4-year term. The term of office of the Audit Committee coincides with the term of office of the Management Board. Members of the Audit Committee are elected and recalled by the Board of the Company, except the independent member of the Committee. The independent member of the Audit Committee is elected by the General Shareholders Meeting at the proposal of the Management Board.

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The main functions of the Audit Committee are:

- To observe the process of preparation of financial reports;
- To observe the efficiency of systems of internal control, risk management and internal audit, if such functions exist in the Company;
- To observe the process of carrying out an external audit;
- To observe how the external auditor and audit company follow the principles of independence and objectivity;
- To provide the Management Board of the Company in written with recommendations related to selection of an external audit company;
- To inform The Manager of the Company about the information provided by the audit company and audit-related issues under consideration, particularly when significant internal controls weaknesses relating to the Financial Reports are set.

the General Shareholders Meeting hold on 30 April approved the members of the Audit Committee for the new 4-year term: **Rasa Rulevičiūtė** (Company management personnel, the deputy of chief financial officer) and **Asta Krušnauskaitė** (the independent member the Committee, projects manager of Verslo angelų fondas I KŪB). None of the members of the Audit Committee has Company's shares.

12. COMPLIANCE WITH THE GOVERNANCE CODE

Company essentially follows a recommendatory Corporate Governance Code for the Companies Listed on the NASDAQ OMX Vilnius stock exchange adopted and valid as on 31 December 2011. According to the By-Laws of the Company the governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. The Law of the Republic of Lithuania on Companies provides that Lithuanian companies at their discretion could have only one collegial governing body. There is no Supervisory Council in the Company. The Board consists of six members who are elected for the term of four years, represents the shareholders, and performs supervision and control functions.

For the full text of Compliance Report with the Governance Code for the companies listed on the NASDAQ OMX Vilnius stock exchange refer to Annex 1.

13. PUBLICLY ANNOUNCED INFORMATION

The Company publicly announced and broadcasted through NASDAQ OMX Vilnius Globe Newswire and own webpage the following information:

Title	Category of announcement	Lang- uage	Date
Turnover of Apranga Group in December 2010 and total year 2010	Investor News	En, Lt	2011-01-03
Apranga Group investor's calendar for the 1st half of 2011	Investor News	En, Lt	2011-01-12
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	En, Lt	2011-01-17
CORRECTION: Revised information in notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	En, Lt	2011-01-18
Turnover of Apranga Group in January 2011	Investor News	En, Lt	2011-02-01
The turnover and expansion plans of Apranga Group in 2011	Notification on material event	En, Lt	2011-02-23
Apranga Group interim report for twelve months of 2010	Interim information	En, Lt	2011-02-25
Turnover of Apranga Group in February 2011	Investor News	En, Lt	2011-03-01
Turnover of Apranga Group in March 2011	Investor News	En, Lt	2011-04-01
Convocation of the Annual General Meeting of APB Apranga shareholders	Notification on material event	En, Lt	2011-04-06
Draft resolutions of the Annual General Meeting of APB Apranga shareholders to be held on 29th April 2011	Notification on material event	En, Lt	2011-04-07
Resolutions of the Annual General Meeting of Apranga APB shareholders	Notification on material event	En, Lt	2011-04-29
Apranga APB annual information 2010	Annual information	En, Lt	2011-04-29
Turnover of Apranga Group in April 2011	Investor News	En, Lt	2011-05-02
Establishment of subsidiary of Apranga APB in Lithuania	Notification on material event	En, Lt	2011-05-16
Apranga Group interim information for the three months of 2011	Interim information	En, Lt	2011-05-16
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-05-27
Turnover of Apranga Group in May 2011	Investor News	En, Lt	2011-06-01
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-06-03
Apranga Group extends successful collaboration with Inditex	Notification on material event	En, Lt	2011-06-08

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Apranga group will develop Massimo Dutti chain in the Baltic States	Notification on material event	En, Lt	2011-06-13
Apranga Group investor's calendar for the 2nd half of 2011	Investor News	En, Lt	2011-06-30
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-06-30
Turnover of Apranga Group in June 2011	Investor News	En, Lt	2011-07-01
Turnover of Apranga Group in July 2011	Investor News	En, Lt	2011-08-02
Apranga Group interim information for the six months of 2011	Interim information	En, Lt	2011-08-16
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-08-19
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-08-25
Apranga group opens first Massimo Dutti in the Baltic States	Press release	En, Lt	2011-08-25
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-08-26
Apranga Group opens first Marina Rinaldi store in Lithuania	Press release	En, Lt	2011-08-31
Regarding franchise agreement with ALDO Group the leading fashion footwear company in the world	Notification on material event	En, Lt	2011-09-01
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-01
Turnover of Apranga Group in August 2011	Investor News	En, Lt	2011-09-01
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-05
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-05
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-05
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-08
Notification on APB Apranga manager's transaction	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-13
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-16
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-23
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-26
Notification on APB Apranga manager's transaction	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-27
Notification on Apranga APB manager's related party transaction	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-27
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-28
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-29
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-10-03
Turnover of Apranga Group in September 2011	Investor News	En, Lt	2011-10-03
Turnover of Apranga Group in October 2011	Investor News	En, Lt	2011-11-02
Apranga Group interim information for the nine months of 2011	Interim information	En, Lt	2011-11-03
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-11-11
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-11-17
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-11-23
Regarding Apranga Group funds in AB bank Snoras	Notification on material event	En, Lt	2011-11-24
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-11-28
Establishment of subsidiary of Apranga APB in Latvia	Notification on material event	En, Lt	2011-12-01
Turnover of Apranga Group in November 2011	Investor News	En, Lt	2011-12-01
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-12-05
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-12-08
On further cooperation between SEB bank AB and Apranga Group	Investor News	En, Lt	2011-12-12
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-12-15
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	En, Lt	2011-12-21

Contents of above mentioned announcements can be obtained on NASDAQ OMX Vilnius Stock Exchange webpage <http://www.nasdaqomxbaltic.com/market/?pg=details&instrument=LT0000102337&list=2&tab=news&lang=en> and on Company's webpage http://www.apranga.lt/investuotojams/index.php/site_structure/news/95.



Rimantas Perveneckas
General Director

4 April 2012

APB APRANGA report concerning the compliance with the Governance Code for the companies listed on NASDAQ OMX Vilnius stock exchange

The public trade company APRANGA (hereinafter Company), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of the AB NASDAQ OMX Vilnius, discloses its compliance with the Governance Code for the companies listed on NASDAQ OMX Vilnius, and its specific provisions:

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI-CABLE	COMMENTARY
Principle I: Basic Provisions The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Affirmed Company's development strategy and objectives are published in Company's annual report and interim report, in Company's website especially intended for the investors www.apranga.lt/investuotojams , in NASDAQ OMX Vilnius Stock Exchange information disclosure system (GlobeNewswire), in Central Storage Facility, and in chief executive officer and senior management presentations to investors.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Company implements this recommendation insofar as it is concerned with the close cooperation of Company's management board and chief executive officer and senior management.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
Principle II: The corporate governance framework The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The bodies of the Company are general shareholders' meeting, management board and chief executive officer. Supervisory board is not constituted in the Company. The accountability and control of the single management body – the chief executive officer – is ensured by Company's management board.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	Company's collegial management body – management board – is responsible for strategic management of the Company and performs other key functions of corporate governance. The management board is responsible for the effective supervision of the Company's management bodies insofar as it is concerned with the supervision of the activity of chief executive officer.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company has one collegial body and that is management board.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI-CABLE	COMMENTARY
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes/No	See commentaries of III and IV principles' recommendations.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	Company's management board consists of 6 (six) members, 3 (three) of whom are representatives of shareholders and the other 3 (three) are chief executive officer and senior managers. In Company's opinion, the number of the management board members is sufficient considering Company's activity extent and number of shareholders.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	Supervisory board is not constituted in the Company. See commentaries of 2.1. recommendation.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the management board and chief executive officer of the Company are different persons. The chairman of the management board has never been appointed as chief executive officer of the Company.
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.</p>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formation of Company's management board ensures objective and fair supervision of the Company's single management body, chief executive officer, and senior management as well as representation of minority shareholder's interests.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided	Yes/No	The information about management board members positions taken or participation in other companies activities is continually collected and on the expiration of each year this information is specified and renewed by querying each board member, and such information is disclosed in Company's annual and interim reports and Company's website. However this information was not submitted exclusively to general shareholder's meeting before their election. There was no necessity in the Company to

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI-CABLE	COMMENTARY
information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.		disclose factors affecting candidate's independence.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	No	See commentary of 3.2 recommendation
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes/No	See commentary of 4.7. recommendation.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	There was no demand in Company to offer tailored programs to new board members focused on introducing a member with his/her duties, corporatio organization and activities. . Annual review of management board members' knowledge is not conducted whereas the management board members, i.e. chief executive officer and senior managers, are professionals and improve their skills and knowledge by conducting their duties in the Company. The skills and knowledge of management board members representing shareholders is reviewed by shareholders themselves before proposing candidates to Company's board.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The issue of election of independent management board members never been topical in the Company and the "sufficient" number of independent management board members was never assessed either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their	Not applicable	See commentary of 3.6 recommendation

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI-CABLE	COMMENTARY
<p>form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <p>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</p> <p>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</p> <p>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</p> <p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this</p>		

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI-CABLE	COMMENTARY
Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Not applicable	See commentary of 3.6. recommendation. Moreover, thus far the assessment and disclosure of the independence of management board members, in accordance with the criteria established by this Code, was not applicable in Company.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Not applicable	See commentary of 3.6. recommendation
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See commentary of 3.6. recommendation.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	This recommendation is implemented by Company's management board insofar as the management board issues recommendations to chief executive officer and to senior management and monitors and controls their activity.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the Company's available data, management board members act in good will in respect of Company, in the interests of the Company and its shareholders, thus maintaining independence of their decision making.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI-CABLE	COMMENTARY
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes/No	According to the Company's data, all management board members attended board meetings and devoted sufficient time to perform their duties as members of the board. The Company does not notify its shareholders about management board members attendance of the management board meetings.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Company's shareholders are properly informed about the Company's affairs, strategies, risk management and resolution of conflicts of interest. See commentaries of X principle's recommendations.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes/No	The transactions are concluded in standard terms in pursuance of regular Company's activities.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.	Yes/No	The Company does not implement this recommendation in so far as it is related with formation of Remuneration committee. See commentary of 4.7. recommendation.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment	Yes/No	Nomination and Remuneration committees indicated in 4.12-4.13 recommendations are not established in the Company, whereas, in Company's opinion, the management board by performing its functions partially performs functions of Nomination and Remuneration committees. Company's management board selects a candidate for chief executive officer

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<p>of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>		<p>position and appoints chief executive officer, provides recommendations to chief executive officer regarding appointment of senior managers and their remuneration policy. Company's management board affirms Company's strategic plans and objectives and controls their implementation. Moreover, Company's management board affirms Company's budget plans and analyse and assess chief executive officer's and senior management's reports on budget plans' implementation and fund utilization. In pursuance of requirements of Law on Audit (Official Gazette, 2008, No. 82-53233) the Audit committee composed of two members is established in Company.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	Yes/No	<p>See commentary of 4.7. recommendation. The recommendation is implemented insofar as it is related with Audit committee activity in Company.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	Yes/No	<p>See commentary of 4.7. recommendation. Audit committee is exceptionally composed of two members.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their</p>	No	<p>See commentary of 4.7. recommendation. Audit committee's authority, rights and obligations are stipulated in Internal rules of Audit committed pursuant to applicable legal</p>

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<p>activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>		<p>acts and Audit committee's authority, rights and obligations are approved by general shareholders' meeting. Audit committee's authority, rights and obligations stipulated in Internal rules of Audit committee do not differ from those stipulated in legal acts.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	Yes/No	<p>See commentary of 4.7. recommendation. It is stipulated in Internal rules of Audit committed that Company's board members, chief executive officer, chief financial officer, employees of the Company, auditors may be invited to meetings of committee.</p>
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	<p>Nomination Committee is not established in Company. (See commentary of 4.7. recommendation).</p>
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such </p>	No	<p>Remuneration Committee is not established in Company. (See commentary of 4.7. recommendation).</p>

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<p>policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</p> <ul style="list-style-type: none"> • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration</p>		

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<p>of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform</p>	Yes/No	Audit committee's rights and obligations stipulated in Internal rules of Audit committee do not differ from those stipulated in legal acts (Law on Audit, Official Gazette, 2008, No. 82-53233).

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<p>the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	There is no practice in Company on internal assessments of management board activities and notification on it.
<p>Principle V: The working procedure of the company's collegial bodies The working procedure of supervisory and management bodies established in the company should</p>		

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ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	Company's management board is conducted by chairman of the management board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes/No	Company's management board meetings are convened depending on the necessity.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company does not implement this recommendation whereas only management board is constituted in the Company.
Principle VI: The equitable treatment of shareholders and shareholder rights The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary registered shares which grant equal rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those	Yes	The Company informs about the rights attached to the shares of the new issue or those issued earlier in prospectuses of the shares of

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issued earlier in advance, i.e. before they purchase shares.		new issue, in annual and interim reports and in Company's website. See commentaries of X principle's recommendations.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The management board of the Company adopts resolutions for transactions regarding transferring, investment, pledge or other type of the encumbrance of the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Company's general shareholders' meeting draft resolutions are published in pursuance of applicable legal acts, i.e. not later than 21 (twenty one) days before shareholders' meeting. General shareholders' meeting draft resolutions and its adopted resolutions are published throughout NASDAQ OMX Vilnius Stock Exchange information disclosure system (GlobeNewswire) and are placed on publicly accessible Company's website, in Lithuanian and English. General shareholders' meeting draft resolutions are also placed in Central Storage Facility.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders are furnished with the opportunity to vote in general shareholders' meeting both personally and throughout duly authorized representatives. On demand of shareholders, the Company may furnish the opportunity to vote in general shareholders' meeting in writing in advance, pursuant to the Article 30 of the Law on Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	In Company's opinion, thus far there was no necessity to use modern technologies in general shareholders' meeting participation and voting process via electronic means of communication.

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Principle VII: The avoidance of conflicts of interest and their disclosure The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare and publish remuneration statement. In Company's opinion, such information commercially is not published. Pursuant to law requirements, the Company publishes in Company's annual report information regarding total sums counted to management board members, chief executive officer and chief financial officer during reporting period.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous	No	See commentary of 8.1. recommendation.

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<p>financial year.</p> <p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information. 	No	See commentary of 8.1. recommendation.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	See commentary of 8.1. recommendation.
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from 	No	See commentary of 8.1. recommendation.

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<p>any undertaking belonging to the same group;</p> <ul style="list-style-type: none"> • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	Not applicable	See commentary of 8.1. recommendation.
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	Not applicable	See commentary of 8.1. recommendation.
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the</p>	Not applicable	See commentary of 8.1. recommendation.

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relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	See commentary of 8.1. recommendation.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Not applicable	See commentary of 8.1. recommendation.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Not applicable	See commentary of 8.1. recommendation.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Not applicable	See commentary of 8.1. recommendation.
8.13. Shares should not vest for at least three years after their award.	Not applicable	See commentary of 8.1. recommendation. Company's directors are not remunerated in shares.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	See commentary of 8.1. recommendation. Company's directors are not remunerated in shares, share options or any other right to purchase Company's shares.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	See commentaries of 8.1. and 8.14 recommendations.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	See commentaries of 8.1. and 8.14 recommendations.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	See commentary of 8.1. recommendation.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	See commentary of 8.1. recommendation.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis	Not applicable	See commentaries of 8.1. and 8.14 recommendations.

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<p>of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>		
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 	Not applicable	
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	Not applicable	
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	Not applicable	
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its</p>	Not applicable	

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obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
Principle X: Information disclosure and transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The information mentioned in this recommendation is disclosed in announcements on material events published throughout NASDAQ OMX Vilnius Stock Exchange information disclosure system (GlobeNewswire), in Company's website, and in Company's documents of annual and interim information in such scope as it is required by law.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be	Yes/No	See commentary of 3.2 recommendation of III principle. The Company does not prepare and publish remuneration statement, See commentary of

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disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		8.1. recommendation of VIII principle.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	No	
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The information is disclosed pursuant to the requirements of the laws of the Republic of Lithuania. The information is disclosed throughout NASDAQ OMX Vilnius Stock Exchange information disclosure system (GlobeNewswire), thus ensuring simultaneous disclosure of information to investors. The information is straight away placed in Central Storage Facility. The information is disclosed in Lithuanian and English, before or after a trading session on the NASDAQ OMX Vilnius Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	See commentary of 10.5 recommendation. All the information disclosed throughout NASDAQ OMX Vilnius Stock Exchange information disclosure system (GlobeNewswire) and posted in Central Storage Facility is placed on Company's website especially intended for the investors www.apranga.lt/investuotojams , in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	See commentary of 10.5 recommendation.
Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also	Not applicable	The firm of auditors of the Company has not rendered non-audit services to Company during the reporting period and has not received any remuneration for it from the

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI- CABLE	COMMENTARY
known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.		Company.



Rimantas Perveneckas
General Director

4 April 2012