

For the Bank of Lithuania,
Supervisory Authority
Žirmūnų str. 151,
LT-09128 Vilnius
Lithuania

CONFIRMATION OF RESPONSIBLE PERSONS

2013-03-01

In accordance with Article 21 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodical and Additional Information adopted by the Securities Commission of the Republic of Lithuania, we, Ramūnas Marozas, Director of Klaipėdos baldai, AB and Audronė Mineikienė, Chief Accountant, hereby confirm that to the best of our knowledge the attached annual audited Financial Statements of Klaipėdos baldai, AB for the year 2012 have been prepared in accordance with the International Financial Accounting Reporting Standards as applicable in the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Annual Statement includes a fair review of the development and performance of the business and the position of the company in relation to the description of the main risks and contingencies faced thereby.

Director



Ramūnas Marozas

Chief Accountant



Audronė Mineikienė

KLAIPĖDOS BALDAI, AB

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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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Independent auditor's report to the shareholders of AB Klaipėdos baldai

Report on the Financial Statements

We have audited the accompanying financial statements of AB Klaipėdos baldai, a public limited liability company registered in the Republic of Lithuania (hereinafter "the Company"), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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 as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 present fairly, in all material respects, the financial position of AB Klaipėdos baldai as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Management Annual Report for the year ended 31 December 2012 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2012.

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



Inga Gudinaite
Auditor's licence
No. 000366

The audit was completed on 1 March 2013.

KLAIPĖDOS BALDAI AB
FINANCIAL STATEMENTS
31 DECEMBER 2012

(All tabular amounts are in LTL '000, unless otherwise stated)

by Minutes No. as of **APPROVED**
2013

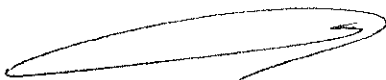
Statement of comprehensive income

	Notes	Year ended 31 December	
		2012	2011
Revenue	5	186 578	188 672
Cost of sales	11	(178 580)	(179 730)
Gross profit		7 998	8 942
Selling costs	11	(288)	(3)
Administrative expenses	11	(3 240)	(3 175)
Other income	6	2 185	1 864
Other expenses	7	(854)	(984)
Other gains/(losses) - net	8	234	20
Operating profit		6 035	6 664
Finance income	9	182	252
Finance costs	9	(509)	(749)
Profit before income tax		5 708	6 167
Income tax income/(expense)	10	(713)	(622)
Profit for the year		4 995	5 545
Attributable to:			
Shareholders of the Company		4 995	5 545
		4 995	5 545
Other comprehensive income			
Change in defined benefit obligations, net of tax		(74)	17
Other comprehensive income, net of tax		(74)	17
Total comprehensive income for the year		4 921	5 562
Attributable to:			
Shareholders of the Company		4 921	5 562
		4 921	5 562
Earnings per share attributable to the owners of the Company during the year (expressed in LTL per share)			
- basic and diluted	12	0,64	0,70

The notes on pages 8 to 32 are an integral part of these financial statements.

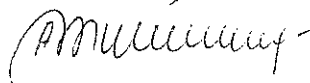
The financial statements on pages 4 to 32 were approved by the Director and Chief accountant on 1 March 2013.

Director



Ramūnas Marozas

Chief accountant



Audronė Mineikienė

KLAIPĖDOS BALDAI AB
FINANCIAL STATEMENTS
31 DECEMBER 2012

(All tabular amounts are in LTL '000, unless otherwise stated)

by Minutes No. as of APPROVED
2013

Statement of financial position

	Notes	As at 31 December	
		2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	13	32 478	33 281
Investment property	14	5 562	5 562
Intangible assets	15	6	2
Available-for-sale financial assets	16	288	288
Other receivables	17	3 562	3 562
Other non-current assets		23	23
		41 919	42 718
Current assets			
Inventories	18	20 769	13 457
Trade and other receivables	19	42 768	47 150
Prepaid income tax		-	249
Cash and cash equivalents	20	63	102
		63 600	60 958
Total assets		105 519	103 676
EQUITY			
Equity attributable to shareholders of the Company			
Ordinary shares	21	7 749	8 166
Own shares	21	(418)	(1 506)
Reserves	22	19 822	20 406
Retained earnings		53 484	49 068
Total equity		80 637	76 134
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	23	2 418	2 483
Borrowings	24	2 779	13 867
Defined benefit obligations	25	442	301
		5 639	16 651
Current liabilities			
Borrowings	24	13 270	4 592
Trade and other payables	26	5 787	6 299
Current income tax liabilities		186	-
		19 243	10 891
Total liabilities		24 882	27 542
Total equity and liabilities		105 519	103 676

The notes on pages 8 to 32 are an integral part of these financial statements.

KLAIPĖDOS BALDAI AB
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(All tabular amounts are in LTL '000, unless otherwise stated)

APPROVED
 by Minutes No. as of 2013

Statement of changes in equity

		Attributable to shareholders of the Company							
Note	Share capital	Own shares	Revaluation reserve	Legal reserve	Reserve for acquisition of own shares	Other reserves	Retained earnings	Total equity	
Balance as at 31 December 2010	8 166	-	9 475	817	2 500	7 698	43 422	72 078	
Net profit for the year	-	-	-	-	-	-	5 545	5 545	
Change in defined benefit obligations, net of tax	-	-	-	-	-	-	17	17	
Total comprehensive income	-	-	-	-	-	-	5 562	5 562	
Depreciation transfer gross 22	-	-	(1 275)	-	-	-	1 275	-	
Depreciation transfer – tax 22	-	-	191	-	-	-	(191)	-	
Transfer to reserves 22	-	-	-	-	1 000	-	(1 000)	-	
Acquisition of own shares 21	-	(1 506)	-	-	-	-	-	(1 506)	
Balance as at 31 December 2011	8 166	(1 506)	8 391	817	3 500	7 698	49 068	76 134	
Net profit for the year	-	-	-	-	-	-	4 995	4 995	
Change in defined benefit obligations, net of tax	-	-	-	-	-	-	(74)	(74)	
Total comprehensive income	-	-	-	-	-	-	4 921	4 921	
Depreciation transfer gross 22	-	-	(1 275)	-	-	-	1 275	-	
Depreciation transfer – tax 22	-	-	191	-	-	-	(191)	-	
Transfer to reserves 22	-	-	-	-	500	-	(500)	-	
Acquisition of own shares 21	-	(418)	-	-	-	-	-	(418)	
Cancellation of own shares 21	(417)	1 506	-	-	-	-	(1 089)	-	
Balance as at 31 December 2012	7 749	(418)	7 307	817	4 000	7 698	53 484	80 637	

The notes on pages 8 to 32 are an integral part of these financial statements.

KLAIPĖDOS BALDAI AB
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(All tabular amounts are in LTL '000, unless otherwise stated)

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Cash flow statement

	Notes	Year ended 31 December	
		2012	2011
Cash flows from operating activities			
Cash generated from operations	27	6 026	8 637
Interest paid		(506)	(676)
Other finance expenses		(3)	(73)
Income tax paid		(579)	(871)
Net cash generated from operating activities		4 938	7 017
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(3 649)	(5 857)
Purchase of intangible assets	15	(7)	-
Collection of loans granted		1 091	350
Disposal of property, plant and equipment	8	234	20
Interest received		161	240
Dividend received		21	12
Net cash used in investing activities		(2 149)	(5 235)
Cash flows from financing activities			
Proceeds from borrowings		2 851	3 924
Repayment of borrowings		(5 193)	(4 107)
Acquisition of own shares	21	(418)	(1 506)
Finance lease principal payments		(68)	(68)
Net cash used in financing activities		(2 828)	(1 757)
Net increase (decrease) in cash and cash equivalents		(39)	25
Cash and cash equivalents at beginning of year	20	102	77
Cash and cash equivalents at end of year	20	63	102

The notes on pages 8 to 32 are an integral part of these financial statements.

KLAIPĖDOS BALDAI AB
FINANCIAL STATEMENTS
31 DECEMBER 2012

(All tabular amounts are in LTL '000, unless otherwise stated)

Notes to the financial statements

1. General information

Klaipėdos Baldai AB (hereinafter "the Company") was registered as a public limited liability company on 3 March 1993. The Company's registration No. is AB 93-59. The Company's registered address is as follows:

Joniškės g. 21, LT-91267 Klaipėda
Republic of Lithuania

Shareholders of the Company as at 31 December 2012 were as follows:

	Number of shares held	Shares of the share capital, %	Shares of votes, %
SBA Furniture Group UAB	6 055 566	78,14	79,16
Other shareholders	1 593 732	20,57	20,84
Own shares	99 951	1,29	-
Total	7 749 249	100,00	100,00

The ultimate shareholder of the Company is Koncernas SBA UAB, a company registered in Lithuania.

The Company's ordinary registered shares are quoted on the secondary list of Vilnius Stock Exchange.

The Company manufactures and sells furniture also acquires raw through SBA Baldų Kompanija UAB. In 2005, the activities of SBA Furniture Group companies were restructured and centralized by transferring the functions of raw material purchase and sale of products to a newly established company SBA Baldų Kompanija UAB. As a result of this restructuring, SBA Baldų Kompanija UAB took over the Company's non-group suppliers and customers. SBA Baldų Kompanija UAB purchases products from the Company and sells them to various clients.

During the year ended 31 December 2012, 99 per cent of the Company's total sales were made to its related party SBA Baldų Kompanija UAB (98 per cent in 2011).

In 2012, the Company's average number of employees was 716 (597 in 2011).

The Company's management authorised these financial statements on 1 March 2013. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods 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).

The financial statements have been prepared under the historical cost convention, except for buildings carried at revalued amounts and investment property, which is carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(All tabular amounts are in LTL '000, unless otherwise stated)

2.1 Basis of preparation (continued)

Going concern

These financial statements for the year ended 31 December 2012 are prepared under the assumption that the Company will continue as a going concern.

The Company's operations are dependent on a single end customer IKEA, agreement with which is made at least till September 2013 regarding the quantities of production orders. Based on the management assessment this fact does not cast significant doubt regarding ability of the Company to continue its operations as a going concern, because the management believes, that the contract will be prolonged.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

During the year the Company has adopted the following IFRS amendments:

- amendment to IFRS 7 *Financial Instruments* - Enhanced Derecognition Disclosure Requirements,
- amendment to IAS 12 *Income tax* - Deferred tax - Recovery of Underlying Assets.

The amendments did not significant impact the financial statements of the Company.

Standards issued but not yet effective

The Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (effective for financial years beginning on or after 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The Company has not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 January 2013)

There are numerous amendments to IAS 19, they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company has not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 27 *Separate Financial Statements* (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 *Separate Financial Statements* requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. The implementation of this amendment will not have any impact on the financial statements of the Company, because the Company has no such investments.

Amendment to IAS 28 *Investments in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Company, because the Company has no such investments.

Amendment to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014)

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Company has not yet evaluated the impact of the implementation of this amendment.

(All tabular amounts are in LTL '000, unless otherwise stated)

2.1 Basis of preparation (continued)

Amendment to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for financial years beginning on or after 1 January 2013)

The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The Company has not yet evaluated the impact of the implementation of this amendment.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2015, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 10 *Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2014)

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. The standard will not affect the Company's financial statements, because the Company is not preparing consolidated financial statements.

IFRS 11 *Joint Arrangements* (effective for financial years beginning on or after 1 January 2014)

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The standard will not affect the Company's financial statements, because the Company has no share in joint arrangements entities.

IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2014)

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The standard will not affect the Company's financial statements, because the Company has no such investments or is not involved in other entities.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Company, because the Company does not correspond the definition of investment entity.

IFRS 13 *Fair Value Measurement* (effective for financial years beginning on or after 1 January 2013)

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The Company has not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

In May 2012 IASB issued omnibus of necessary, but non-urgent amendments to its five standards:

- IFRS 1 *First-time adoption of IFRS*;
- IAS 1 *Presentation of Financial Statements*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 32 *Financial instruments: Presentation*;
- IAS 34 *Interim Financial Reporting*.

(All tabular amounts are in LTL '000, unless otherwise stated)

2.1 Basis of preparation (continued)

The adoption of these amendments may result in changes to accounting policies but will not have any impact on the financial position or performance of the Company.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013)

This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Interpretation will have no impact on the Company's financial statements, as the Company is not involved in mining activity.

The Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in a local currency, the litas (LTL), which is the Company's functional and presentation currency. On 2 February 2002, the litas was pegged against the euro at an exchange rate of LTL 3.4528 = EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.3 Revenue recognition

Revenues from sales of goods are recognised at the moment of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. Sales are shown net of VAT and discounts. Revenues are measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time-proportion basis using the effective interest method. Rental yield on investment property is recognised in equal parts over the lease term.

2.4 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 the Board of Directors that makes strategic decisions.

2.5 Employee benefits

Current

Wages, salaries, contributions to the State Social Security Fund paid, annual leave and sick leave payments, bonuses, and other non-monetary benefits are accrued in the year in which the associated services have been rendered by the employees of the Company.

Non – current

According to the requirements of Lithuanian Labour Code, each employee leaving the Company at the age of retirement is entitled to a one-off payment in the amount of 2 months salary and other benefits foreseen in the collective agreement.

Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income. The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

(All tabular amounts are in LTL '000, unless otherwise stated)

2.5 Employee benefits (continued)

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognized in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognized in the other comprehensive income as incurred.

2.6 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares outstanding during the period.

2.7 Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the shareholders.

2.8 Income tax

(a) Income tax expenses

Profit is taxable at a rate of 15 per cent in accordance with the Lithuanian regulatory legislation on taxation.

Income tax expenses are calculated and accumulated in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and based on management's estimates of income tax in accordance with the Lithuanian regulatory legislation on taxation.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. Since 2010 tax losses can be transferred between the group companies in compliance with the requirements of Law on corporate income tax of the Republic of Lithuania. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.9 Property, plant and equipment

The Company's buildings are stated at revalued amounts less accumulated depreciation and impairment loss. Independent valuation of assets is carried out on a regular basis. The last valuation of assets was performed as at 31 December 2009 by an independent property valuation company Centro Kubas UAB. No independent valuation of assets was carried out in 2012 and in 2011, because a confirmation was received from the independent valuers certifying that the value of assets had not changed significantly since the last valuation in 31 December 2009. Other property, plant and equipment of the Company is stated at acquisition cost less accumulated depreciation and impairment.

Increases in the carrying amount arising on revaluation of buildings are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

(All tabular amounts are in LTL '000, unless otherwise stated)

2.9 Property, plant and equipment (continued)

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 cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation of assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

	<u>Years</u>
Buildings	15 - 50
Plant and machinery	5 - 15
Vehicles	5 - 7
Other property, plant and equipment	3 - 6

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.

2.10 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields and is not occupied by the Company.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value based on its market value. Market value of the Company's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category or estimated based on discounted future cash flows or market value of similar assets. Earned rental income is recorded within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss and presented separately.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are recognised as expenses in the statement of comprehensive income during the financial period when the expenditure is incurred.

Reclassifications to investment property are performed only when there is an evidenced change in use of assets. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.11 Intangible assets

Intangible assets expected to provide economic benefit to the Company in future periods are valued at acquisition cost less subsequent accumulated amortisation. All of the Company's intangible assets have definite useful lives. Amortisation is calculated on the straight-line method over estimated economic benefit period of 1-4 years.

Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. related borrowings costs, maintenance etc, are expensed when incurred.

2.12 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each financial statement preparation day.

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2.13 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A company is the lessee

(a) Finance lease

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest 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 is depreciated over the shorter of the asset's useful life and the lease term.

(b) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. 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 lease term.

A company is the lessor

(c) Operating lease

Property leased out under operating leases are recorded under investment property in the balance sheet (Note 2.10). Payments received under operating leases (net of any incentives given to the lessee) are credited to profit or loss on a straight-line basis over the lease term.

2.14 Financial assets

Classification

The Company classifies its financial assets into the following categories: 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 and re-evaluates this designation at every reporting date.

(a) Loans and receivables

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. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

(b) Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management have the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Recognition and measurement

(a) Loans and receivables

Amounts receivable 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 amounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the statement of comprehensive income within administrative expenses. Bad debts are written off during the year in which they are identified as irrecoverable.

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2.14 Financial assets (continued)

(b) Available-for-sale financial assets

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments subsequently are carried at fair value. In assessing the fair value, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Changes in fair value of available-for-sale investments are recognised in statement of comprehensive income. Investments, the fair value of which cannot be reliably measured, are carried at acquisition cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are reclassified to profit or loss as gains and losses from investment securities.

The Company has no other groups of the financial assets, therefore the accounting policy is presented only of the financial assets which are presented in the financial statements.

2.15 Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.16 Cash and cash equivalents

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

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method, except for the borrowing costs meeting capitalization criteria as noted below.

The Company capitalises borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. However, there were no borrowing costs matching the capitalisation criteria in 2012 and 2011.

2.18 Trade and other payables

Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

2.19 Share capital

Ordinary shares are stated at their nominal values.

2.20 Revaluation reserve

Any increase in the value of buildings is accounted for in revaluation reserve, net of any deferred income tax, unless and to the extent it covers any decrease in revaluation of the same assets previously recognised in profit or loss. In such cases it is recognised as income. Any decrease is initially set off against increase in the value of the same assets during the previous valuation, and only the balance outstanding is recognised as expenses in profit or loss.

Revaluation reserve is realised using the assets: when revalued property, plant and equipment is depreciated, revaluation reserve is reduced by the amount, by which asset depreciation expenses increased as a result of revaluation. The amount transferred is net of any related deferred income tax. When revalued property, plant and equipment is written off, a corresponding amount of revaluation reserve arising as a result of revaluation is transferred from the revaluation reserve directly to retained earnings.

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2.21 Financial guarantee contracts

Financial guarantees provided for the liabilities of the sister companies (i.e. companies controlled by the same parent) during the initial recognition are accounted at estimated fair value as distribution to shareholder and financial liability in the balance sheet. Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the sister company's financial liability to the bank. If there is a possibility that the sister company may fail to fulfil its obligations to the bank, a financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

2.22 Derecognition of financial assets and liabilities

Financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.23 Comparative figures

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

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the Company's management. There are no written principles for overall risk management in place.

(a) Market risk

(i) Foreign exchange risk

The Company's sales and purchases are made in the Lithuanian litas. Almost all trade payables and all trade receivables of the Company have short-term maturities and income and expenses denominated in foreign currencies constitute only a small part as compared to income and expenses denominated in the Lithuanian litas. The Company's current and non-current liabilities to credit institutions are denominated in the euro, to which Lithuanian litas is pledged. Thus, the management believes that the Company is not facing a significant foreign exchange risk.

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3.1 Financial risk factors (continued)

(ii) Cash flow interest rate risk

The Company's interest rate risk arises from interest-bearing loans granted to related parties and long-term borrowings. Loans granted and borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. During 2012 and 2011, the loans granted by the Company and its borrowings at variable interest rate were denominated in the Lithuanian litas and euro.

The Company analyses its interest rate exposure on an annual basis. The Company calculates the impact on profit and loss by multiplying year-end balances of interest-bearing loans, borrowings and finance lease payables by the defined interest rate shift according to their interest repricing maturities.

Based on the sensitivity analysis performed, the impact on pre-tax profit of a 0,5 per cent increase/decrease in interest rates would be a maximum decrease/increase of LTL 80 thousand (2011 - LTL 90 thousand for the same 0,5 per cent increase/decrease), respectively mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises from cash balances at banks, loans granted, trade and other receivables and guarantees issued to the banks for the liabilities of the sister company (Note 29).

(i) Concentration risk

The Company's exposure to credit risk is concentrated to loans granted and trade receivables from its related parties and guarantees issued to the banks for the liabilities of the sister company.

The table below shows the credit risk concentration:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Trade and other receivables from related parties (Note 28)	42 554	45 583
Loans to related parties (current and non-current) (Note 28)	3 562	4 653
Trade receivables from other parties (Note 19)	94	100
Guarantees issued (Note 29)	-	15 660
Total loans, trade receivables and guarantees issued	46 210	65 996

(ii) Maximum exposure of credit risk

The table below summarizes the Company's credit risk exposures relating to financial assets:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Cash and cash equivalents (Note 20)	63	102
Trade and other receivables (current and non-current)	46 330	50 712
Guarantees issued (Note 29)	-	15 660
Total	46 393	66 474

(iii) Credit quality of financial assets

99 per cent of balances of loans and receivables are associated with related parties belonging to the group controlled by Koncernas SBA UAB – ultimate parent company of the Company. No separate evaluation of credit quality of these debtors is performed. At the date of the approval of these financial statements over 70 per cent of trade receivables were redeemed.

None of the other financial assets were past due or impaired, or renegotiated in 2012 and in 2011.

(iv) Financial guarantees issued

As described in Note 29 in 2012 the agreement based on which the Company had financial guarantees issued to the banks for the liabilities of the sister company in the total amount of LTL 15 660 thousand as at 31 December 2011 was ended. In 2012 the sister Company fulfilled its obligation to banks.

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3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents necessary to cover the expected expenditures. To maintain sufficient cash and manage liquidity risk, the Company performs short-term cash-flow forecasts.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows. Accounts payable and other financial liabilities due within 3 months or less are equal to their carrying balances as the impact of discounting is insignificant.

As at 31 December 2012	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years
Loans granted by banks	1 552	11 975	2 837
Finance lease payables	14	4	-
Trade payables and other financial liabilities	1 959	-	-
As at 31 December 2012	3 525	11 979	2 837
As at 31 December 2011	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years
Loans granted by banks	1 293	3 822	14 253
Finance lease payables	18	53	17
Trade payables and other financial liabilities	2 421	244	-
As at 31 December 2011	3 732	4 119	14 270

3.2 Capital management

The Company's objectives when managing capital are to safeguard the 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. The capital in the meaning of IAS1 comprises equity presented in the financial statements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In 2012 the Company reduced its share capital by LTL 417 063, through cancelling 417 063 units of own shares. No other changes were made in the objectives, policies or procedures of capital management. There were no dividends paid in 2012.

Pursuant to the Lithuanian Law on Companies the authorized share capital of a public company must be not less than LTL 150 thousand and the shareholders' equity should not be lower than 50 per cent of the company's authorized share capital. As at 31 December 2012 and 31 December 2011, the Company complied with these requirements. There were no other externally imposed capital requirements on the Company.

3.3 Fair value of financial instruments

Trade payables, trade and other receivables accounted for in the Company's statement of financial position should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals to their carrying amount. The book value of cash is equal to its fair value. Interest rate on the loans granted and received by the Company, as well as on finance lease payables, is subject to repricing at least every six months, therefore, it is deemed that their fair value equals their carrying amount. The Company is not able to establish a fair value of available-for-sale financial assets as these investments have not been traded in the active market. Due to that reason available-for-sale investments are stated at cost less estimated impairment.

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4. Critical accounting estimates, and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts authorized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Related-party transactions

In the normal course of business the Company enters into transactions with its related parties. Judgment is applied in determining pricing of such transactions which would approximate market terms. The basis for judgment is pricing for similar types of transactions with unrelated parties, when available.

Investment property measurement

The Company's investment property is carried at fair value. The fair value of investment property accounted for using the fair value model in accordance with IAS 40 is updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, when a "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. In 2012 and in 2011 fair value of investment property was established by the independent appraisers.

Valuation of buildings measured at revalued amounts

The fair values of buildings measured using the revaluation model in accordance with IAS 16 are updated with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. No independent valuation of assets was carried out in 2012 and in 2011, because a confirmation was received from the independent appraiser certifying that the value of assets had not changed significantly since the last valuation as at 31 December 2009.

Changes in estimates

During 2011 the Company reviewed useful life of certain items of machinery with the net book value amounting to LTL 12 298 thousand as at 31 December 2011 and prolonged useful life from 5-7 to 10 years for the purposes of depreciation calculation. This change represents the best estimate of the Company's management regarding plans for the use of machinery. The Company was not able to calculate the amount of the change as it requires undue effort. During 2012 there were no changes in accounting estimates.

5. Segment reporting

The Company operates in one business segment, i.e. manufacturing of furniture, as well as one geographical segment – Lithuania, with 99 per cent of the Company's total sales made to related party SBA Baldu Kompanija UAB and all assets of Company are located in Lithuania.

Analysis of sales revenue by category

	2012	2011
Sales of goods	186 537	188 541
Revenue from services	41	131
	186 578	188 672

6. Other income

	2012	2011
Sales of heat	1 351	993
Rental income	551	633
Income from holiday houses	269	178
Other	14	60
	2 185	1 864

7. Other expenses

	2012	2011
Expenses of holiday houses	(790)	(845)
Other rental expenses	(3)	(59)
Direct operating expenses arising from investment property	(60)	(67)
Other	(1)	(13)
	(854)	(984)

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8. Other gains (losses) net

	2012	2011
Gain on disposal of property, plant and equipment	234	20
	<u>234</u>	<u>20</u>

9. Financial activities

Income

	2012	2011
Interest income	161	240
Dividend received	21	12
	<u>182</u>	<u>252</u>

Expenses

	2012	2011
Interest expenses	(506)	(676)
Other finance expenses	(3)	(73)
	<u>(509)</u>	<u>(749)</u>

10. Income tax (income)/expense

	2012	2011
Current income tax	773	587
Corrections of prior year income tax	(8)	(112)
Deferred tax (Note 23)	(52)	147
	<u>713</u>	<u>622</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profit of the Company as follows:

	2012	2011
Profit before tax	5 708	6 167
Income tax calculated at a rate of 15 %	856	925
Income not subject to tax	(3)	(3)
Expenses not deductible for tax purposes	85	173
Reduced income tax as a result of charity	(8)	(14)
Previous year adjustments	(8)	(112)
Reduced income tax due to investment incentive	(209)	(347)
Income tax	<u>713</u>	<u>622</u>

11. Expenses by nature

Cost of goods sold

	2012	2011
Raw materials	137 331	143 276
Remuneration and social security	27 695	23 642
Depreciation and amortization	3 688	3 360
Utilities	4 038	3 832
Repairs	524	791
Other	5 304	4 829
	<u>178 580</u>	<u>179 730</u>

Selling costs

	2012	2011
Logistics	284	-
Advertising	4	3
	<u>288</u>	<u>3</u>

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11. Expenses by nature (continued)

Administrative expenses

	2012	2011
Remuneration and social security	528	511
Consulting, training, accounting services	432	409
Communication and IT maintenance expenses	406	349
Materials and maintenance expenses	342	361
Taxes other than income tax	238	219
Depreciation and amortization	225	229
Security services	152	180
Insurance	128	123
Association fees and representation expenses	70	53
Operating leases of vehicles and operating costs	63	23
Charity and support	50	97
Financial Institution services	28	21
Other	578	600
	3 240	3 175

12. Earnings per share

Earnings per share are calculated as follows:

	2012	2011
Profit attributable to equity holders of the Company	4 921	5 562
Weighted average number of shares in issue (thousands)	7 736	7 959
Basic earnings per share (LTL)	0,64	0,70

The Company has no dilutive instruments, therefore the diluted earnings per share are the same as basic earnings per share.

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13. Property plant and equipment

	Buildings	Plant and machinery	Vehicles	Total
At 1 January 2011				
Cost or revalued amount	40 462	45 286	1 285	87 033
Accumulated depreciation and impairment	(19 097)	(34 414)	(1 015)	(54 526)
Net book amount	21 365	10 872	270	32 507
Year ended 31 December 2011				
Opening net book amount	21 365	10 872	270	32 507
Additions	200	5 779		5 979
Reclassification to investment property (Note 14)	(1 072)			(1 072)
Depreciation	(2 033)	(2 011)	(89)	(4 133)
Closing net book amount	18 460	14 640	181	33 281
At 31 December 2011				
Cost or revalued amount	39 436	50 455	1 012	90 903
Accumulated depreciation and impairment	(20 976)	(35 815)	(831)	(57 622)
Net book amount	18 460	14 640	181	33 281
Year ended 31 December 2012				
Opening net book amount	18 460	14 640	181	33 281
Additions	1 342	2 271	36	3 649
Sold / written off assets acquisition value	-	(2 637)	(344)	(2 981)
Sold / written off assets accumulated depreciation	-	2 624	344	2 968
Depreciation	(2 057)	(2 322)	(60)	(4 439)
Closing net book amount	17 745	14 576	157	32 478
At 31 December 2012				
Cost or revalued amount	40 778	50 089	704	91 571
Accumulated depreciation and impairment	(23 033)	(35 513)	(547)	(59 093)
Net book amount	17 745	14 576	157	32 478

The Company's buildings are stated at revalued amount less accumulated depreciation and impairment loss. The last revaluation of buildings was performed as at 31 December 2009. The revaluation was based on the reports of independent appraisers, who hold an authorized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. Valuation was carried out on the basis of the comparative prices method. During the reporting year, no revaluation was carried out for the Company's buildings because the value of assets had not changed significantly since the last valuation in Klaipėda region.

The revaluation surplus net of respective deferred income taxes was accounted for under revaluation reserve account in statement of changes in equity (Note 22).

At 31 December 2012 the carrying amount of buildings would be LTL 9 098 thousand, if the buildings would be carried at historical cost (2011- LTL 8 400 thousand).

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13. Property plant and equipment (continued)

Property, plant and equipment acquired by the Company under finance lease contracts as at 31 December comprised as follows:

	<u>2012</u>	<u>2011</u>
Cost – authorized finance lease amount		
– Plant and machinery and vehicles	283	359
Accumulated depreciation		
– Plant and machinery and vehicles	(189)	(179)
Net book value	<u>94</u>	<u>180</u>

To secure the repayment of borrowings from banks, the Company has pledged its property, plant and equipment with the net book value of LTL 24 065 thousand as at 31 December 2012 (2011 - LTL 23 649 thousand).

The depreciation charge for the year amounted LTL 4 439 thousand (2011 - LTL 4 133 thousand). The amount of LTL 3 910 thousand (2011 - LTL 3 566 thousand) has been included into cost of sales and into administrative expenses (Note 11) in the statement of comprehensive income. The remaining part of LTL 529 thousand (2011 - LTL 567 thousand) have been included into other expenses (Note 7).

14. Investment property

	<u>2012</u>	<u>2011</u>
Investment property at fair value as at 1 January	5 562	4 490
Transfer from owner occupied premises (Note 13)	-	1 072
Investment property at fair value as at 31 December	<u>5 562</u>	<u>5 562</u>

Investment property is measured at fair value based on market value. The fair value of investment property is reviewed at each reporting date, and any changes in it are recognized as profit or loss in the statement of comprehensive income.

In 2012 the Company reviewed the fair value of its investment property. The review was based on the reports of independent appraisers, who hold an authorized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. Valuation was carried out using comparative prices method.

As at 31 December 2012 all of the Company's investment property was pledged to secure the repayment of borrowings from banks by the Company and other entities.

For amounts related to investment property and recognised in the statement of comprehensive income see 'rental income' (Note 6) and 'direct operating expenses arising from investment property' (Note 7).

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15. Intangible assets

	Computer software and other intangible assets
At 1 January 2011	
Cost	1 360
Accumulated amortisation	(1 335)
Net book amount	<u>25</u>
Year ended 31 December 2011	
Opening net book amount	25
Amortisation	(23)
Closing net book amount	<u>2</u>
At 31 December 2011	
Cost	1333
Accumulated amortisation	(1 331)
Net book amount	<u>2</u>
Year ended 31 December 2012	
Opening net book amount	2
Additions	7
Amortisation	(3)
Closing net book amount	<u>6</u>
At 31 December 2012	
Cost	1 340
Accumulated amortisation	(1 334)
Net book amount	<u>6</u>

Amortisation expenses of intangible has been included into cost of sales and into administrative expenses (Note 11) in the statement of comprehensive income.

16. Available-for-sale financial assets

	31 December 2012	31 December 2011
Available for sale financial assets	<u>288</u>	<u>288</u>
	288	288

Available for sale financial assets comprise investments in unquoted equity instruments and are carried at cost less impairment charges. There were no acquisitions nor disposals of available for sale financial assets in 2012 and 2011.

17. Other receivables

	31 December 2012	31 December 2011
Long term loans granted to related parties (Note 28)	<u>3 562</u>	<u>3 562</u>
	3 562	3 562

Interest rate on loans granted to related parties is based on corresponding borrowing rates available in the market, therefore, the carrying amount of loans to related parties is equal to the fair value.

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18. Inventories

	31 December 2012	31 December 2011
Raw materials	3 866	4 852
Work in progress	1 922	1 694
Finished products and goods for resale	15 022	6 982
Write-down to net realisable value	(41)	(71)
	<u>20 769</u>	<u>13 457</u>

As at 31 December 2012 inventories amounting to LTL 5 768 thousand were held by third parties. As at 31 December 2011 there were no inventories held by third parties.

Change of write-down to net realisable value was accounted for under operating expenses in 2012 and 2011.

As at 31 December 2012, the Company had pledged its inventories amounting to LTL 10 000 thousand (31 December 2011 - LTL 10 000 thousand) to secure the repayment of its borrowings (Note 24).

19. Trade and other receivables

	31 December 2012	31 December 2011
Receivables from related parties including current portion of long-term debts (Note 28)	42 554	46 674
Trade receivables	94	100
Other amounts receivable and prepayments	120	376
	<u>42 768</u>	<u>47 150</u>

Trade receivables that are past due are not considered impaired as these receivables are from related parties. As of 31 December 2012 trade receivables of LTL 327 thousand (2011 - LTL 43 thousand) were past due but not impaired. The ageing of these trade receivables is as follows:

	31 December 2012	31 December 2011
Up to 30 days	324	1
31 to 60 days	2	36
61 to 180 days	-	-
Over 181 days	1	6
	<u>327</u>	<u>43</u>

No additional allowance for trade receivables was recognized during the financial year ended 31 December 2012.

Neither the Company, nor other SBA group companies have external credit rating.

The carrying amounts of the Company's trade and other receivables are denominated in litas.

20. Cash and cash equivalents

	31 December 2012	31 December 2011
Cash at bank	59	99
Cash in hand	4	3
	<u>63</u>	<u>102</u>

As at 31 December 2012 and 2011 current cash balances and future receipts to the accounts in AB SEB bank with the balance of LTL 59 thousand and LTL 99 thousand, respectively, were pledged for the loan received (Note 24), but there were no restrictions to use these cash balances.

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21. Share capital

Following the decision made during the annual general meeting of shareholders in 2012, share capital of the Company was reduced by LTL 417,063 through cancellation of 417,063 units of own shares.

As at 31 December 2012 the share capital comprised 7 749 249 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid.

During 2012 the Company acquired 99 951 units of its own shares and paid for them LTL 418 379.

22. Reserves

	31 December 2012	31 December 2011
– revaluation reserve	7 307	8 391
– legal reserve	817	817
– reserve for acquisition of own shares	4 000	3 500
– other reserves	7 698	7 698
	19 822	20 406

Revaluation reserve

As at 31 December 2012 the revaluation reserve amounted to LTL 7 307 thousand (2011 - LTL 8 391 thousand). This reserve was recognised following the revaluation of buildings.

No revaluation of buildings was carried out after 2009.

In 2012, as a result of depreciation of revalued assets, revaluation reserve was decreased by the amount of LTL 1 275 thousand (2011 - LTL 1 275 thousand), whereas the retained result for the year then ended was increased by the same amount accordingly. The revaluation reserve was increased by the amount of LTL 191 thousand of deferred income tax in relation to depreciation of revalued assets (2011 - LTL 191 thousand).

Legal reserve

Legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfer of 5 per cent of net profit of the reporting period is compulsory until the reserve reaches 10 per cent of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses. A part of legal reserve in excess of 10 per cent of the authorized share capital may be redistributed when appropriation of profit for the following financial year is performed.

Reserve for acquisition of own shares

This reserve is established following the decision made during the annual general meeting of shareholders in relation to distribution of profit available for appropriation. This reserve may be used only for the acquisition of the Company's shares. During the 2012 this reserve was increased by LTL 500 thousand (2011 – LTL 1 000 thousand).

Other reserves

Other reserves are established following the decision made during the annual general meeting of shareholders in relation to distribution of profit available for appropriation. These reserves may be used only for the purposes approved by annual general meeting of the shareholders.

23. Deferred income tax

Deferred income taxes are calculated for all temporary differences under the liability method using currently enacted tax rate.

When calculating deferred income tax in 2012 a tax rate of 15 % was applied (2011 -15 %).

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23. Deferred income tax (continued)

	31 December 2012	31 December 2011
At the beginning of the year	(2 483)	(2 333)
Charged to other comprehensive income	13	(3)
Credit/ (charge) to income tax expenses (Note 10)	52	(147)
At the end of the year	(2 418)	(2 483)

The movement in the Company's deferred tax assets and liabilities (prior to and after offsetting the balances) during the period was as follows:

	2010	Charged to income tax expenses	Charged to other compreh ensive income	2011	Charged to income tax expenses	Charged to other compreh ensive income	2012
Deferred tax assets							
- Inventories	10			10	(4)		6
- Accrued charges	216	91	(3)	304	10	13	327
	226	91	(3)	314	6	13	333
Deferred tax liabilities							
- Differences in depreciation rates applied	(378)	(407)	-	(785)	(115)	-	(900)
- Revaluation of property, plant and equipment	(1 672)	191	-	(1 481)	191	-	(1 290)
- Revaluation of investment property	(243)	(54)	-	(297)	(62)	-	(359)
- Investment incentive	(266)	32	-	(234)	32	-	(202)
	(2 559)	(238)	-	(2 797)	46	-	(2 751)
Deferred tax liabilities, net	(2 333)	(147)	(3)	(2 483)	52	13	(2 418)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

24. Borrowings

	31 December 2012	31 December 2011
Short-term borrowings		
Current portion of long-term loans received from banks	13 253	4 523
Finance lease liabilities	17	69
	13 270	4 592
Long-term borrowings		
Long-term loans received from banks	2 779	13 850
Finance lease liabilities	-	17
	2 779	13 867
Total borrowings	16 050	18 459

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24. Borrowings (continued)

In 2012 the Company and AB SEB bank signed amendment to credit contract, based on which the bank granted LTL 5 594 thousand credit to finance the newly acquired, renovation and/or repair equipment, the roof building and finance of acquisition up to 10 % of own shares. Last day of the drawing of the credit is - 30 June 2013.

Bank borrowings are secured by the property plant and equipment (Note 13), investment property (Note 14), inventories (Note 18), current cash balances and future receipts to the accounts of AB SEB bank (Note 20).

The fulfillment of finance lease liabilities is substantially secured since the title to assets acquired under finance lease automatically reverts to the lessor in the event of default.

In accordance with credit contracts with AB SEB bank, during the term of the contract the Company is obliged to comply with net financial debt and EBITDA, credit coverage and debt to total assets ratios which are estimated with reference to consolidated financial statements of SBA Furniture Group UAB. As at 31 December 2012 and 2011, the Company complied with those debt covenants.

All of the Company's borrowings are denominated in euros.

The weighted average interest rates (%) were as follows as at 31 December:

	<u>2012</u>	<u>2011</u>
Long-term bank loans	2,17	3,49
Finance lease liabilities	1,51	3,33

Interest rate of borrowings is variable and based on market interest rate, therefore the carrying amount of borrowings approximates to their fair value.

Maturity terms of long-term borrowings (excluding finance lease liabilities):

	<u>31 December 2012</u>	<u>31 December 2011</u>
Between 1 and 5 years	2 779	13 850
After 5 years	-	-

Credit facilities contracted but undrawn as at the date of the balance sheet were as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Loans subject to variable interest rate:	3 273	1 516
- drawdown term matures within one year	3 273	1 516

Finance lease liabilities – minimum lease payments:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Not later than 1 year	18	71
After 1 year but not later than 5 years	-	17
	18	88
Future finance charges on finance lease	(1)	(2)
	17	86
Present value of finance lease liabilities:		
Not later than 1 year	17	69
After 1 year but not later than 5 years	-	17
	17	86

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25. Defined benefit obligations

As at 31 December 2012 the Company accounted for defined benefit obligations for employees leaving the Company at the age of retirement and other benefits foreseen in the collective agreement. Related expenses are included into operating expenses in the Company's statement of comprehensive income, actuarial gain or loss is included into other comprehensive income and the outstanding amount of the liability is presented under the defined benefit obligations and trade and other payables captions in the statement of financial position.

	31 December 2012	31 December 2011
As of 31 December of the previous year	454	520
Change during the year	128	(66)
As of 31 December of the financial year	<u>582</u>	<u>454</u>
Non-current liabilities	442	301
Current liabilities	140	153
As of 31 December of the financial year	<u>582</u>	<u>454</u>

Main assumptions applied while evaluating the Company's defined benefit obligations are as follows:

	31 December 2012	31 December 2011
Discount rate	5,21 %	5,88 %
Anticipated annual salary increase	3 %	3 %
Employee turnover ratio	7,3 %	7,1 %

26. Trade and other payables

	31 December 2012	31 December 2011
Trade payables	1 510	1 467
Payables to related parties (Note 28)	395	621
Payables for equipment purchased	-	366
Taxes	548	213
Remuneration and social security payable	1 521	1 823
Vacation pay and bonuses accrual	1 593	1 568
Current portion of non-current employee benefits (Note 25)	140	153
Other amounts payable and accrued charges	80	88
	<u>5 787</u>	<u>6 299</u>

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27. Cash flows from operating activities

Reconciliation of net profit with cash flows from operating activities:

	Notes	Year ended 31 December	
		2012	2011
Net profit		4 995	5 545
<i>Adjustments for:</i>			
Income tax expenses	10	713	622
Depreciation	13	4439	4 133
Amortisation	15	3	23
Loss (gain) on disposal of property, plant and equipment and write-off	8,13	(221)	(20)
Change in write-down of inventories	18	(30)	-
Interest expenses	9	506	676
Interest income	9	(161)	(240)
Dividend received	9	(21)	(12)
Other finance expenses	9	3	73
Change in working capital:			
- amounts receivable and prepayments		3 540	(7 076)
- inventories		(7 282)	2 641
- amounts payable		(458)	2 272
Cash generated from operations		6 026	8 637

Non-monetary expenses (income)

The principal non-monetary expenses and income in cash flows statement represent depreciation of property, plant and equipment, and changes in fair value of investment property.

28. Related-party transactions

<i>Related party</i>	<i>Description of relationship</i>
A. Martinkevičius	Ultimate controlling party
Koncernas SBA UAB	Ultimate parent company
SBA Furniture Group UAB	Parent company
SBA group companies	Koncernas SBA UAB subsidiaries
Company's management	Directors and their family members

Sales of goods and services

	31 December 2012	31 December 2011
<i>- Ultimate parent company:</i>		
Koncernas SBA UAB	1	-
<i>- Subsidiaries of ultimate parent company:</i>		
SBA Baldų Kompanija UAB	184 754	186 967
Visagino Linija UAB	46	11
Šilutės Baldai AB	1 846	1 615
Germanika UAB	2	396
Kauno Baldai UAB	2	3
Baldstata UAB	17	18
Klaipėdos Baldų Prekyba UAB	1	-
Mebelain OOO	337	-
	187 006	189 010

Interest received

- Subsidiaries of ultimate parent company:

SBA Baldų Kompanija UAB	150	163
Klaipėdos Baldų Prekyba UAB	10	75
	160	238

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28. Related-party transactions (continued)

	31 December 2012	31 December 2011
<i>Purchases of goods and services</i>		
- <i>Ultimate parent company:</i>		
Koncernas SBA UAB	313	251
- <i>Subsidiaries of ultimate parent company:</i>		
SBA Baldų Kompanija UAB	145 214	140 490
Visagino Linija UAB	141	85
Baldstata UAB	430	457
Association Industry Marketing and Business Centre	19	19
Šilutės Baldai AB	145	74
Šatrija AB	20	76
Klaipėdos Baldų Prekyba UAB	-	30
Kauno Baldai UAB	-	32
Germanika UAB	13	2 644
Pastatų Idėjų Įgyvendinimas UAB	-	6
	145 982	143 913
	146 295	144 164

Related-party transactions mostly comprise sales and purchases of furniture and materials.

	31 December 2012	31 December 2011
<i>Amounts receivable within one year</i>		
- <i>Subsidiaries of ultimate parent company:</i>		
SBA Baldų Kompanija UAB		
trade receivables	42 013	45 325
loans	-	-
other receivables	11	164
	42 024	45 489
Klaipėdos Baldų Prekyba UAB		
loans	-	1 091
other receivables	-	57
	-	1 148
Šilutės Baldai AB	450	37
Mebelain OOO	80	-
	42 554	46 674

	31 December 2012	31 December 2011
<i>Amounts receivable after one year</i>		
- <i>Subsidiaries of ultimate parent company:</i>		
Loan to SBA Baldų Kompanija UAB	3 562	3 562
	3 562	3 562

The weighted average interest rate of 4,49 % was charged on loans granted to the related parties in 2012 (2011 - 4,91 %). Maturity of the loan provided to SBA Baldų Kompanija UAB on 31 August 2015.

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28. Related-party transactions (continued)

<i>Amounts payable within one year</i>	31 December 2012	31 December 2011
- <i>Ultimate parent company:</i>		
Koncernas SBA UAB	156	179
- <i>Subsidiaries of ultimate parent company:</i>		
Association Industry Marketing and Business Centre	57	88
Baldstata UAB	123	108
Kauno Baldai AB	29	31
Visagino Linija UAB	30	16
Germanika UAB	-	135
Pastatų Idėjų Įgyvendinimas UAB	-	8
Šatrija AB	-	56
	395	621
<i>Key management compensation</i>	31 December 2012	31 December 2011
Salaries	315	291
Long term employee benefits	1	1
Bonuses	78	84
Total salaries and other employee benefits	394	376

The Company's key management includes members of the board of Directors, Director and Technical Manager.

There are no pledges or guarantees related to the Company's accounts receivable from or accounts payable to related parties.

29. Contingent liabilities and commitments

Guarantees issued

The Company had pledged its real estate to AB DNB bank in order to secure the repayment of loans and proper fulfillment of other obligations to the bank by SBA Baldų Kompanija UAB, Šilutės Baldai AB, Kauno Baldai AB (sister companies). The net book value of pledged asset was LTL 3 981 thousand as at 31 December 2012 (2011 - LTL 3 981 thousand).

Based on the management's assessment, there was no risk that these sister companies will fail to fulfill their obligations to the banks.

In 2012 the agreement with AB Swedbank, AB DNB bank and AS UniCredit Bank was terminated, based on which the Company guaranteed for the amount of all its assets for the fulfillment of credit obligations to the above-mentioned banks by Visagino Linija UAB (sister company).

30. Subsequent events

Following the date of the financial statements the project of the 2012 profit distribution has not yet been prepared. After the balance sheet date there has not been any significant events.



Klaipėdos Baldai AB

ANNUAL REPORT FOR 2012

1. Reporting period covered by the Annual Report

The Annual Report of Klaipėdos Baldai AB covers the year 2012.

2. Basic information about the Issuer

Name of the Issuer	AB KLAIPĖDOS BALDAI
Authorised share capital	LTL 7 749 249
Official seat	Joniškės g. 21; 91267 Klaipėda, Republic of Lithuania
Telephone	(46) 31 39 35 (46) 31 39 60
Facsimile	(46) 31 39 51
E-mail	info@kbaldai.lt
Website	www.klaipedos-baldai.lt
Legal organisational form	public company
Date and place of incorporation	3 March 1993, Klaipėda City Council
Registration certificate No.	AB 93-59
Code of Legal Entities' Register	140656052

3. Nature of the Issuer's operations

The Issuer's core line of business is manufacturing of furniture.

4. Information about the agreements with intermediaries of securities' public turnover

On 30 November 2006, Klaipėdos Baldai AB signed the agreement No. S-Gend-231 with SEB Vilniaus Bankas AB (Gedimino g. 12, LT-01103 Vilnius, tel. (5)268 2687, fax (5)262 6043) on securities account management and service provision.

5. Information about trade in the Issuer's securities in the regulated markets

On 9 August 1994, securities of Klaipėdos Baldai AB were entered on the lists of the Vilnius Stock Exchange. Currently, 7 749 249 ordinary registered shares with a nominal value of LTL 1 and a total nominal value of LTL 7 749 249 of Klaipėdos Baldai AB are listed on the Additional List of the Vilnius Stock Exchange.

6. Structure of the Issuer's authorised share capital

Following the decision made during the annual general meeting of shareholders, share capital was reduced by 417 063 LTL through cancellation 417 063 units of own shares.

As at 31 December 2012, the share capital comprised 7 749 249 ordinary registered shares with par value of LTL 1 each.

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value	Percentage in the authorised share capital (%)
Ordinary registered shares	7 749 249	1	7 749 249	100.00
Total	7 749 249	-	7 749 249	100.00

All shares of KLAIPĖDOS BALDAI AB are fully paid.

An ordinary registered share grants to its owner (shareholder) the following property rights:

1. To receive a portion of the Company's profit (dividend);
2. To receive a portion of the assets of the Company in liquidation;
3. To receive shares free of charge when the authorised capital is increased from the Company's funds, save exceptions stipulated in the Law on Companies of the Republic of Lithuania;
4. To acquire shares or convertible bonds issued by the Company by the right of pre-emption, except when the general shareholders meeting decides to recall the right of pre-emption for all the shareholders in accordance with the procedure prescribed by the Law on Companies of the Republic of Lithuania;
5. To lend money to the Company in any manner prescribed by the laws; however, when borrowing money from its shareholders, the Company has no right to mortgage its property to the shareholders. When the Company borrows money from its shareholder, interest rate may not exceed the average interest rate of commercial banks located in the lender's place of residence or business, that is effective at the time of concluding a loan agreement. In such a case the Company and shareholders are forbidden to agree upon higher interest rates;
6. To transfer all shares or part thereof to other persons;
7. To demand that other shareholders would compulsorily sell their shares to them, or to demand that other shareholders would compulsorily buy shares from them in cases and in the order prescribed by the Law on the Securities Market;
8. Other property rights established by the laws.

An ordinary registered share grants to its owner (shareholder) the following personal non-property rights:

1. To attend general shareholders meetings;
2. To vote at general shareholders meetings under the rights granted by the shares. One ordinary registered share grants one vote;
3. To receive information about the Company to the extent prescribed by the laws;
4. Other non-property rights established by the laws.

7. Shareholders

As at 31 December 2012, the total number of shareholders of KLAIPĖDOS BALDAI AB was 558.

The table below lists the major shareholders of the Company.

Full name of the shareholder (company name, type, official seat, code of the Legal Entities' Register)	Number of ordinary registered shares owned by the shareholder (units)	Percentage of the authorised share capital (%)	Percentage of votes conferred by shares owned (%)
SBA furniture Group UAB, 300103836 Laisvės pr. 3, Vilnius	6 055 566	78.14	79.16
Other shareholders	1 593 732	20.57	20.84
Own shares	99 951	1.29	-
Total	7 749 249	100	100

There are no shareholders holding special control rights.

There are no restrictions imposed on voting rights.

There are no mutual agreements between shareholders of which the Issuer is aware and due to which restrictions on transfer of securities and/or voting rights may be imposed.

Klaipėdos Baldai AB has 99 951 units of own shares.

At the end of 2012 the number of acquired own shares amounted to 99 951 or 1.29% of the total share capital. The nominal value of own shares held by the Company amounts to 99 951 LTL.

All own shares acquired during 2012. During 2012 the Company paid 0.418 million LTL for the acquired own shares. The shares were acquired aiming to maintain the level of share price in the market.

8. Amendment procedure of the Issuer's Articles of Association

The Articles of Association of Klaipėdos Baldai AB grant an exclusive right to the General Shareholder Meeting of Klaipėdos Baldai AB to amend the Company's Articles of Association except for the cases established by the Law on Companies of the Republic of Lithuania. A decision on the amendment of the Articles of Association is adopted by a 2/3 majority of votes of shareholders present at the General Shareholder Meeting.

9. Issuer's bodies

There were no loans, guarantees or sureties granted to the members of the management bodies of the Company during a reporting period. The gross average amounts of payroll, bonuses and other payments made from profit to the members of the management bodies of the Company are presented in the table below:

	Payroll, LTL	Bonuses, LTL (paid during 2012)	Other payments from profit, LTL
Members of management bodies	-	-	-
Head of administration (Director of the Company)	201 171	-	-

Transactions with related parties are disclosed in the financial statements for 2012.

There are no agreements between the Company and members of its management bodies or its employees on compensations that would be paid if they resigned or were dismissed without valid reason or because of change in the control of the Company.

In accordance with the Company Law of the Republic of Lithuania, General Annual Meeting of the can take decisions regarding the issuance or acquirement of own shares of the Issuer.

The Articles of Association of Klaipėdos Baldai AB stipulate that the Company shall have the following management bodies: the General Shareholders Meeting, the Supervisory Board, the Board and the Company's Director.

Decisions of the General Shareholders Meeting adopted on the issues assigned within its powers by the Company's Articles of Association shall be mandatory to shareholders, the Supervisory Board, the Board, the Director and other employees of the Company.

Persons who were shareholders of the Company at the end of the record date of the General Shareholder Meeting have the right to attend the General Shareholder Meeting. The record date of the Company Meeting shall be the fifth working day before the General Shareholder Meeting or the fifth working day before the repeat General Shareholder Meeting. A person attending the General Shareholder Meeting and entitled to vote shall produce a document which is a proof of his personal identity. A person who is not a shareholder shall in addition produce a document certifying his right to vote at the General Shareholder Meeting.

The Supervisory Board, a collegial supervisory body, shall be elected by the General Shareholder Meeting according to the procedure laid down in the Law on Companies of the Republic of Lithuania. The Supervisory Board shall be composed of 3 (three) members. The Supervisory Board shall be elected for the period of 4 (four) years. The Chairman of the Supervisory Board shall be elected from the members of the Supervisory Board. The General Shareholder Meeting may remove from office the entire Supervisory Board or its individual members before the expiry of the term of the Supervisory Board's office. Where individual members of the Supervisory Board are elected, the term of office for which they are elected shall be only until the expiry of the term of office of the current Supervisory Board.

The Supervisory Board shall elect members of the Board and remove them from office; shall supervise the activities of the Board and the Company Director; shall submit its comments and proposals to the General Meeting on the operating strategy of the Company, annual financial statements, draft of profit appropriation and the annual report of the Company as well as the activities of the Board and the Company Manager; shall submit its proposals to the Board and the Company Manager to revoke their decisions which are not in conformity with the laws and other legal acts, the Articles of Association of the Company or the decisions of the General Shareholder Meeting; shall address other issues assigned within its powers by the decisions of the General Shareholder Meeting regarding the supervision of the activities of the Company and its management bodies. The Supervisory Board shall not be entitled to assign or delegate its functions prescribed by the Law on Companies of the Republic of Lithuania to other bodies of the Company.

The Board is a collegial management body of the Company composed of 3 (three) members. The Board shall be elected by the Supervisory Board for the period of 4 (four) years. The Supervisory Board may remove from office the entire Board or its individual members before the expiry of their term. Where individual members of the Board are elected, the term of office for which they are elected shall be only until the expiry of the term of office of the current Board. The Chairman of the Board shall be elected from the members of the Board.

The Board shall elect and remove from office the Company Manager, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for him and impose penalties.

Director shall be the Manager of the Company. The Manager of the Company is a single-person management body of the Company that organises the Company's activities. Powers and responsibility of the members of the Company's administration shall be defined by the order of the Director.

There are no significant agreements between the Company and the third parties that would come into force; change or cease as a result of change in the control of the Company.

10. Members of the collegial bodies, the Company Manager

SUPERVISORY BOARD (31 December 2012)

No.	Position	Name, surname	Beginning of the term of office	End of the term of office	Participation in the Issuer's authorised share capital (shares) %	Percentage of votes %	Qualification
1.	Chairman	Egidijus Valentinavičius	2012-04-25	2016-04-25	-	-	Higher education in the field of economy (economics and management) Vice President of Business Management (Private Limited Liability Company (UAB) Concern "SBA")
2.	Member	Dalia Maleckienė	2012-04-25	2016-04-25	-	-	Higher education in the field of engineering (production management) Head of Business Planning (Private Limited Liability Company (UAB) Concern "SBA")
3.	Member	Virgilijus Rančys	2012-04-25	2016-04-25	-	-	Higher education in the field of economy (finance and credit) Head of Treasury (Private Limited Liability Company (UAB) Concern "SBA")

BOARD (31 December 2012)

No.	Position	Name, surname	Beginning of the term of office	End of the term of office	Participation in the Issuer's authorised share capital (shares) %	Percentage of votes %
1.	Chairman	Vytautas Vaškys	2012-09-20	2016-09-20	-	-
2.	Member	Rasa Žvirblienė	2012-09-20	2016-09-20	-	-
3.	Member	Eimuntas Jankauskas	2012-09-20	2016-09-20	-	-

HEAD OF ADMINISTRATION (31 December 2012)

Position	Name, surname	Position held from	Participation in the Issuer's authorised share capital (shares) %	Percentage of votes %
Director	Ramūnas Marozas	2008-04-01	-	-

With effect from 2 October 2006, the bookkeeping of the Company is performed by SBA Baldu Kompanija UAB according to the agreement on the provision of bookkeeping services signed with this company.

11. Objective overview of the Company's financial position, performance and development, description of its exposure to key risks and contingencies

After World War II a factory producing matches and thatches for export was reopened in Klaipėda. In 1954, the factory was reorganised to the company of furniture production and the company first started its activities in that year. In 1956, mass production of furniture was started.

In 1975, the manufacturing consolidation "Klaipėda" was established. In 1980, the integrated quality management system was introduced at the manufacturing consolidation "Klaipėda" and the export of production to the countries of the Western Europe was started.

In 1990, after the reorganisation of the manufacturing consolidation "Klaipėda", the state furniture company was established with the separation of Rietavas furniture factory. In 1991, the first phase of privatisation of the Company was started.

The Company was privatised by way of public subscription of shares and was registered as a public company with Klaipėda City Council with the authorised share capital amounting to LTL 742,392 on 3 March 1993.

It was resolved at the General Meeting of Shareholder held on 5 March 1996 to increase the authorised share capital 10 times by making transfers from the revaluation reserve of property, plant and equipment and apply to the Lithuanian Securities Commission regarding the registration of additional issue of securities. Consequently, the additional issue of 7,423,920 ordinary registered shares increased the authorised share capital of the Company up to LTL 8,166,312.

The quality management system under the international standard ISO 9001 was introduced and certified at the Company in 1997 and re-certified in 2000. After the review audit performed in 1998 and 1999 experts concluded that the Company's quality management system complies with ISO 9001 requirements and operates effectively. In 1999, the Company was awarded with the National Quality Prize.

In 1999, the Environment Protection Management System (ISO 14001) was introduced and certified at the Company.

From 2000 the recertification audit on the Environment Protection Management System under the requirements of ISO 14001:1998 standards is being carried out.

In 2002, the Quality Management System was recertified under requirements of the new standards LST EN ISO 9001:2001. The main feature of the new standards is the process-based quality management system designed to increase client satisfaction and his appreciation of the Company's products acquired.

In 2007, Klaipėdos Baldai AB and SBA Baldų Kompanija were recertified under the standards ISO 14001:1998 and LST EN ISO 9001:2001.

Aiming to maintain and strengthen the position occupied in the local market, fully satisfy needs of customers and fulfil their expectations, the Company's specialists experiment and design new products. The latest products of the Company reflect a modern way of life and global fashion trends.

Currently, the Company offers 52 different pieces furniture for residential purposes.

Most of such furniture is produced using chipboard. All new products were highly appreciated by customers.

The production process at the Company is being organised and managed according to the requirements of ISO 9001 and 14001 standards. The core line of business of the Company is the serial furniture production using chipboard of various thickness coated with natural veneer, synthetic decorative film or laminate. The Company uses only certified products and raw materials.

The major production objectives for 2013 include ensurance of quality of products and increase in production efficiency. A full utilisation of facilities, optimal arrangement of technological processes, a more accurate investments into new facilities should help to achieve these objectives.

Having the aim of maintaining the occupied position in the furniture markets and increase this market share, the Company will continue specialisation in production of residential furniture for the local and mainly for foreign markets.

In 2012, the Company produced pieces of furniture of 4 categories: shelves for residential premises, chest-of-drawers, tv tables and other furniture. Thirty different products of these categories are produced in a month. The Company does not plan to significantly expand the product range.

When performing its business activities the Company is exposed to a variety of risks.

Financial risk management is carried out by the Board. More information about financial-risk management can be found in Note 3.1 of the Company's Explanatory Letter.

Credit risk is mostly affected by the financial position of SBA Baldų Kompanija UAB, since most of the Company's revenue is generated from SBA Baldų Kompanija UAB. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents necessary to cover the expected expenditures. The Company makes short-term cash flow forecasts. The Company has signed loan agreement with the bank to ensure the availability of funding upon necessity for respective purpose.

Market risk: the Company's core products are realised by SBA Baldų Kompanija UAB. Marketing and sale functions are carried out by SBA Baldų Kompanija UAB.

Risk of change in inventory (raw materials) price arises due to constantly growing prices of raw materials. Raw materials are purchased via SBA Baldų Kompanija UAB, thereby enabling to expect more favourable prices from the suppliers of raw materials through consolidation of purchases of several companies.

Product quality risk: Since 1997, the Company has Quality Management System, which has been effectively operating in compliance with the requirements of a new standard LST EN ISO 9001:2001. This is affirmed through annual audits by the experts of TUV CERT. The problems faced are analysed and solved on a regular basis, the operations are subject to continuous improvements by selecting a better Quality Management Development stage – Overall Quality Management.

Environmental risk: Environment protection management system was introduced at Klaipėdos Baldai AB in 1999 in accordance with ISO 14001 standard requirements. For modernization of manufacturing process, only up-to-date, patented and more environmentally friendly technology is acquired. Environment protection management system requires continuous and systematic monitoring of effectiveness of the system, assessment and forecasting of outcomes. For that purpose monitoring is carried out to observe changes over certain time (energy costs to furniture production ratio, energy resources costs per 1,000 m² of manufactured products and etc.). Moreover, internal and external audits are carried out for the existing system.

The Company's Board is responsible for the development and verification of the sequence and directions of the Company's internal-control actions, while the Company's Director is responsible for the implementation thereof.

The following sequence of internal-control actions is established in the Company:

1. Determination of standards (control standards define effectiveness indicators);
2. Comparison of actual data with planned data;
3. Decision-making.

Internal-control directions vary depending on changes inside the Company and in the external environment.

In 2009 Company established internal Audit Committee. Members of audit committee is appointed and recalled by the Supervisory board. Audit Committee consist from three members and at least one of them is independent. Established Audit Committee improved the internal control function in the Company.

AUDIT COMMITTEE (31 December 2012)

No.	Position	Name, surname	Beginning of the term of office	End of the term of office	Participation in the Issuer's authorised share capital (shares) %	Percent age of votes %
1.	Member	Genadijus Makušėvas	2009-05-18	2013-05-18	-	-
2.	Member	Giedrius Grondskis	2009-05-18	2013-05-18	-	-
3.	Member	Jolanta Gulbinaitė	2009-05-18	2013-05-18	-	-

12. Analysis of financial and non-financial performance

The Company's key performance indicators are as follows:

Indicator	2012	2011
Sales revenue, LTL million	186,6	188,7
Profit before tax, LTL million	5,7	6,2
Labour productivity per employee, m ²	640	617

In 2012, sales of Klaipėdos Baldai AB decreased by 1.1 percent, profit before tax decreased 8.1 percent as compared to 2011. In 2012 labour productivity per employee increased by 3.7 percent compared to 2011.

Investments

In 2012, the amount allocated for investments equalled to LTL 3,6 million. The major part of this amount was allocated for the acquisition of equipment – LTL 2,5 million .

Staff

According to the data of 31 December 2012, the average recorded number of employees was 716: 679 among them were workers that constitute 95.0 percent of all employees and 37 were managers and specialists that constitute 5.0 percent of all employees. In 2012, the Company employed 50 employees who had acquired a higher education, 47 – non-higher professional education, 149 – vocational education, 91 – special secondary education, 288 – secondary education and 91 – unfinished secondary education.

In 2012, the Company incurred LTL 44 106 Lt of staff training expenses.

The table below presents the average number of employees and the average remuneration:

	2012
Average number of employees, persons	716
Average monthly remuneration of the employee, LTL	2 591
Average monthly remuneration of managers and specialist, LTL	4 920
Average monthly remuneration of the worker, LTL	2 463

In 2012, number of employees increases due to changes in production volumes during the year.

The Company's collective agreement does not stipulate special rights and obligations of the Issuer's employees or a group of employees.

A more detailed information on the Company's operational and financial performance for 2012 is provided in the financial statements.

13. Information on the Company's branches and representative offices

The Company has no branches or representative offices.

14. Information on the Company's research and development activities

In 2012, the Company was not engaged in research and development activities.

15. Information on transactions that would be harmful may have had or will have a negative impact on the Company's operations and (or) performance

There were no significant transactions on behalf of the Company that would be harmful may have had or will have a negative impact on the Company's operations and (or) performance during the reporting period.

16. Information on transactions made under a conflict of interests between the Company's managers, controlling shareholders or other related parties obligations to the Company and their private interests and (or) other duties

There were no material transactions on behalf of Company that would enter a conflict of interests between the Company's managers, controlling shareholder or other related parties obligations to the Company and their private interests and (or) other duties during the reporting period.

17. Significant and latest events in the Issuer's activity

All significant events that occurred in 2012 have been communicated to the Vilnius Stock Exchange and the Securities Commission as required by the Rules on Periodic Disclosure of Information about the Issuers' Activities and their Securities. All information about the Company's material events is available at www.nasdaqomxbaltic.com.

In 2012 the Company publicly disclosed in NASDAQ OMX GlobeNewswire system the following information:

- 21.12.2012 Klaipedos baldai AB, purchase of own shares
- 30.11.2012 Preliminary unaudited results for 9 months of 2012
- 14.11.2012 Klaipedos baldai AB Board decision concerning purchase of own shares
- 06.11.2012 Klaipedos baldai AB purchase of own shares
- 21.09.2012 Klaipedos baldai AB Board decision concerning purchase of own shares
- 21.09.2012 Concerning the appointment of the chairman of the Management Board of the company and the manager of the company
- 21.09.2012 Concerning the chairman of the Supervisory Council and the new Management Board of the company
- 30.08.2012 Unaudited results of Klaipedos baldai AB for 6 months of 2012
- 24.08.2012 Registry of new wording of the Articles of Association of Klaipedos baldai AB
- 13.08.2012 Information on Resignation Notice
- 30.05.2012 Preliminary unaudited results for the first quarter of the year 2012
- 26.04.2012 Supplement of Annual Information
- 25.04.2012 Annual information for the year 2011 of Klaipėdos Baldai AB
- 25.04.2012 Resolutions adopted by the General Shareholders Meeting of Klaipėdos Baldai AB, held on 25-04-2012
RESOLUTION PROJECTS FOR GENERAL STOCKHOLDER'S MEETING HELD ON 2012 APRIL 25th
- 04.04.2012 25th
- 04.04.2012 Concerning general shareholder meeting
- 14.03.2012 Notification on transaction concluded by managers of the company
- 29.02.2012 Result and interim financial report for the year 2011
- 23.02.2012 Interim non audited turnover of AB "Klaipėdos baldai" during January-February of 2011

18. Significant events subsequent to the end of the financial year

There were no significant events subsequent to the end of the financial year.

19. Issuer's business plans and perspectives for 2013

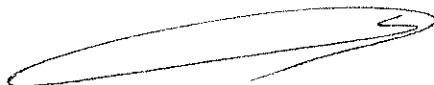
Company does not publish business plans and perspectives for the year 2013.

20. Information about the compliance with the Governance Code

Klaipėdos Baldai AB confirms its further substantial compliance with the recommendational Governance Code approved on August 2006 at the Vilnius Stock Exchange for the listed companies.

KLAIPĖDOS BALDAI AB

Director



Ramūnas Marozas

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market of Klaipėdos baldai AB

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>YES</p>	<p>Published in the company's periodic reports and is available on the Stock Exchange website.</p>
<p>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.</p>	<p>YES</p>	
<p>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.</p>	<p>YES</p>	
<p>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.</p>	<p>YES</p>	
<p>Principle II: The corporate governance framework</p> <p>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</p>		
<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	<p>YES</p>	<p>The Company's bodies are as follows: a general shareholders' meeting, a supervisory board (a collegial supervisory body), a management board (a collegial management body), and the chief executive officer.</p>

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	YES	The functions of a collegial supervisory body and a collegial management body are set in the company's rules and regulations following the requirements of law on Private companies of the Lithuanian Republic.
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.	NOT APPLICABLE	Both a supervisory board and a management board are formed in the company.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. ¹	YES	Unenforceable provisions are commented in separate clauses on principles III and IV
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. ²	YES	A company's management comprises 3 members while a supervisory board also consists of 3 members. The chief executive officer is not a member of the company's management board or its supervisory board.
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.	YES	In accordance with the company's rules, the term of office of supervisory board members lasts 4 years. According to the company's rules and regulations and valid legislation, it is not forbidden to re-elect these members for other terms.

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

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

<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>YES</p>	<p>Chairman of the supervisory board has never been the company's chief executive officer.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>YES</p>	<p>Following the requirements of law on Private companies of the Lithuanian Republic, a collegial supervisory body is formed on disclosing the information to the shareholders about the candidates for the company's collegial supervisory body.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>YES</p>	<p>The information about the candidates for the company's collegial supervisory body was provided to the shareholders together with the announcement of a general shareholders' meeting and the agenda of the general shareholders' meeting when the supervisory board was being elected.</p>

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

<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>YES</p>	<p>This recommendation is realized on disclosing the shareholders the information about the candidates for the company's collegial supervisory body. The information about the qualification of the members of the collegial supervisory body is provided in the Annual report of the company.</p>
<p>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.</p>	<p>YES</p>	<p>The members of the collegial supervisory body do the active work in different fields in other companies, which ensures the adequacy of the competence in their current duties. The information about the qualification of the members of the collegial supervisory body is provided in the Annual report of the company.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>NO</p>	<p>The members of the collegial supervisory body do the active work in different fields in other companies, which ensures the adequacy of the competence in their current duties.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>	<p>NO</p>	<p>Independent collegial body members election in the Company were not essential and were not evaluated for "sufficient" number of independent members, and the independence of the members.</p>

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

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

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having 	<p>NO</p>	<p>See commentary No. 3.6</p>
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<p>such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</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 Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>NO</p>	

<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>NO</p>	<p>The independence of the members of the collegial supervisory body was not considered by the company by now.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>NO</p>	<p>The independence of the members of the collegial supervisory body was not considered by the company by now.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.⁶ The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>NOT APPLICABLE</p>	<p>The members of the collegial supervisory body were not remunerated from the company's funds in 2012.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.⁸</p>	<p>YES</p>	<p>The supervisory board elected by the company provides the general shareholders' meeting with reviews and offers regarding the company's annual financial statements, proposed profit appropriation, and the company's annual report.</p>

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

⁷ See Footnote 3.

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

<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>YES</p>	<p>According to the data owned by the company, all members of the collegial body act in good faith in the interests of the company, follow the company's interests and not those of their own or third parties so that they could keep their independent view on making decisions.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>YES</p>	<p>Company's members of the collegial body perform their duties properly: take an active part in the collegial body meetings and, as a collegial member, devotes sufficient time to perform his duties.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>YES</p>	<p>Following the Law on Private Companies of the Lithuanian Republic, the collegial body's method of cooperation with the shareholders is set in the company's rules and regulations.</p>

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

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>YES</p>	<p>There were none of such transactions in 2012.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. 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.</p>	<p>YES</p>	

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

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹¹. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>NO</p>	<p>None of the committees were formed in the company by now. Following the company's rules and valid legislation, the indicated issues are considered by the company's supervisory board, management board and the chief executive officer.</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>	<p>YES</p>	<p>The company's supervisory board, management board and the chief executive officer are considering the indicated issues.</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</p>	<p>YES</p>	

¹¹The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

<p>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>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>YES</p>	
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>YES</p>	

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>NOT APPLICA BLE</p>	<p>The company's supervisory board, management board and the chief executive officer are considering the indicated issues.</p>
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • 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; 	<p>NOT APPLICA BLE</p>	<p>The company's supervisory board, management board and the chief executive officer are considering the indicated issues.</p>

<ul style="list-style-type: none"> • 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 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>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <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 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</p>	<p>YES</p>	
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<p>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>	<p>NO</p>	<p>The assessment of the Company's activities and ipso facto of the Board of Directors' activities is performed by the shareholders of the Company in accordance with the procedure prescribed by Law.</p>
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>YES</p>	<p>This recommendation is realized by the chairmen of the supervisory and management boards.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹².</p>	<p>Yes</p>	<p>Meetings of the company's management board are convened at least once in a quarter, and the company's supervisory board should meet at least once a year. The meetings of the management and supervisory boards can be convened more frequently, if needed.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>YES</p>	
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>YES</p>	
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

6.1. 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	Company's authorized share capital consisting of ordinary shares grant the same rights to all company's shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	YES	None of company's new shares were issued during 2012. Information about the rights attached to the shares of the new issue is provided in company's rules the Annual report of the company.
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. ¹³ 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	Company follows the requirements of law on Private companies of the Lithuanian Republic
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.	NO	This information is not disclosed on the company's website. The company does not disclose information in English as by now the company's shareholders did not show their interest in receiving the information in English. While preparing the documents referred to the shareholders' general meeting, the company follows its own rules and the rules of law on Private companies of the Lithuanian Republic. The documentation prepared for the annual shareholders meeting, including decisions of the shareholders meeting are disclosed through the Vilnius Stock exchange information system. Upon request documentation is provided to the shareholders by an e-mail.

¹³ The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>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.</p>	<p>YES</p>	<p>Company's shareholders can realize/materialize their right to take part in general shareholders' meeting both in person and in absentia in case a person has a valid/proper/suitable warrant/authorization or an agreement on voting right transfer/disposal in the manner prescribed by legislation. The company also has to provide conditions for the shareholders so that they could vote by completing the general vote ballot as it is required by the law on Private companies of the Lithuanian Republic.</p>
<p>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.</p>	<p>NOT APPLICABLE</p>	<p>By now there was no need to realize this recommendation in the company.</p>

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.

<p>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.</p>	<p>YES</p>	
<p>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.</p>	<p>YES</p>	<p>The company follows these recommendations.</p>

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	Members of the management board are introduced and follow these requirements
<p>Principle VIII: Company's remuneration policy</p> <p>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.</p>		
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	At present the company prepares neither remuneration policy reports nor makes public statements of them. The company's remuneration policy, i.e. payments to employees, specialists and managers is set in remuneration rules, which are constituent part of the collective agreement. The remuneration policy and its alterations are also provided in business plans prepared by the company as well as reports, which are approved by the company's board. Following the law on Private companies of the Lithuanian Republic, this information is available for both company's employees and its shareholders.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	NO	See commentary No. 8.1
8.3. Remuneration statement should leastwise include the following information: <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 	NO	See commentary No. 8.1

<p>remuneration and performance;</p> <ul style="list-style-type: none"> • 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. 		
<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 No. 8.1
<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 any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. 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 	NO	See commentary No. 8.1

<p>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;</p> <ul style="list-style-type: none"> • 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>		
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.	YES	
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	YES	
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 relative weight of the variable component compared to the non-variable component of remuneration.	YES	
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	Data is regularly inspected by management board and supervisory board, therefore it cannot be manifestly misstated.
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.	YES	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	NO	

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.	NO	See commentary No. 8.1
8.13. Shares should not vest for at least three years after their award.	NOT APPLICABLE	
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	
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	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	NOT APPLICABLE	
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.	NO	See commentary No. 8.1
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.	NO	See commentary No. 8.1
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	NO	See commentary No. 8.1

<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. <p>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.</p>	<p>NO</p>	<p>See commentary No. 8.1</p>
<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>	<p>NOT APPLICABLE</p>	<p>See commentary No. 8.1</p>
<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>	<p>NOT APPLICABLE</p>	
<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 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.</p>	<p>NOT APPLICABLE</p>	

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	<p>Company prepares collective agreements between an employer and a company's trade-union. The employees' interests are presented in a proper way; the company's employees take an active part in preparation of a collective agreement as well as control of its performance.</p> <p>The interests of other interest holders (creditors, suppliers, customers) are assured by applying the carrying obligations agreed by the company as well as following valid requirements of legislation</p>
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.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
<p>Principle X: Information disclosure and transparency</p> <p>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</p>		

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>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.</p> <p>10.2. It is recommended to the company, which is the parent of other companies, 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.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>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.</p>	<p>YES</p>	<p>Information on the company listed in these recommendations is disclosed in these sources: Annual report of the company; Financial statements of the company; reports on acquisition/disposal of shares; reports on significant events and disclosing the information through information exchange system of Vilnius stock exchange.</p> <p>The company's financial statements and annual report are submitted to the Registry of Legal Entities and the information is available to the public, except for the information provided in item 10.3, which says about professional experience, qualification and potential interest conflicts of the company's members of the supervisory and management boards. Besides, this information is not provided in full.</p>
<p>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.</p>	<p>YES</p>	<p>The company provides information with the help of information disclosure system used by the Vilnius Stock Exchange. It is done in 2 languages, i.e. Lithuanian and English, simultaneously, if possible. The Stock Exchange places the information on their website and in the trading system assuring simultaneous disclosure of the information to all. The company does not disclose information, which can influence the price of the securities issued by the company, in the commentaries, interviews or other as long as such information is published via the Stock Exchange information system.</p>

<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>YES</p>	<p>Notices about material events should be announced by the company via the Stock Exchange information system.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>NO</p>	<p>The indicated information is available on the website of the Stock Exchange.</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements</p>	<p>YES</p>	<p>The firm follows law requirements on an annual audit of the company's financial statements and report, which is conducted by an independent firm of auditors. Interim audit on the company's financial statements is not conducted.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>YES</p>	<p>The company's supervisory board proposes a candidate firm of auditors to the general shareholders' meeting.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>NOT APPLICABLE</p>	<p>During 2012 the firm of auditors did not render auditing services to the company and did not receive any payment from the company.</p>