

**Lithuanian Securities Commission**  
**Konstitucijos pr. 23**  
**LT-08105 Vilnius**

**2011-04-28**

**CONFIRMATION OF RESPONSIBLE PERSONS**

Following Article 21 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Nerijus Vilūnas , General Director of Utenos trikotazas, AB, and Reda Kučinskienė, Cheaf accountant , hereby confirm that, to the best of our knowledge, the consolidated and Company's Financial Statements, annual and independent auditor's reports for the year ended 31 December 2010 of Utenos trikotazas AB. prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Utenos trikotazas, AB and the Group of undertakings.

ENCLOSURE: Utenos trikotazas AB consolidated and Company's Financial Statements, annual and independent auditor's reports for the year ended 31 December 2010.

**General Director**



**Nerijus Vilūnas**

**Cheaf accountant**



**Reda Kučinskienė**



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

## **Independent Auditor's Report**

To the shareholders of Utenos Trikotažas AB

### **Report on the financial statements**

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of Utenos Trikotažas AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 5–59 which comprise the stand alone and consolidated statement of financial position as of 31 December 2010 and the stand alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's responsibility for the financial statements*

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

#### *Auditor's responsibility*

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

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

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

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*Basis for Qualified Opinion – limitation of scope*

In 2009, the Company estimated impairment losses for investments in subsidiaries and accounts receivable from these subsidiaries and reduced their carrying amounts by LTL 1,357 thousand and LTL 676 thousand respectively as of 31 December 2009. With reference to these estimates management retrospectively adjusted the prior period carrying amounts of the investments in subsidiaries by recording an impairment loss of LTL 3,013 thousand as of 31 December 2008. For the correction of the prior period error management was not able to determine reliable estimates as of 31 December 2008 without using hindsight, as is required by IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Instead, management used the actual results of the subsidiaries in 2009 and estimates determined as of 31 December 2009 for rolling the adjustments back to 31 December 2008. We were unable to determine by alternative procedures the impact of this non-compliance on the results of the year ended 31 December 2009. The auditor's report for the year ended 31 December 2009 was also qualified for the same matter.

*Qualified Opinion*

In our opinion, except for the possible effect of the matter described in the *Basis for qualified opinion – limitation of scope* paragraph above, the Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on other legal and regulatory requirements**

Furthermore, we have read the consolidated and company's Annual Report for the year ended 31 December 2010 set out on pages 60 - 90 and have not noted any material inconsistencies between the financial information included in it and the audited Financial statements for the year ended 31 December 2010.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler  
Director

Vilnius, Republic of Lithuania  
7 April 2011

Lina Martinkevičienė  
Auditor's Certificate No.000475

**UTENOS TRIKOTAŽAS AB**

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,  
ANNUAL AND INDEPENDENT AUDITOR'S REPORTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

**UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus g. 122, Utena, Lithuania**  
**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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*These financial statements have been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of these financial statements take precedence over the English language version.*

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**Statements of financial position**

	Notes	Group		Company	
		31 December 2010	2009	31 December 2010	2009
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	6	4,075	4,084	643	827
Property, plant and equipment	7	19,253	24,381	13,914	18,336
Investment property	8	2,906	3,173	2,906	3,173
Investments into subsidiaries	9	-	-	11,396	11,396
Trade and other receivables		90	25	-	-
Receivables from subsidiaries	31	-	-	4,178	3,971
Deferred income tax asset	29	978	-	830	-
		<b>27,302</b>	<b>31,663</b>	<b>33,867</b>	<b>37,703</b>
<b>Current assets</b>					
Inventories	10	9,023	7,575	8,432	6,879
Trade receivables	11	7,438	7,642	5,792	6,269
Receivables and prepayments from subsidiaries	31	-	-	8,999	8,859
Receivables from other related parties	31	3	4	-	-
Prepaid income tax		-	48	-	-
Other receivables	12	1,808	1,479	910	528
Cash and cash equivalents	14	1,727	2,161	712	1,492
		<b>19,999</b>	<b>18,909</b>	<b>24,845</b>	<b>24,027</b>
Non-current assets held for resale	13	2,956	3,106	-	-
		<b>22,955</b>	<b>22,015</b>	<b>24,845</b>	<b>24,027</b>
<b>Total assets</b>		<b>50,257</b>	<b>53,678</b>	<b>58,712</b>	<b>61,730</b>

**Statements of financial position (cont'd)**

	Notes	Group		Company	
		31 December 2010	2009	31 December 2010	2009
<b>EQUITY</b>					
<b>Equity attributable to the equity holders of the Company</b>					
Share capital	15	19,834	19,834	19,834	19,834
Foreign currency translation reserve		1,729	2,675	-	-
Other reserves	16	1,983	1,983	1,983	1,983
Accumulated retained earnings / losses		(20,140)	(21,180)	(3,310)	(2,539)
		<b>3,406</b>	<b>3,312</b>	<b>18,507</b>	<b>19,278</b>
<b>Non controlling interest</b>		<b>695</b>	<b>619</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>4,101</b>	<b>3,931</b>	<b>18,507</b>	<b>19,278</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	17	18,786	5,316	14,368	5,316
Convertible bonds issued	18	8,268	-	8,268	-
Provisions for employee benefits	19	351	-	351	-
		<b>27,405</b>	<b>5,316</b>	<b>22,987</b>	<b>5,316</b>
<b>Current liabilities</b>					
Borrowings	17	6,571	30,628	5,240	23,712
Trade payables	31	-	-	2,322	1,830
Payables to subsidiaries	31	1,510	2,073	1,043	1,855
Payables to other related parties		4	-	-	-
Income tax payable		5,774	5,374	3,998	3,806
Accrued charges and other current liabilities	20	<b>18,751</b>	<b>44,431</b>	<b>17,218</b>	<b>37,136</b>
<b>Total liabilities</b>		<b>46,153</b>	<b>49,747</b>	<b>40,205</b>	<b>42,452</b>
<b>Total equity and liabilities</b>		<b>50,257</b>	<b>53,678</b>	<b>58,712</b>	<b>61,730</b>

The notes on pages 11 to 59 form an integral part of these financial statements.

These financial statements were approved by General Manager and Chief Accountant on 6 April 2011.

General Manager                      Nerijus Vilūnas



Chief Accountant                      Reda Kučinskienė



UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus g. 122, Utena, Lithuania  
**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**  
 (All amounts are in LTL thousand, unless otherwise stated)

**Statements of comprehensive income**

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2010	2009	2010	2009
Revenue	5,21	70,711	70,336	60,443	60,085
Cost of sales	22	(61,322)	(59,391)	(53,787)	(50,976)
<b>Gross profit</b>		<b>9,389</b>	<b>10,945</b>	<b>6,656</b>	<b>9,109</b>
Selling expenses	23	(2,276)	(2,198)	(1,885)	(1,729)
General and administrative expenses	23	(6,790)	(6,498)	(4,518)	(3,511)
Other income	24	371	458	304	290
Other expenses	25	(124)	(145)	(124)	(126)
Other gains/(losses) - net	26	435	414	101	390
<b>Operating profit (loss)</b>		<b>1,005</b>	<b>2,976</b>	<b>534</b>	<b>4,423</b>
Finance cost, net	27	(863)	(3,070)	(2,135)	(1,205)
<b>Profit (loss) before income tax</b>		<b>142</b>	<b>(94)</b>	<b>(1,601)</b>	<b>3,218</b>
Income tax expense	29	974	-	830	-
<b>Profit (loss) for the year</b>		<b>1,116</b>	<b>(94)</b>	<b>(771)</b>	<b>3,218</b>
<b>Profit (loss) attributable to:</b>					
Equity holders of the Company	30	1,040	(46)	(771)	3,218
Minority interest		76	(48)	-	-
		<b>1,116</b>	<b>(94)</b>	<b>(771)</b>	<b>3,218</b>
<b>Other comprehensive income (loss)</b>					
Foreign currency translation income (expense)		(946)	710	-	-
<b>Other comprehensive income (loss)</b>		<b>(946)</b>	<b>710</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss)</b>		<b>170</b>	<b>616</b>	<b>(771)</b>	<b>3,218</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Equity holders of the Company		94	664	(771)	3,218
Minority interest		76	(48)	-	-
		<b>170</b>	<b>616</b>	<b>(771)</b>	<b>3,218</b>
<u>Basic and diluted loss per share for profit (loss) attributable to the equity holders of the Company (in LTL per share)</u>	30	0.052	(0.002)		

The notes on pages 11 to 59 form an integral part of these financial statements.



**Statements of changes in equity**

Group	Notes	Equity attributable to the equity holders of the Company					Non controlling interest	Total equity
		Share capital	Foreign currency translation reserve	Other reserves	Accumulated losses	Total		
<b>Balance as of 1 January 2009</b>		<b>19,834</b>	<b>1,965</b>	<b>1,983</b>	<b>(21,134)</b>	<b>2,648</b>	<b>667</b>	<b>3,315</b>
Total comprehensive income (loss)		-	710	-	(46)	664	(48)	616
<b>Balance as of 31 December 2009 / 1 January 2010</b>		<b>19,834</b>	<b>2,675</b>	<b>1,983</b>	<b>(21,180)</b>	<b>3,312</b>	<b>619</b>	<b>3,931</b>
Total comprehensive income (loss)		-	(946)	-	1,040	94	76	170
<b>Balance as of 31 December 2010</b>		<b>19,834</b>	<b>1,729</b>	<b>1,983</b>	<b>(20,140)</b>	<b>3,406</b>	<b>695</b>	<b>4,101</b>

Company	Notes	Share capital	Other reserves	Accumulated losses/ retained earnings	Total
<b>Balance as of 1 January 2009</b>		<b>19,834</b>	<b>1,983</b>	<b>(5,757)</b>	<b>16,060</b>
Total comprehensive income (loss)		-	-	3,218	3,218
<b>Balance as of 31 December 2009/ 1 January 2010</b>		<b>19,834</b>	<b>1,983</b>	<b>(2,539)</b>	<b>19,278</b>
Total comprehensive income (loss)		-	-	(771)	(771)
<b>Balance as of 31 December 2010</b>		<b>19,834</b>	<b>1,983</b>	<b>(3,310)</b>	<b>18,507</b>

The notes on pages 11 to 59 form an integral part of these financial statements.

**Statements of cash flows**

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2010	2009	2010	2009
<b>Cash flows from operating activities</b>					
Profit (loss) for the year		1,116	(94)	(771)	3,218
<b>Adjustments for non-cash items:</b>					
Depreciation and amortization		6,207	6,930	5,093	5,589
Investment property held for sale and fixed assets impairment		555	-	164	-
Gain on disposal of property, plant and equipment and investment property	26	(310)	(467)	(58)	(389)
Impairment (reversal) of investments	9	-	-	-	(1,656)
Impairment and write-off (reversal) of inventories		(26)	82	(33)	(39)
Impairment and write-off (reversal) of accounts receivable		24	(53)	(22)	637
Provisions for employees benefits	19	351	-	351	-
Interest income	27	(3)	(29)	(207)	(208)
Interest expenses	27	2,666	1,794	2,341	1,374
Foreign currency differences		(1,725)	1,146	-	-
Income tax expense	29	(974)	-	(830)	-
<b>Changes in working capital:</b>					
Decrease (increase) in inventories		(1,423)	2,648	(1,520)	2,073
Decrease (increase) in trade receivables		180	1,120	498	622
Decrease (increase) in receivables from subsidiaries		-	-	(139)	(1,417)
Decrease (increase) in other receivables and other current assets		(345)	130	(381)	(31)
Increase (decrease) in trade and other accounts payable		(351)	(7,162)	(530)	(5,503)
Increase (decrease) in taxes payable and other current liabilities		422	(678)	191	(328)
<b>Cash generated from operations</b>		<b>6,364</b>	<b>5,367</b>	<b>4,147</b>	<b>3,942</b>
Income tax received / paid		(22)	879	-	1,092
<b>Net cash flows from operating activities</b>		<b>6,342</b>	<b>6,246</b>	<b>4,147</b>	<b>5,034</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(367)	(42)	(298)	(42)
Acquisition of intangible assets		(87)	(202)	(87)	(189)
Proceeds from sale of non-current assets		441	762	59	594
Interest received		3	29	-	-
<b>Net cash flows generated from investing activities</b>		<b>(10)</b>	<b>547</b>	<b>(326)</b>	<b>363</b>

**Statements of cash flows (cont'd)**

	Notes	Group		Company	
		Year ended 31 December 2010	2009	Year ended 31 December 2010	2009
<b>Cash flows from financing activities</b>					
Cash flows related to other sources of financing					
Proceeds from borrowings		-	-	1,071	500
Repayment of borrowings		(5,227)	(4,637)	(4,475)	(3,279)
Interest paid		(1,547)	(1,794)	(1,197)	(1,243)
		<u>(6,774)</u>	<u>(6,431)</u>	<u>(4,601)</u>	<u>(4,022)</u>
<b>Net cash flows (used in) generated from financing activities</b>		<b>(6,774)</b>	<b>(6,431)</b>	<b>(4,601)</b>	<b>(4,022)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(442)</b>	<b>362</b>	<b>(780)</b>	<b>1,375</b>
<b>Cash and cash equivalents at the beginning of the year</b>	14	<b>2,161</b>	<b>1,799</b>	<b>1,492</b>	<b>117</b>
<b>Foreign exchange effect on the balance of cash and cash equivalents</b>		<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>1,727</u></b>	<b><u>2,161</u></b>	<b><u>712</u></b>	<b><u>1,492</u></b>

The notes on pages 11 to 59 form an integral part of these financial statements.

**UTENOS TRIKOTAŽAS AB**  
**NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
 (All amounts are in LTL thousand unless otherwise stated)

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**Notes to the financial statements**

**1. General information**

Utenos Trikotažas AB (hereinafter "the Company") is a joint-stock company registered in the Republic of Lithuania on 6 December 1994. The address of its registered office is as follows:

Basanavičiaus g. 122,  
 Utena,  
 Lithuania

The Company is engaged in production of knitted articles.

The shares of Utenos Trikotažas AB are listed on the Official List of the National Stock Exchange.

As of 31 December 2010 and 2009 the shareholders of the Company were as follows:

	<b>2010</b>		<b>2009</b>	
	<b>Number of shares held</b>	<b>Interest held (%)</b>	<b>Number of shares held</b>	<b>Interest held (%)</b>
UAB Konzernas SBA	10,140	51.12	10,140	51.12
Investment Fund Amber Trust	2,700	13.61	2,700	13.61
Investment Fund East Capital Asset	2,091	10.54	2,091	10.54
Other shareholders	4,903	24.73	4,903	24.73
	<u>19,834</u>	<u>100.00</u>	<u>19,834</u>	<u>100.00</u>

In 2010, the average number of employees of the Company was 727 (2009: 714).

The consolidated group (hereinafter "the Group") consists of the Company and the following subsidiaries:

	<b>Registered address</b>	<b>Group's share (%) as of 31 December</b>		<b>Profile</b>
		<b>2010</b>	<b>2009</b>	
Šatrija AB	Vilniaus g. 5, Raseiniai	89.78	89.78	Sewing of clothes
Gotija UAB	Laisvės pr. 33, Kaunas	90.50	90.50	Retail trade
OAO MTF Mrija	Motroso g. 13, Mukačiov, Ukraine	98.95	98.95	Production of knitted articles

In 2010, the average number of employees of the Group was 1,269 ( 2009: 1,337).

The shareholders of the Company have the statutory right to amend the financial statements subsequent to the issue date.

## **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 years presented.

### **2.1 Basis of preparation**

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

These financial statements have been prepared under the historical cost convention.

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 and the Group'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.

#### *(a) Significant amendments to existing standards and interpretations effective as of 2010*

No significant amendments to existing standards and interpretations effective as of 2010 were relevant to the Group's and the Company's financial statements.

#### *(b) Amended standards and interpretations effective as of 2010 but not relevant to the Group and the Company*

The following new and amended standards and interpretations as adopted by EU are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's and the Company's operations:

IFRIC 12, 'Service concession arrangements' (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009). The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. This interpretation does not have any impact on the Group's and the Company's financial statements.

IFRIC 15, 'Agreements for the construction of real estate' (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. This amendment does not have any impact on the Group's and the Company's financial statements.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009). This interpretation does not have any impact on the Group's and the Company's financial statements.

**UTENOS TRIKOTAŽAS AB**

**NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

(All amounts are in LTL thousand unless otherwise stated)

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IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 does not have any impact on the Group's and the Company's financial statements.

IFRIC 18, 'Transfers of assets from customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 does not have any impact on the Group's and the Company's financial statements.

IAS 27, 'Consolidated and separate financial statements' (revised in January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. This revised standard does not have any impact on the Group's and the Company's financial statements.

IFRS 3, 'Business combinations' (revised in January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This revised standard does not have any impact on the Group's and the Company's financial statements.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5. This amendment does not have an impact on the Group's and the Company's financial statements.

'Eligible hedged items' (amendment to IAS 39, 'Financial instruments: recognition and measurement'), effective with retrospective application for annual periods beginning on or after 1 July 2009. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. This amendment does not have an impact on the Group's and the Company's financial statements.

**UTENOS TRIKOTAŽAS AB**

**NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

(All amounts are in LTL thousand unless otherwise stated)

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IFRS 1, 'First-time adoption of International Financial Reporting Standards' (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. This revised standard does not have any impact on the Group's and the Company's financial statements.

'Group cash-settled share-based payment transactions' (amendments to IFRS 2, 'Share-based payment'), effective for annual periods beginning on or after 1 January 2010. The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. These amendments do not have any impact on the Group's and the Company's financial statements.

'Additional exemptions for first-time adopters' (amendments to IFRS 1, 'First-time adoption of IFRS'), effective for annual periods beginning on or after 1 January 2010. The amendments provide an additional exemption for measurement of oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining whether an arrangement contains a lease' when the application of their national accounting requirements produced the same result. These amendments do not have any impact on the Group's and the Company's financial statements.

In April 2009 the EU endorsed the Improvements to IFRSs (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the amendments as adopted by the EU are effective for annual periods starting after 31 December 2009). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations. These amendments are not expected to have significant impact on the Group's and the Company's financial statements.

*(c) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group and the Company*

The following standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2011 but the Company and the Group have not early adopted them:

IAS 24, 'Related party disclosures' (amended in November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

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'Prepayments of a minimum funding requirement (amendment to IFRIC 14), effective for annual periods beginning on or after 1 January 2011. This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment is not expected to have any significant impact on the Company's and the Group's financial statements.

'Classification of rights issues' (amendment to IAS 32, 'Financial instruments: presentation'), effective for annual periods beginning on or after 1 February 2010. The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have an impact on the Group's and the Company's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation is not expected to have any significant impact on the Company's and the Group's financial statements.

'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (amendment to IFRS 1), effective for annual periods beginning on or after 1 July 2010. Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, 'Financial instruments: disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. This amendment is not expected to have any significant impact on the Company's and the Group's financial statements.

IFRS 9, 'Financial instruments Part 1: Classification and measurement' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). This standard is applied to all items that are within the scope of IAS 39, 'Financial instruments: Recognition and measurement'. The purpose of this standard is to define principles for the accounting of financial assets and financial liabilities in order to provide the users of the financial statements with proper and relevant information enabling them to assess the entity's future cash flows, their timing and contingencies.

Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, to IAS 21, IAS 28, IAS 31, IAS 34 and IFRIC 13.

'Disclosures – transfers of financial assets' (amendments to IFRS 7), effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU. The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed



to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

'Deferred tax: Recovery of underlying assets' (amendment to IAS 12), effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU. The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.

'Severe hyperinflation and removal of fixed dates for first-time adopters' (amendment to IFRS 1), effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU. The amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, and guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

## **2.2 Consolidation**

### *(a) Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

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

Subsidiaries in the Company's stand-alone financial statements are accounted for at cost – that is the income from the investment is recognized only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

### *(b) Transactions and non controlling interest*

The Group applies a policy of treating transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the Group's 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.

### **2.4 Foreign currency translation**

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in the litas (LTL), which is the Company's functional and presentation currency.

With effect from 2 February 2002, the litas has been pegged to 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 and loss.

#### *(c) Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recycled to profit and loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## **2.5 Intangible assets**

### *(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment (Note 2.8) and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### *(b) Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (3 to 5 years).

Costs that are directly associated with the development of identifiable and unique software products controlled by the Company and the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (2 to 5 years).

## **2.6 Property, plant and equipment**

Property, plant and equipment is carried at historical cost, less subsequent accumulated depreciation.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 – 80 years
Structures	4 – 25 years
Motor vehicles	4 – 7 years
Other property, plant and equipment	2 – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.8). Impairment of property, plant and equipment as well as reversals of impairment during the year are included into cost of sales in the profit and loss.

Borrowing costs incurred in relation to acquisition of qualifying assets are capitalized. Other borrowing costs are expensed in profit and loss.

Construction in progress is transferred to appropriate groups of property, plant and equipment when it is completed and available for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with carrying amount and are included in operating profit.

## **2.7 Investment property**

Property held for long-term rental yields or capital appreciation or both and which is not occupied by the Company and the Group is classified as investment property. Investment property comprises freehold land and buildings.

Investment property is stated at historical cost, less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Land is not depreciated. Buildings are depreciated over their expected useful life of 40 to 70 years using the straight-line method to write off the cost of each asset to its residual value. Depreciation of investment property is included into other expenses caption in profit or loss.

Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.8). Impairment of investment property as well as reversals for the year are included into cost of sales in profit and loss.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit from operations.

Transfers to, or from, investment property are made when and only when, there is an evidence of a change in use.

## **2.8 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for 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

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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). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

## **2.9 Financial assets**

### *(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 statement of financial position date. These are classified as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method. The Company and the Group assess at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other amounts receivables is described in Note 2.11.

### *(b) Investments in subsidiaries*

The Company's investments in subsidiaries are stated at cost less impairment.

## **2.10 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect 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 costs of completion and selling expenses.

## **2.11 Trade and other amounts receivable**

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

## **2.12 Cash and cash equivalents**

Cash and cash equivalents are carried at nominal value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

## **2.13 Share capital**

### *(a) Ordinary shares*

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

### *(b) Treasury shares*

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid including any attributed incremental external costs is deducted from shareholders' equity as treasury shares until they are sold, reissued, or cancelled. No gain or loss is recognised in profit or loss on the sale, issuance, or cancellation of treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

## **2.14 Reserves**

### *(a) Foreign currency translation reserve*

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

### *(b) Other reserves*

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

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

### *(c) Reserve for acquisition of treasury shares*

This reserve is maintained as long as the Company and the Group is involved in acquisition/disposal of its treasury shares. This reserve is compulsory under the Lithuanian regulatory legislation and should not be lower than the nominal value of treasury shares acquired.

**2.15 Trade and other payables**

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

**2.16 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 profit and loss over the period of the borrowings using the effective interest method.

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

**2.17 Convertible bonds**

Convertible bonds are compound financial instruments that can be converted to shares at the option of the holder of bonds and the number of shares issued does not change in case of changes in their fair value.

A liability component of the compound financial instrument is initially stated at fair value with reference to similar liabilities without the conversion option. An equity component is initially recognised as a difference between the fair value of the compound financial instrument and the estimated fair value of the liability component. All directly attributable transaction costs are assigned to liability and equity components in proportion to their carrying amounts.

Subsequent to initial recognition, a liability component of the compound financial instrument is measured at amortised cost using the effective interest method. An equity component of the compound financial instrument is not remeasured subsequent to initial recognition, except for upon conversion or when the conversion option expires.

**2.18 Income tax**

*(a) Current income tax*

The Group companies are taxed individually irrespective of the overall results of the Group.

Income tax expense reported in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and the Republic of Ukraine.

In 2010, profit is taxable at a rate of 15 per cent (2009: 20 per cent) in accordance with the Lithuanian regulatory legislation on taxation. According to the newly adopted amendments to the Lithuanian Law on Corporate Income Tax, corporate income tax at the rate of 15 per cent is in force as of 1 January 2010. Corporate income tax rate in Ukraine is 25 per cent.

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In accordance with tax legislation of the Republic of Lithuania, starting from 1 January 2008 taxable losses, except for losses related to transfer of securities and/ or financial instruments may be brought forward for an unlimited period. The losses from disposal of securities and / or derivative financial instruments can be only used to reduce the taxable income earned from the transactions of the same nature.

In accordance with tax legislation of the Republic of Ukraine, starting from the end of 2009 taxable losses may be brought forward for an unlimited period.

*(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 consolidated 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**2.19 Leases**

*(a) Finance lease - where the Company or the Group is the lessee*

Leases of property, plant and equipment where the Company or the Group 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 present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

*(b) Operating lease - where the Company or the Group is the lessee or the lessor*

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 profit and loss on a straight-line basis over the period of the lease.



Payments received under operating leases (net of any incentives given to the lessee) are credited to profit and loss on a straight-line basis over the period of the lease. Properties (land and buildings) leased out under operating leases are included in investment property in the statement of financial position (Note 2.7).

## **2.20 Employee benefits**

### *(a) Social security contributions*

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

### *(b) Termination benefits*

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

### *(c) Bonus plans*

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

## **2.21 Provisions**

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

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

## **2.22 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's and the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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*(a) Sales of goods*

Revenue from sales of goods is recognised only when substantially all risks and benefits arising from ownership of goods are transferred to the customer and amount of revenue can be estimated reliably.

*(b) Sewing services*

Revenue from sewing services is recognised when the service has been completed.

*(c) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company or the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

*(d) Dividend income*

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

*(e) Rental income*

Payments received under operating leases (net of any incentives given to the lessee) are credited to profit and loss on a straight-line basis over the period of the lease (Note 2.19).

**2.23 Dividend distribution**

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

**2.24 Earnings (losses) per share**

Basic earnings (losses) per share are calculated by dividing net profit (losses) attributed to the equity holders of the Company from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Group and held as treasury shares. The Group has not issued any dilutive instruments.

**2.25 Non-current assets held for sale**

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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**3. Financial risk management**

**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group.

Risk management is carried out by the Group's Board and management. Overall risk management principles have not been prepared in writing.

**Financial instruments by category**

Accounting policies of financial instruments were applied to the following items:

<b>Assets reported in the statements of financial position</b>	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Non-current amounts receivable from subsidiaries	-	-	4,178	3,971
Non-current trade and other receivables	90	25	-	-
Trade receivables	7,438	7,642	5,792	6,269
Amounts receivable from subsidiaries (Note 31)	-	-	6,755	6,772
Amounts receivable from other related parties	3	4	-	-
Cash and cash equivalents	1,727	2,161	712	1,492
	<b>9,258</b>	<b>9,832</b>	<b>17,437</b>	<b>18,504</b>

<b>Liabilities reported in the statements of financial position</b>	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Borrowings	25,358	35,944	19,608	29,028
Bonds issued	8,268	-	8,268	-
Trade payables	4,892	6,356	4,615	5,933
Amounts payable to subsidiaries	-	-	2,322	1,830
Amounts payable to other related parties	1,510	2,073	1,043	1,855
Accrued charges and other current liabilities (Note 20)	1,725	1,863	1,324	1,379
	<b>41,753</b>	<b>46,236</b>	<b>37,180</b>	<b>40,025</b>

(a) *Market risk*

(i) *Foreign exchange risk*

The Group and the Company operates internationally and carries out a significant part of it's transactions in euros. With effect from 2 February 2002, the litas has been pegged to the euro at an exchange rate of LTL 3.4528 = EUR 1.

Foreign exchange risk for the Group's and the Company's activity is reduced by matching sales transactions and accounts receivable dominated in euros to purchase transactions, accounts payable and borrowings denominated in euro.

### **3.1 Financial risk factors (continued)**

The Group analyses foreign exchange rate exposure regularly. The Group calculates the possible impact on profit or loss by revaluing balances of accounts receivable, accounts payable, borrowings using foreign exchange rate changed by reasonable possible shift.

The Ukrainian subsidiary gained a foreign exchange profit amounting to LTL 1,429 thousand during the year ended 31 December 2010 (2009: loss of LTL 1,200 thousand) due to fluctuations in the official exchange rate of Ukrainian hryvnia (UAH) to EUR settled by the National Bank of Ukraine.

Due to reduced volatility in currency markets in Ukraine reasonable possible shift in foreign exchange rate was decreased to 10 per cent as of 31 December 2010. UAH weakening/strengthening by 10 per cent against EUR (with all other variables remaining stable) as of 31 December 2010 would increase/reduce the Group's net loss by LTL 1,956 thousand (2009: 2,000 LTL thousand) due to borrowings and accounts payable of its Ukrainian operations denominated in euros.

#### *(ii) Cash flow interest rate risk*

Borrowings with variable interest rates expose the Company and the Group to cash flow interest rate risk. Borrowings with variable interest rates of the Company and the Group in 2010 were denominated in LTL and EUR (2009: LTL and EUR).

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

Based on the simulations performed, the impact on the Company's and the Group's loss of a 0.5 per cent increase/decrease in interest rates would be a maximum increase/decrease of LTL 84 thousand (2009: LTL 126 thousand) and LTL 106 thousand (2009: LTL 150 thousand), respectively, mainly as a result of higher/lower interest expense/income on borrowings and loans granted.

#### *(b) Credit risk*

Credit risk arises from cash balances at bank, loans granted and trade receivables, including receivables from related parties.

#### *i) Concentration risk*

The Company's and the Group's exposure to credit risk is concentrated to loans granted and trade receivables, including receivables from subsidiaries and other related parties.

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**3.1 Financial risk factors (continued)**

The table below shows the credit risk concentration.

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Trade receivables from related parties (Note 31)	3	4	6,755	6,772
Loans granted to related parties including interests receivable (Note 31)		-	4,178	3,971
Trade receivables from other parties (Note 11)	7,438	7,642	5,792	6,269
<b>Total loans and trade receivables</b>	<b>7,441</b>	<b>7,646</b>	<b>16,725</b>	<b>17,012</b>

ii) Maximum exposure to credit risk

The table below summarises all credit risk exposures relating to on-statement of financial position items of the Group and of the Company. Maximum exposure to credit risk before collateral held or other credit enhancements:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents at bank (Note 14)	1,682	2,110	675	1,447,
Short – term loans and trade receivables (Note 31 and 11)	7,441	7,646	12,547	13,041
Long - term loans granted and amounts receivable	90	25	4,178	3,971
<b>Total</b>	<b>9,213</b>	<b>9,781</b>	<b>17,400</b>	<b>18,459</b>

iii) Credit quality of financial assets

The Group chooses the banks and financial institutions with a Fitch rating not lower than D.

The credit quality of trade customers is assessed in view of their financial position, history of co-operation with them and other facts.

The credit quality of financial assets that are neither past due nor impaired can be assessed considering independent credit ratings (if any) or historical data on their performance.

(i) Trade receivables – trade customers with no independent rating

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
New trade customers (up to 12 months)	885	1,211	742	941
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	5,165	5,537	3,668	4,688
<b>Total accounts receivable:</b>	<b>6,050</b>	<b>6,748</b>	<b>4,410</b>	<b>5,629</b>

Total accounts receivable reported in the table above include trade receivables and receivable from other related parties.

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**3.1 Financial risk factors (continued)**

(ii) Cash and cash equivalents, excluding cash on hand

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
A and above *	1,658	2,070	654	1,428
No rating	24	40	21	19
<b>Total:</b>	<b>1,682</b>	<b>2,110</b>	<b>675</b>	<b>1,447</b>

\* Independent ratings established by Fitch agency.

Trade receivables that are past due are not treated as impaired since the Group's and the Company's management expects to recover these receivables.

The ageing analysis of these accounts receivable is given in the table below:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Not past due</b>	<b>6,050</b>	<b>6,748</b>	<b>4,410</b>	<b>5,629</b>
<b>Past due not impaired</b>				
Past due up to 30 days	1,371	653	1,389	651
Past due 31-60 days	6	219	4	154
Past due 61-180 days	11	20	29	85
Past due 181 days	3	6	-	-
<b>Total past due not impaired</b>	<b>1,391</b>	<b>898</b>	<b>1,422</b>	<b>890</b>
<b>Impaired and provided for</b>				
Past due 181 days	893	859	8,212	8,030
Impairment allowance for trade receivables	(893)	(859)	(1,497)	(1,508)
<b>Total accounts receivable</b>	<b>7,441</b>	<b>7,646</b>	<b>12,547</b>	<b>13,041</b>

Total accounts receivable reported in the table above include trade receivables, receivable from other related parties and receivables from subsidiaries, exclude loan of LTL 4 178 thousand granted in 31 of 2010 and interests receivable from the subsidiary (2009: LTL 3 971 thousand).

Trade and other amounts receivable are denominated in the following currencies:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
LTL	321	1,406	295	1 503
EUR	7,026	5,858	16,430	15,509
GBP	-	75	-	-
UAH	184	332	-	-
	<b>7,531</b>	<b>7,671</b>	<b>16,725</b>	<b>17,012</b>

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**3.1 Financial risk factors (continued)**

(c) Liquidity risk

The table below summarises the Group's and the Company's financial liabilities. The financial liabilities are classified into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date due to incompliance with covenants as of 31 December 2009. The amounts disclosed in the table are 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.

**Group**

<b>31 December 2010</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
Borrowings from banks	417	1,221	4,617	6,255
Finance lease liabilities	1,559	4,416	16,894	23,069
Bonds issued	-	-	15,011	15,011
Trade payables and other financial liabilities	8,127	-	-	8,127
	<b>10,103</b>	<b>5,637</b>	<b>36,522</b>	<b>52,462</b>

<b>31 December 2009</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
Borrowings from banks	6,916	-	-	6,916
Finance lease liabilities	23,712	-	5,428	29,140
Trade payables and other financial liabilities	10,292	-	-	10,292
	<b>40,920</b>	<b>-</b>	<b>5,428</b>	<b>46,348</b>

**Company**

<b>31 December 2010</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
Finance lease liabilities	1,559	4,616	16,894	23,069
Bonds issued	-	-	15,011	15,011
Trade payables and other financial liabilities	9,304	-	-	9,304
	<b>10,863</b>	<b>4,616</b>	<b>31,905</b>	<b>47,384</b>

<b>31 December 2009</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
Finance lease liabilities	23,712	-	5,428	29,140
Trade payables and other financial liabilities	10,997	-	-	10,997
	<b>34,709</b>	<b>-</b>	<b>5,428</b>	<b>40,137</b>

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### 3.2 Capital management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and 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. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company defines its capital as equity and debt less cash and cash equivalents. As of 31 December the Group's and the Company's capital structure was as follows:

	Group		Company	
	2010	2009	2010	2009
Total borrowings and bonds issued	33,625	35,944	27,876	29,028
Less: cash and cash equivalents	(1,727)	(2,161)	(712)	(1,492)
Net debt	31,898	33,783	27,164	27,536
Total equity	4,101	3,931	18,507	19,278
Total capital	<u>35,999</u>	<u>37,714</u>	<u>45,671</u>	<u>46,814</u>

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 150 thousand (LTL 10 thousand for a private company) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As of 31 December 2010 and 31 December 2009, the Company and its subsidiaries, registered in Lithuania, except for Šatrija AB, as equity was less than 50 percent of the authorised share capital, complied with these requirements.

The shareholders' equity of the subsidiary registered in Ukraine was negative as of 31 December 2010 and 31 December 2009. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies on the moment of the company's registration. As of 31 December 2010 and 31 December 2009, the shareholders' equity of this subsidiary was less than the statutory minimal amount of authorised share capital.

### 3.3 Fair value estimation

Trade payables and receivables, except for receivables from subsidiaries, accounted for in the Group's and 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 their carrying amount.

The fair value of receivables from subsidiaries and loans granted to the subsidiaries by the Company is estimated discounting expected cash flows at current market rates.

Interest rate on the loans received by the Group and 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. Fair value of convertible bonds issued equals their carrying amount.



#### **4. Critical accounting estimates and judgments**

Estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and the Group make 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 recognised 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:

*(b) Going concern assumptions*

During the reporting year, the Company incurred a loss of LTL 771 thousand, the Group earned profit of LTL 1,116 thousand (2009: the Group and the Company incurred a loss of LTL 94 thousand and profit of LTL 3,218 thousand, respectively). At the end of the reporting financial year, the Group's and the Company's current assets exceeded current liabilities by LTL 4,204 thousand and LTL 7,627 thousand, respectively (as of 31 December 2009 the Group's and the Company's current liabilities exceeded current assets by LTL 22,416 thousand and LTL 13,109 thousand, respectively).

As of 31 December 2010, the Company and its subsidiary OAO MTF Mrija complied with covenants stipulated in loan and lease agreements signed with the bank and the lease company (Note 17).

As of 31 December 2009, the Company and its subsidiary OAO MTF Mrija did not comply with certain covenants stipulated in loan and lease agreements signed with the bank and the lease company (Note 17), and OAO MTF Mrija shareholders' equity did not meet the minimal statutory equity level defined in the Ukrainian laws (Note 3.2).

Nevertheless, the Group's and the Company's financial statements have been prepared on a going concern principle, based on assumption that the Group and the Company will continue their operation in the foreseeable future. The reasonableness of this assumption depends on whether sufficient financial resources will be available to the Group or the Company to cover their current liabilities.

In the opinion of the Group's management, the Group and the Company will maintain sufficient cash flows due to actions taken during the reporting year and actions planned for the next financial year.

Positive operating cash flows and positive EBITDA for 2010 were reached due to continued rigorous cost controls and effective management of working capital.

In 2010, the Group and the Company generated profit from their operations, however the Company's net result was negative. A sharp rise in prices of yarn and energy resources negatively affected operating results of 2010. In 2010, the average purchase price of yarn increased by 17.5 per cent and the rise in prices of energy resources reached 15.4 per cent. It was not possible to fully transfer such significant and sudden rise in prices to the clients.

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In the next financial year the Company and the Group will continue implementing rigorous cost control and working capital management measures.

In 2010, the Group's and the Company's liquidity ratios improved significantly. In 2010, the Group's and the Company's liquidity ratios were 1.22 and 1.44, respectively (0.50 and 0.65, respectively, in 2009).

In 2010, sales of the Group and the Company increased by 0.5 and 0.6 per cent, respectively. The Group and the Company will continue to focus on delivering ecological, high-quality and high-value products, excellent service and fast delivery.

In 2010, own brand product sales in the Lithuanian market grew by 4 per cent as compared with the previous year. The Company will continue to focus on increasing own brand product sales.

Loan and finance lease agreements were reviewed during the period encompassing the end of 2009 and the beginning of 2010. Favorable to the Company amendments to the loan agreement were signed that laid down the repayment schedules of financial liabilities until 2015 (Note 31), which correspond to the existing declined levels of business operations and cash flows.

In August 2010, a new agreement with SEB bank in Ukraine was signed which terminated the application of ratios established for the subsidiary OAO MTF Mrija. In 2010, the Group repaid borrowings in the amount of LTL 5,227 thousand. The Company and the Group complied with the repayment schedules agreed with the bank and the leasing company.

The Group will continue to seek for opportunities to sell the assets, which are not used in the main activities.

*(b) Estimates of recoverable amounts of goodwill and investments in subsidiaries*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy described in Note 2.8. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates.

*Investment in the subsidiary Satrija AB and related goodwill*

Based on current industry situation and past experience the Group's management included the following inputs in the impairment test: decrease in revenue of Satrija AB by 9 per cent in 2011 comparing with 2010 and increase by 5 per cent starting from 2012, maintaining a gross profit not less than 20 per cent. The pre-tax discount rate applied to cash flow projections is 11.9 per cent and cash flows beyond 2-year period are extrapolated using a 3 per cent growth rate that reflects the best estimate of the management based on current industry situation.

Increase of pre-tax discount rate applied to the discounted cash-flows by 1 per cent (i.e. from 11.9 per cent to 12.9 per cent, with all other inputs remaining stable) would not have any impact on the assessment of impairment of goodwill allocated to Satrija AB and investment to this subsidiary as of 31 December 2010.

Decrease in growth rate used for extrapolation of cash flows beyond 3-year period by 3 per cent (i.e. from 3 per cent to nil, with all other inputs remaining stable) would not have any impact on the assessment of impairment of goodwill allocated to Satrija AB and investment to this subsidiary would decrease by LTL 266 thousand as of 31 December 2010.

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*Investment in the subsidiary OAO MTF Mrija and related goodwill*

Based on current industry situation and past experience the Group's management included the following inputs in the impairment test: increase in revenue of OAO MTF Mrija by 10 per cent in 2010 comparing with 2011 and increase by 5-10 per cent starting from 2012, maintaining a gross profit not less than 26 per cent. The discount rate applied to cash flow projections is 12.04 per cent and cash flows beyond 2-year period are extrapolated using a 4 per cent growth rate that reflects the best estimate of the management based on current industry situation.

Cash flows also included the amount of LTL 4.5 million expected to be received by the Group on the disposal of non-current assets held for sale and buildings that are not used in the activities of OAO MTF Mrija.

Increase of post-tax discount rate applied to the discounted cash-flows by 1 per cent (i.e. from 12.04 per cent to 13.04 per cent, with all other inputs remaining stable) would result in an additional impairment loss of investment in subsidiary amounting to LTL 139 thousand as of 31 December 2010.

Reduction in revenue increase during 2011 by 10 per cent (i.e. from 10 per cent to 0 per cent, with all other inputs remaining stable) would result in an additional impairment loss of investment in subsidiary amounting to LTL 1,9 million as of 31 December 2010.

Decrease in growth rate used for extrapolation of cash flows beyond 2-year period by 4 per cent (i.e. from 4 per cent to nil, with all other inputs remaining stable) would result in an additional impairment loss of investment in subsidiary amounting to LTL 2,6 million as of 31 December 2010.

*(c) Related-party transactions*

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

*(d) Fair value of non-current assets held for sale less cost to sell*

Due to a limited number of transactions related to disposals of used machinery and equipment in the market, determination of fair value less cost to sell of machinery and equipment held for sale requires judgement. In 2010 and 2009, the basis for this judgement was valuation performed by the independent valuers.

*(e) Estimates of useful lives of property, plant and equipment*

The Company and the Group have machinery with useful lives estimated based on the expected product lifecycles. However, economic useful lives may differ from the currently estimated ones due to technical innovations and competitors' actions.

Furthermore, the Company and the Group have buildings with useful lives exceeding 50 years (Notes 2.7 and 2.8). Management of the Company believe that based on the past experience and present condition of the buildings such longer useful lives are justifiable.

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(g) *Income taxes*

Tax authorities have a right to examine accounting records of the Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year (the Ukrainian subsidiary - 3 year period after the current year) and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances that might result in a potential material liability in this respect to the Company and to the Group.

**5. Segment information**

The Group has three main business segments: production of knitted articles, production of working clothes and retail in knitted articles.

In assessing operational performance of segments the Group's Board takes into account the items of sales revenue, gross profit, adjusted EBIDTA, profit (loss), therefore the report on the Group's segments discloses these items in respect of each segment. As the Board also assesses other items of the statement of comprehensive income by each segment, these items are presented in the report on the Group's segments.

Inter-segment transactions are priced on a 'cost plus' basis. These transactions are eliminated on consolidation.

Below, there is a summary of major indicators for the main business segments of the Group included in the statement of financial position as of 31 December 2010 and in the statement of comprehensive income for the year then ended:

<b>2010</b>	<b>Production of knitted articles</b>	<b>Production of working clothes</b>	<b>Retail in knitted articles</b>	<b>Eliminations</b>	<b>Total</b>
External sales	61,296	8,828	587	-	70,711
Internal sales	3,243	14	-	(3,257)	-
<b>Total revenue</b>	<b>64,538</b>	<b>8,843</b>	<b>587</b>	<b>(3,257)</b>	<b>70,711</b>
<b>Gross profit</b>	<b>7,508</b>	<b>1,570</b>	<b>224</b>	<b>87</b>	<b>9,389</b>
<b>EBIDTA</b>	<b>6,467</b>	<b>956</b>	<b>2</b>	<b>(213)</b>	<b>7,212</b>
<b>Profit (loss) for the year</b>	<b>(21)</b>	<b>607</b>	<b>24</b>	<b>506</b>	<b>1,116</b>
Depreciation and amortisation	5,791	472	8	(64)	6,207
Impairment (reversal) of investments	165	-	-	-	165
Impairment of long term assets held for sale	389	-	-	-	389
Impairment and write-off (reversal) of accounts receivable	(22)	46	-	-	24
Impairment and write-off (reversal) of inventories	(11)	(15)	-	-	(26)
Interest expenses	2,931	-	-	(265)	2,666
Income tax	(830)	(148)	4	-	(974)
<b>Total segment assets</b>	<b>66,419</b>	<b>7 672</b>	<b>1,386</b>	<b>(25,220)</b>	<b>50,257</b>
<b>Total segment liabilities</b>	<b>60,301</b>	<b>2 033</b>	<b>37</b>	<b>(16,218)</b>	<b>46,153</b>

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**5. Segment information (continued)**

Below, there is a summary of major indicators for the main business segments of the Group included in the statement of financial position as of 31 December 2009 and in the statement of comprehensive income for the year then ended:

<b>2009</b>	<b>Production of knitted articles</b>	<b>Production of working clothes</b>	<b>Retail in knitted articles</b>	<b>Eliminations</b>	<b>Total</b>
External sales	60,533	9,190	613	-	70,336
Internal sales	3,021	5	-	(3,026)	-
<b>Total revenue</b>	<b>63,554</b>	<b>9,195</b>	<b>613</b>	<b>(3,026)</b>	<b>70,336</b>
<b>Gross profit</b>	<b>9,571</b>	<b>995</b>	<b>216</b>	<b>163</b>	<b>10,945</b>
<b>Adjusted EBIDTA</b>	<b>10,655</b>	<b>192</b>	<b>(49)</b>	<b>(892)</b>	<b>9,906</b>
<b>Profit (loss) for the year</b>	<b>1,062</b>	<b>(463)</b>	<b>(3)</b>	<b>(690)</b>	<b>(94)</b>
Depreciation and amortisation	6,304	680	9	(63)	6,930
Impairment (reversal) of investments	(1,656)	-	-	1,656	-
Impairment and write-off (reversal) of accounts receivable	637	(14)	-	(676)	(53)
Impairment and write-off (reversal) of inventories	(105)	124	-	-	19
Interest expenses	2,055	-	-	(261)	1,794
Income tax	-	-	-	-	-
<b>Total segment assets</b>	<b>70,075</b>	<b>6,768</b>	<b>1,454</b>	<b>(24,619)</b>	<b>53,678</b>
<b>Total segment liabilities</b>	<b>62,603</b>	<b>1,735</b>	<b>130</b>	<b>(14,721)</b>	<b>49,747</b>

A reconciliation of adjusted EBIDTA to profit (loss) for the year included in the statement of comprehensive income is provided as follows:

	<b>2010</b>	<b>2009</b>
<b>Adjusted EBIDTA</b>	<b>7,212</b>	<b>9,906</b>
Depreciation and amortisation	(6,207)	(6,930)
Interest expenses	(2,666)	(1,794)
Other finance cost, net	1,803	(1,276)
Income tax	974	-
<b>Profit (loss) for the year</b>	<b>1,116</b>	<b>(94)</b>

The measurement and recognition policies used for preparation of management's reports are the same as those used in these financial statements.

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**5. Segment information (continued)**

The Group's and the Company's revenue per customer exceeding 10 per cent of total sales in 2010 and 2009 was as follows:

Customer	Region	Group Percentage of total sales (%)		Company Percentage of total sales (%)	
		2010	2009	2010	2009
Customer 1	Western Europe	16.7	12.3	19.5	14.4
Customer 2	Western Europe	11.6	7.9	13.5	9.2
Customer 3	Western Europe	10.4	6.0	12.2	7.0

The table below summarizes the Group's revenues geographically.

2010	Western Europe	Lithuania and the Baltic States	Other regions	Elimination	Total
Revenue					
External sales of the Group	61,753	7,740	1,218	-	70,711
Internal sales of the Group	-	3,190	67	(3,257)	-
	61,753	10,930	1,285	(3,257)	70,711

2009	Western Europe	Lithuania and the Baltic States	Other regions	Elimination	Total
Revenue					
External sales of the Group	62,019	7,307	1,010	-	70,336
Internal sales of the Group	-	2,958	68	(3,026)	-
	62,019	10,265	1,078	(3,026)	70,336

The Group's assets (except for the assets of subsidiary OAO MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. The carrying amount of property, plant and equipment located in Ukraine was LTL 3,373 thousand as of 31 December 2010 (LTL 3,668 thousand as of 31 December 2009) and non-current assets held for resale amounted to LTL 2,955 thousand as of 31 December 2010 (LTL 3,106 thousand as of 31 December 2009). Capital expenditure relating to property, plant and equipment in Ukraine amounted to LTL 29 thousand in 2010 (2009: LTL 3 thousand).

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**6. Intangible assets**

	Group				Company
	Goodwill, related to OAO MTF Mrija	Goodwill, related to UAB Justima	Other intangible assets	Total	Other intangible assets
<b>Cost:</b>					
Balance as of 1 January 2009	1,994	1,522	3,642	7,158	3,136
Additions	-	-	29	29	17
Foreign currency translation differences	(144)	-	(12)	(156)	-
Balance as of 31 December 2009	1,850	1,522	3,659	7,031	3,153
Additions	-	-	87	87	87
Disposals and write-offs	-	-	(40)	(40)	(40)
Foreign currency translation differences	183	-	19	202	-
Balance as of 31 December 2010	2,033	1,522	3,725	7,280	3,200
<b>Amortisation and impairment:</b>					
Balance as of 1 January 2009	-	129	2,482	2,611	2,034
Charge for the year	-	-	346	346	292
Foreign currency translation differences	-	-	(10)	(10)	-
Balance as of 31 December 2009	-	129	2,818	2,947	2,326
Charge for the year	-	-	279	279	271
Disposals and write-offs	-	-	(40)	(40)	(40)
Foreign currency translation differences	-	-	19	19	-
Balance as of 31 December 2010	-	129	3,076	3,205	2,557
<b>Net book value as of 1 January 2009</b>	<b>1,994</b>	<b>1,393</b>	<b>1,160</b>	<b>4,547</b>	<b>1,102</b>
<b>Net book value as of 31 December 2009</b>	<b>1,850</b>	<b>1,393</b>	<b>841</b>	<b>4,084</b>	<b>827</b>
<b>Net book value as of 31 December 2010</b>	<b>2,033</b>	<b>1,393</b>	<b>649</b>	<b>4,075</b>	<b>643</b>

The Company and the Group have no internally generated intangible assets. Amortisation expenses of intangible assets are included within general and administrative expenses in profit or loss.

As of 31 December 2010, the acquisition cost of intangible assets of the Group and the Company that were fully amortised but still in use amounted to LTL 2,149 thousand and LTL 1 832 thousand, respectively (LTL 2,169 thousand and LTL 1,872 thousand, respectively as of 31 December 2009).

**6. Intangible assets (continued)**

***Goodwill***

On 26 July 2004 the subsidiary AB Šatrija, controlled by the Company, purchased 100 per cent of the shares of UAB Justima and took control over this company which was later merged into AB Šatrija. According to the terms of the share purchase agreement, AB Šatrija paid LTL 1,565 thousand for those shares. The fair value of the net asset acquired amounted to LTL 43 thousand at the time of acquisition; therefore, the amount of LTL 1,522 thousand was accounted for in the financial statements as goodwill.

This goodwill was allocated to AB Šatrija as a cash-generating unit for impairment testing purposes. The recoverable amount of the cash-generating unit was determined based on the value in use calculation using cash flow projections based on financial budgets approved by senior management for a two-year period.

On 30 July 2005 the Company purchased 67 per cent of shares of OAO MTF Mrija operating in Ukraine. The Company paid LTL 2,998 thousand for 8,740,734 OAO MTF Mrija shares with par value of UAH 0.01 each, and recognised goodwill of LTL 1,229 thousand on this transaction. Subsequent to this acquisition, the Company acquired additional 24.85 per cent of shares of its subsidiary OAO MTF Mrija from minority shareholders as a result of issue of new shares. The total price paid for the newly issued shares was LTL 2,569 thousand, LTL 736 thousand whereof was paid for minority interest on acquisition of net assets of LTL 1,159 thousand (fair value). The excess of the acquirer's share in net assets amounting to LTL 423 thousand, which occurred on acquisition of minority interest, was accounted within other income in the Group's statement of comprehensive income for the year ended 31 December 2005. On 7 August 2007, the Company acquired further 7.096 per cent of shares of OAO MTF Mrija. The Company paid LTL 2,011 thousand for 36,406,770 OAO MTF Mrija shares with par value of UAH 0.01 each, and recognised goodwill of LTL 2,012 thousand on this transaction.

This goodwill was allocated to the Ukrainian operations as a cash generating unit for impairment testing purposes. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a two-year period.



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**7. Property, plant and equipment**

<b>Group</b>	<b>Land and buildings</b>	<b>Structures</b>	<b>Vehicles and other property, plant and equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>					
Balance as of 1 January 2009	14,018	1,051	81,894	12	96,975
Additions	-	-	13	25	38
Disposals and write-offs	-	-	(991)	-	(991)
Foreign currency translation differences	(225)	(33)	(391)	(1)	(650)
Balance as of 31 December 2009	13,793	1,018	80,525	36	95,372
Additions	67	34	249	17	367
Reclassification	23	-	2	(25)	-
Disposals and write-offs	-	(32)	(2,457)	(1)	(2,490)
Foreign currency translation differences	281	43	496	-	820
Balance as of 31 December 2010	14,164	1,063	78,815	27	94,069
<b>Accumulated depreciation:</b>					
Balance as of 1 January 2009	5,916	602	59,283	-	65,801
Charge for the year	178	43	6,207	-	6,428
Disposals and write-offs	-	-	(956)	-	(956)
Foreign currency translation differences	(64)	(22)	(226)	-	(312)
Balance as of 31 December 2009	6,030	623	64,308	-	70,961
Charge for the year	208	47	5,571	-	5,826
Disposals and write-offs	-	(32)	(2,396)	-	(2,428)
Foreign currency translation differences	85	32	310	-	427
Balance as of 31 December 2010	6,323	670	67,793	-	74,786
<b>Impairment:</b>					
Balance as of 1 January 2009	30	-	-	-	30
Balance as of 31 December 2009	30	-	-	-	30
Balance as of 31 December 2010	30	-	-	-	30
<b>Net book value as of 1 January 2009</b>	<b>8,072</b>	<b>449</b>	<b>22,611</b>	<b>12</b>	<b>31,144</b>
<b>Net book value as of 31 December 2009</b>	<b>7,733</b>	<b>395</b>	<b>16,217</b>	<b>36</b>	<b>24,381</b>
<b>Net book value as of 31 December 2010</b>	<b>7,811</b>	<b>393</b>	<b>11,022</b>	<b>27</b>	<b>19,253</b>

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**7. Property, plant and equipment (continued)**

<b>Company</b>	<b>Land and buildings</b>	<b>Structures</b>	<b>Vehicles and other property, plant and equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>					
Balance as of 1 January 2009	7,370	571	66,915	1	74,857
Additions	-	-	16	25	41
Disposals and write-offs	-	-	(407)	-	(407)
Balance as of 31 December 2009	7,370	571	66,524	26	74,491
Additions	39	-	242	17	298
Reclassification	23	-	2	(25)	-
Disposals and write-offs	-	-	(697)	(1)	(698)
Balance as of 31 December 2010	7,432	571	66,071	17	74,091
<b>Accumulated depreciation:</b>					
Balance as of 1 January 2009	2,870	330	48,103	-	51,303
Charge for the year	90	32	5,071	-	5,193
Disposals and write-offs	-	-	(371)	-	(371)
Balance as of 31 December 2009	2,960	362	52,803	-	56,125
Charge for the year	90	31	4,598	-	4,719
Disposals and write-offs	-	-	(697)	-	(697)
Balance as of 31 December 2010	3,050	393	56,704	-	60,147
<b>Impairment:</b>					
Balance as of 1 January 2009	30	-	-	-	30
Balance as of 31 December 2009	30	-	-	-	30
Balance as of 31 December 2010	30	-	-	-	30
<b>Net book value as of 1 January 2009</b>	<b>4,470</b>	<b>241</b>	<b>18,812</b>	<b>1</b>	<b>23,524</b>
<b>Net book value as of 31 December 2009</b>	<b>4,380</b>	<b>209</b>	<b>13,721</b>	<b>26</b>	<b>18,336</b>
<b>Net book value as of 31 December 2010</b>	<b>4,352</b>	<b>178</b>	<b>9,367</b>	<b>17</b>	<b>13,914</b>

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**7. Property, plant and equipment (continued)**

Total depreciation charges of the Group's and the Company's property, plant and equipment amounted to LTL 5,826 thousand and LTL 4,719 thousand, respectively in 2010 (2009: LTL 6,428 thousand and LTL 5,193 thousand, respectively). The respective amounts of LTL 5,619 thousand and LTL 4,617 thousand in 2010 (2009: LTL 7,275 thousand and LTL 5,104 thousand, respectively) were included in cost of sales in the Group's and the Company's. The remaining amounts were included in general and administrative expenses and inventories in the statement of financial position.

Property, plant and equipment of the Group and the Company with the acquisition costs of LTL 40,193 thousand and LTL 28,625 thousand, respectively, were fully depreciated as of 31 December 2010 (2009: LTL 36,407 thousand and LTL 27,378 thousand, respectively), but were still in use.

Property, plant and equipment of the Group and the Company with the net book values of LTL 21,605 thousand and LTL 16,521 thousand, respectively, as of 31 December 2010 (2009: LTL 7,201 thousand and LTL 1,304 thousand, respectively) were pledged to the banks as a collateral for the borrowings (Note 17).

The Company's lease rights of state-owned land plots located at Basanavičiaus St. 122, in Utena and Taikos Ave. 76B, in Visaginas, have also been pledged to the bank.

Leased assets, where the Company and the Group is a lessee under finance lease contracts comprised as follows as of 31 December:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Cost – capitalised finance lease				
Buildings	7,284	7,222	7,284	7,222
Vehicles and other property, plant and equipment	43,960	44,439	43,960	44,439
	<u>51,244</u>	<u>51,661</u>	<u>51,244</u>	<u>51,661</u>
Accumulated depreciation				
Buildings	(3,019)	(2,930)	(3,019)	(2,930)
Vehicles and other property, plant and equipment	(35,958)	(32,776)	(35,958)	(32,776)
	<u>(38,977)</u>	<u>(35,706)</u>	<u>(38,977)</u>	<u>(35,706)</u>
Net book value	<u>12,267</u>	<u>15,955</u>	<u>12,267</u>	<u>15,955</u>

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**8. Investment property**

	<b>Group</b>	<b>Company</b>
<b>Cost:</b>		
Balance as of 1 January 2009	4,549	4,549
Disposals	(211)	(211)
Balance as of 31 December 2009	4,338	4,338
Balance as of 31 December 2010	4,338	4,338
<b>Accumulated depreciation:</b>		
Balance as of 1 January 2009	1,103	1,103
Charge for the year	104	104
Disposals	(42)	(42)
Balance as of 31 December 2009	1,165	1,165
Charge for the year	102	102
Balance as of 31 December 2010	1,267	1,267
<b>Impairment</b>		
Balance as of 1 January 2009	-	-
Balance as of 31 December 2009	-	-
Charge for the year	(165)	(165)
Balance as of 31 December 2010	(165)	(165)
<b>Net book value as of 1 January 2009</b>	<b>3,446</b>	<b>3,446</b>
<b>Net book value as of 31 December 2009</b>	<b>3,173</b>	<b>3,173</b>
<b>Net book value as of 31 December 2010</b>	<b>2,906</b>	<b>2,906</b>

Rental income and associated costs have been disclosed in Notes 24 and 25.

Investment property of the Company and the Group comprises buildings rented to related party and third parties and vacant buildings ready for sale.

Leased investment property, where the Company and the Group is a lessee under finance lease contracts comprised as follows as of 31 December:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Cost – capitalised finance lease				
Investment property	4,212	4,212	4,212	4,212
	4,212	4,212	4,212	4,212
Accumulated depreciation				
Investment property	(1,152)	(1,062)	(1,152)	(1,062)
	(1,152)	(1,062)	(1,152)	(1,062)
Impairment loss for investment property	(165)	-	(165)	-
Net book value	2,895	3,150	2,895	3,150

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**8. Investment property (continued)**

The fair value of the investment property approximates to its net book value as of 31 December 2010 and as of 31 December 2009. The fair value of investment property as of 31 December 2010 and as of 31 December 2009 was estimated by management using market price per square meter of similar premises in similar locations identified by independent property valuers.

No material contractual commitments to purchase, construct, develop, repair or increase the investment property existed at the year-end.

**9. Investments in subsidiaries**

The Company's investments in subsidiaries were as follows as of 31 December:

	<u>2010</u>	<u>2009</u>
<b>Cost of investments:</b>		
Balance as of 1 January	12,753	12,753
Balance as of 31 December	12,753	12,753
<b>Impairment:</b>		
Balance as of 1 January	1,357	3,013
Reversal of impairment	-	(1,656)
Balance as of 31 December	1,357	1,357
<b>Carrying amount of investments in subsidiaries as of 31 December</b>	<b><u>11,396</u></b>	<b><u>11,396</u></b>

As of 31 December 2010, investment to the subsidiary AB Šatrija amounting to LTL 4,935 thousand was pledged to the lease company as collateral for the finance lease (as of 31 December 2009: LTL 4,935 thousand) (Note 17).

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**10. Inventories**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Raw materials	3,463	3,081	2,180	1,647
Work in progress	4,149	2,554	4,083	2,464
Finished goods	2,888	3,497	2,663	3,342
Goods for resale	123	138	-	-
	<u>10,623</u>	<u>9,270</u>	<u>8,926</u>	<u>7,453</u>
Write-down to net realisable value:				
Opening balance	(1,695)	(1,926)	(574)	(855)
Change	95	231	80	281
Closing balance	<u>(1,600)</u>	<u>(1,695)</u>	<u>(494)</u>	<u>(574)</u>
	<u>9,023</u>	<u>7,575</u>	<u>8,432</u>	<u>6,879</u>

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as of 31 December 2010 amounted to LTL 2,739 thousand and LTL 1,633 thousand respectively (2009: LTL 2,776 thousand and LTL 1,655 thousand, respectively). Changes in impairment allowance for inventories during 2010 and 2009 were recorded within general and administrative expenses in the Group's and the Company's profit or loss.

Inventories of the Company and the Group up to the carrying value of LTL 6,570 thousand as of 31 December 2010 were pledged to the lease company as collateral for the finance lease (as of 31 December 2009: up to the LTL 11,400 thousand).

**11. Trade receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Trade receivables, gross	8,331	8,501	6,612	7,101
Impairment allowance for trade receivables:				
Opening balance	(859)	(866)	(832)	(853)
Change	(34)	7	12	21
Closing balance	<u>(893)</u>	<u>(859)</u>	<u>(820)</u>	<u>(832)</u>
	<u>7,438</u>	<u>7,642</u>	<u>5,792</u>	<u>6,269</u>

Changes in impairment allowance for doubtful trade receivables during 2010 and 2009 were recorded within general and administrative expenses in the Group's and the Company's profit or loss.

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**12. Other accounts receivable**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Taxes receivable, except for prepaid income tax	1,313	1,315	438	387
Prepayments	495	164	472	141
	<u>1,808</u>	<u>1,479</u>	<u>910</u>	<u>528</u>

**13. Non current assets held for resale**

In 2008, the subsidiary OAO MTF Mrija signed the contract with the agent for disposal of equipment not used in the subsidiary's activity with net book value of LTL 2,956 thousand as of 31 December 2010 (as of 31 December 2009: LTL 3,106 thousand). During 2010 certain equipment was sold, for the remaining equipment buyer is actively searching. The planned disposal period is within a year after the statement of financial position date. As of 31 December 2010, impairment of the equipment is amounted LTL 389 thousand.

**14. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Cash on hand	45	50	37	43
Cash at bank	1,682	2,010	675	1,447
Deposits with maturity term of 3 months or less	-	100	-	-
	<u>1,727</u>	<u>2,161</u>	<u>712</u>	<u>1,492</u>

The balance of the Group's deposits as of 31 December 2009 included a deposit of LTL 100 thousand. Its contractual maturity date was 5 February 2010.

In 2010 and 2009, all cash inflows into the Company's accounts opened in the bank were pledged to the lease company as collateral for the finance lease (Note 17). As of 31 December 2010 and 2009, the Group and the Company had no other restrictions on the use of cash and cash equivalents.

**15. Share capital**

As of 31 December 2010 and 2009, the share capital comprised 19,834,442 ordinary registered shares with par value of LTL 1 each. As of 31 December 2010 and 2009, all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as of 31 December 2010 and 2009. The Company did not hold its own shares as of 31 December 2010 and 2009.

**16. Reserves**

***Other reserves***

The balance of the Company's reserves as of 31 December 2010 and 2009 comprised a legal reserve.

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**17. Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>Current</b>				
Current portion of long-term bank borrowings	1,331	6,916	-	-
Finance lease liabilities	5,240	23,712	5,240	23,712
	<u>6,571</u>	<u>30,628</u>	<u>5,240</u>	<u>23,712</u>
<b>Non-current</b>				
Long-term borrowings	4,419	-	-	-
Finance lease liabilities	14,368	5,316	14,368	5,316
	<u>18,786</u>	<u>5,316</u>	<u>14,368</u>	<u>5,316</u>
<b>Total borrowings</b>	<u>25,357</u>	<u>35,944</u>	<u>19,608</u>	<u>29,028</u>

In 2008, bank borrowings of the Company and the Group amounting to LTL28,802 thousand were restructured to finance lease liabilities.

In 2010 and 2009, the bank borrowings are secured by property plant and equipment (Note 7).

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. Furthermore, investment to subsidiary (Note 9), future cash inflows into certain bank accounts (Note 14) and inventories (Note 10) were pledged as an additional collateral for the finance lease.

The carrying amounts of borrowings were denominated in the following currencies:

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
EUR	<u>25,357</u>	<u>35,944</u>	<u>19,608</u>	<u>29,028</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
Long-term bank borrowings	6.10	5.80	-	-
Finance lease liabilities	5.16	2.79	5.16	2.79



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**17. Borrowings (continued)**

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

The exposure of the borrowings to interest rate changes and the contractual re-pricing dates at the statement of financial position dates are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
Every 6 months or more frequently	25,357	35,944	19,608	29,028

On 6 January 2010, the Company and Swedbank Lizingas UAB and Swedbank AB entered into the agreement on the fulfilment of the commitments set in the lease agreement. The parties agreed to extend the settlement term of finance lease liabilities until 30 September 2014 and revise the instalment schedules. A new annual interest rate was agreed which was set at 6 month EURIBOR plus 4 per cent margin.

Moreover, starting from 1 June 2010 the Company committed to comply with the following financial ratios during the entire validity period of the contracts:

1) *Group's financial ratios:*

- a) DSCR (debt service coverage ratio) not lower than 1.2;
- b) debt to EBITDA ratio not higher than 4;

2) *Company's financial ratios:*

- a) equity-to-total assets ratio not lower than 0.3;
- b) debt to EBITDA ratio not higher than 3.5;

Upon the approval from the bank:

- the calculation of the Group's financial ratios included EBITDA as adjusted by recognised impairment charge on investment property and non-current assets held for sale and provisions for employee benefits;

- the calculation of the Company's financial ratios included borrowings that were exclusive of loans received from subsidiaries.

After making adjustments agreed with the bank the Group and the Company complied with established ratios as at 31 December 2010.

10 October 2009, the Company's subsidiary OAO MTF Mrija and the bank signed amendments to the loan agreement according to which the repayment term of loans was extended until 20 November 2012.

In August 2010, a new agreement with SEB bank in Ukraine was signed which terminated the application of ratios established for the subsidiary OAO MTF Mrija.

As at 31 December 2009, the Company's subsidiary OAO MTF Mrija did not comply with ratios established for (1) capital; (2) cash; (3) general liquidity in certain transactions between group companies.

As at 31 December 2009, the Company did not comply with (1) capital and reserves to equity and liabilities and (2) non-current and current borrowings to capital and reserves ratios which are presented as restrictive covenants in certain finance lease agreements.

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**17. Borrowings (continued)**

As at 31 December 2009, according to these agreements the Group's borrowings with maturities over one year totalling to LTL 5,932 thousand were reclassified as current portion of long-term bank borrowings.

Group and the Company does not expect that the banks and the leasing company will take any restrictive response.

Finance lease liabilities – minimum lease payments:

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Not later than 1 year	6,175	23,953	6,175	23,953
After 1 year but not later than 5 years	16,894	5,428	16,894	5,428
After 5 years	-	-	-	-
	<u>23,069</u>	<u>29,381</u>	<u>23,069</u>	<u>29,381</u>
Future finance lease charges	(3,461)	(353)	(3,461)	(353)
	<u>19,608</u>	<u>29,028</u>	<u>19,608</u>	<u>29,028</u>

Present value of finance lease liabilities:

Not later than 1 year	5,240	23,712	5,240	23,712
After 1 year but not later than 5 years	14,367	5,316	14,367	5,316
After 5 years	-	-	-	-
	<u>19,607</u>	<u>29,028</u>	<u>19,607</u>	<u>29,028</u>

**18. Convertible bonds issued**

	Group		Company	
	2010	2009	2010	2009
Convertible bonds issued to the bank	6,527	-	6,527	-
Convertible bonds issued to UAB Koncernas „SBA“	1,741	-	1,741	-
	<u>8,268</u>	<u>-</u>	<u>8,268</u>	<u>-</u>

On 11 January 2010, an agreement on convertible bonds was entered into by the Company and Swedbank AB. Based on the 3 December 2009 decision of the extraordinary general shareholder meeting it was resolved to issue 50 units of convertible bonds with the nominal value in total of LTL

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11,850 thousand (equivalent in EUR 3,432 thousand) by restructuring a part of the Company's finance lease liabilities to the finance lease company.

Based on the convertible bond agreement the Company is obliged to redeem bonds or exchange them for the shares of the Company under the terms and conditions established in the agreement. A nominal value of one bond is LTL 237 thousand (equivalent in EUR 69 thousand); a discounted value of one bond issue is LTL 112 thousand (equivalent in EUR 33 thousand); yield of the bond is 15 per cent of annual interest. The maturity term of bonds is 5 years; the maturity date is 12 January 2015.

In addition, an agreement on convertible bonds was entered into by the Company and the ultimate parent company Koncernas SBA UAB on 11 January 2010. Based on the 3 December 2009 decision of the extraordinary general shareholder meeting it was resolved to issue 16 units of convertible bonds with the nominal value in total of LTL 3,166 thousand (equivalent in EUR 917 thousand) by restructuring the Company's financial liabilities to the ultimate parent company.

Based on the convertible bond agreement the Company is obliged to redeem bonds or exchange them for the shares of the Company under the terms and conditions established in the agreement. A nominal value of one bond is LTL 198 thousand (equivalent in EUR 57 thousand); a discounted value of one bond issue is LTL 94 thousand (equivalent in EUR 27 thousand); yield of the bond is 15 per cent of annual interest. The maturity term of bonds is 5 years; the maturity date is 12 January 2015.

Convertible bonds were issued after the restructuring of finance lease liabilities and amounts payable to SBA Koncernas UAB. The Company measured the liability and equity components of this compound financial instrument. During the measurement it was determined that the equity component is equal to zero, therefore the total value of the compound financial instrument was attributed to the liability component.

**19. Provisions for employee benefits**

	Group		Company	
	2010	2009	2010	2009
Provisions for employee benefits	351	-	351	-
	<u>351</u>	<u>-</u>	<u>351</u>	<u>-</u>

Provisions for pension and jubilee benefits represent amounts calculated according to the collective agreement in force in the Group and the Company. Each employee is entitled to a jubilee benefit and a 2 months salary payment when leaving the job at or after the start of pension period.

**20. Accrued expenses and other current liabilities**

	Group		Company	
	2010	2009	2010	2009
Amounts payable for services and non-current assets	1,475	1,588	1,207	1,241
Wages, salaries and social security	1,484	1,344	1,052	994
Accrual for vacation reserve	1,962	1,437	1,352	1,031
Bonuses for employees	273	350	153	300
Taxes payable, except for profit tax	330	380	117	102
Other liabilities	250	275	117	138
	<u>1,475</u>	<u>1,588</u>	<u>1,207</u>	<u>1,241</u>

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**21. Revenue**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenue from sale of goods	63,760	63,968	60,316	59,899
Revenue from sewing services	6,611	6,056	-	-
Revenue from sale of materials	340	312	127	186
	<u>70,711</u>	<u>70,336</u>	<u>60,443</u>	<u>60,085</u>

**22. Cost of sales**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Materials	21,531	21,649	20,631	18,730
Wages and salaries and social security	22,527	21,559	16,107	16,128
Other overhead expenses	11,446	9,595	12,380	10,858
Depreciation and amortisation	5,625	6,314	4,623	5,114
Cost of materials sold	193	274	46	146
	<u>61,322</u>	<u>59,391</u>	<u>53,787</u>	<u>50,976</u>

**23. Selling general and administrative expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Selling expenses</b>				
Maintenance costs of retail outlets	137	155	-	-
Wages salaries and social security	959	905	750	672
Other selling expenses	1,180	1,138	1,135	1,057
Total selling expenses	<u>2,276</u>	<u>2,198</u>	<u>1,885</u>	<u>1,729</u>
<b>General and administrative expenses</b>				
Wages salaries and social security	2,227	2,067	1,493	1,401
Communications and consulting services	1,190	1,290	892	923
Taxes other than income tax	658	575	604	523
Impairment (reversal) of investment	-	-	-	(1,656)
Impairment of investment property	165	-	165	-
Impairment of long-term assets held for sale	389	-	-	-
Depreciation and amortisation	389	434	315	340
Impairment and write-off (reversal) of inventories	(26)	19	(33)	(39)
Impairment and write-off (reversal) of accounts receivable	24	(53)	(22)	637
Business trips	61	76	37	39
Charity and sponsorship	18	11	18	11
Provision for employee benefits	351	-	351	-
Other	1,344	2,079	698	1,332
Total general and administrative expenses	<u>6,790</u>	<u>6,498</u>	<u>4,518</u>	<u>3,511</u>
	<u>9,066</u>	<u>8,696</u>	<u>6,403</u>	<u>5,240</u>

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	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>24. Other income</b>				
Lease income	371	458	304	290
	<u>371</u>	<u>458</u>	<u>304</u>	<u>290</u>
<b>25. Other expenses</b>				
Lease expenses	(124)	(145)	(124)	(126)
	<u>(124)</u>	<u>(145)</u>	<u>(124)</u>	<u>(126)</u>
<b>26. Other gains/ (losses) - net</b>				
Gain on disposal of investment property	-	349	-	349
Gain on disposal of property plant and equipment	310	118	58	42
Other	125	(53)	43	(1)
	<u>435</u>	<u>414</u>	<u>101</u>	<u>390</u>
<b>27. Finance costs, net</b>				
Net foreign exchange loss	1,796	(1,278),	(6)	(13)
Interest expenses	(2,666)	(1,794),	(2,341)	(1,374)
Interest income	3	29,	207	208
Discounts received on earlier payment	-	15	-	15
Interest on late payment received / paid	4	(42)	5	(41)
	<u>(863)</u>	<u>(3,070)</u>	<u>(2,135)</u>	<u>(1,205)</u>
<b>28. Employee benefits</b>				
Wages and salaries	19,557	18,675	14,009	13,902
Social security	6,156	5,856	4,342	4,299
	<u>25,713</u>	<u>24,531</u>	<u>18,351</u>	<u>18,201</u>

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**29. Income tax**

Income tax expense comprised as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current tax	(4)	-	-	-
Change in deferred tax	978	-	830	-
Income tax expense	<u>(974)</u>	<u>-</u>	<u>830</u>	<u>-</u>

Reconciliation of the reported amount of income tax expense for the year to the amount of income tax that would be calculated applying the statutory income tax rate to profit before tax:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Income tax at a rate of 15% in 2010 (20% in 2009)	(21)	19	240	(644)
Effect of different tax rates applicable to Ukrainian subsidiaries	(126)	109	-	-
Unrecognised deferred tax assets	1,467	381	640	418
Change in income tax rate	-	-	-	-
Expenses not deductible for tax purposes	(432)	(924)	(50)	(32)
Non taxable income	90	415	-	258
Income tax expense	<u>978</u>	<u>-</u>	<u>830</u>	<u>-</u>

The movement on deferred income tax account was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
At beginning of year	-	-	-	-
Change during the year	978	-	830	-
At end of year	<u>978</u>	<u>-</u>	<u>830</u>	<u>-</u>

In 2010, deferred income tax asset and liability relating to the entities operating in Lithuania were estimated using the tax rate of 15 per cent (15 per cent tax rates in 2009). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 25 per cent.

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

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**29. Income tax (continued)**

Group	Recognised in profit and loss		Recognised in profit and loss	
	2008	2009	2010	2010
<b>Deferred tax assets</b>				
Tax loss carry forwards	-	-	707	707
Inventories	-	-	124	124
Receivables	-	-	80	80
Property, plant and equipment and investment property	-	-	29	29
Provision for employee benefits	-	-	53	53
Accrued charges	-	-	126	126
	-	-	1,119	1,119
<b>Deferred tax liabilities</b>				
Goodwill	-	-	(44)	(44)
Property, plant and equipment	-	-	(97)	(97)
	-	-	(141)	(141)
<b>Deferred tax assets, net</b>	-	-	978	978

Company	Recognised profit and loss		Recognised profit and loss	
	2008	2009	2010	2010
<b>Deferred tax assets/liabilities</b>				
Taxable loss carried forward	-	-	601	601
Inventory	-	-	74	74
Receivables	-	-	69	69
Property, plant and equipment and investment property	-	-	29	29
Provision for employee benefits	-	-	53	53
Accrued charges	-	-	48	48
	-	-	874	874
<b>Deferred tax liabilities</b>				
Depreciation of tangible fixed assets	-	-	(44)	(44)
	-	-	(44)	(44)
<b>Net of deferred tax assets/liabilities</b>	-	-	830	830

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

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The Group's and the Company's tax losses to be carried forward against future taxable income amounted to LTL 12,679 thousand and LTL 4,010 thousand, respectively, as of 31 December 2010 (2009: LTL 15,134 thousand and LTL 3,370 thousand).

As at 31 December 2010, the Group had tax losses of LTL 8,669 thousand and as at 31 December 2009, the Group and the Company had tax losses amounting to LTL 15,134 thousand and LTL 3,370 thousand, respectively, on which no deferred income tax assets were recognised due to uncertainties related to their realisation. All tax losses of the Company and the Group may be carried forward for the unlimited term.

Deferred tax asset not recognised by the Group and the Company in its financial statements as of 31 December 2010 due to uncertainties relating to the Group's and the Company's ability to earn sufficient taxable income necessary for realisation of this asset totaled LTL 4,756 thousand (2009: LTL 3,284 thousand and LTL 640 thousand).

**30. Profit/(loss) per share**

Profit/(loss) per share reflect the Group's net profit/(loss), divided by the outstanding number of shares. Calculation of the profit/(loss) per share is presented below:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
Profit/(loss) attributable to the equity holders of the Company	1,040	(46)
Weighted average number of shares in issue (thousand)	19,834	19,834
Basic and diluted loss per share (in LTL)	0.052	(0.002)

The Company has no dilutive potential ordinary shares, therefore, the diluted profit/(loss) per share are the same as basic profit/(loss) per share.

**31. Related-party transactions**

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

<b><i>Related party</i></b>	<b><i>Description of relation</i></b>
A. Martinkevičius	Ultimate controlling individual
UAB Koncernas SBA	Ultimate parent company, exercising control through majority of Board members
SBA group companies	UAB Koncernas SBA subsidiaries
Company's management	Directors, Board members and their family members

The Company issued convertible bonds (Note 18). If the bank and SBA Koncernas UAB exercise the conversion option, SBA Koncernas UAB would own less than 51 per cent of the share capital of the Company. The conversion option was not exercised as at 31 December 2010.



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Besides related parties of the Group, subsidiaries of the Company are treated as related parties of the Company.

Related-party transactions are priced on a 'cost plus' basis.

As at 31 December 2010 and 31 December 2009, the Group and the Company had 0.002 per cent of shares of OAO MTF Mrija.

The Group's and the Company's related-party transactions in 2010 and 2009 were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Sales of goods and services</i></b>				
Subsidiaries of the Company	-	-	393	449
SBA group companies	645	810	449	771
Ultimate parent company	8	1	8	-
	<u>653</u>	<u>811</u>	<u>850</u>	<u>1 220</u>

**31. Related-party transactions (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Interest income</i></b>				
Subsidiaries of the Company	-	-	207	208
	<u>-</u>	<u>-</u>	<u>207</u>	<u>208</u>

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Interest expenses</i></b>				
Ultimate parent company	241	-	241	-
Subsidiaries of the Company	-	-	59	5
	<u>241</u>	<u>-</u>	<u>300</u>	<u>5</u>

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Purchases of goods and services</i></b>				
Subsidiaries of the Company	-	-	2,884	2,684
SBA group companies	59	-	59	-
Other related parties	6	7	6	6
Ultimate parent company	914	970	708	703
	<u>979</u>	<u>977</u>	<u>3,657</u>	<u>3,393</u>

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**31. Related-party transactions (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Acquisition of property, plant and equipment</i></b>				
Subsidiaries of the Company	-	-	19	9
	<u>-</u>	<u>-</u>	<u>19</u>	<u>9</u>

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Amounts receivable (including prepayments and loans)</i></b>				
<i>Accounts receivable from subsidiaries, gross</i>	-	-	7,432	7,448
<i>Impairment allowance</i>	-	-	(676)	(676)
Accounts receivable from subsidiaries, net	-	-	6,756	6,772
Prepayments to subsidiaries	-	-	2,243	2,087
Loans granted including interests receivable from subsidiaries	-	-	4,178	3,971
SBA group companies	3	4		-
	<u>3</u>	<u>4</u>	<u>13,177</u>	<u>12,830</u>

In 2007, the Company granted a loan to subsidiary OAO MTF Mrija amounting to LTL 3,453 thousand with maturity of 12 December 2008. In 2008, the loan maturity was prolonged until 14 December 2009. In 2009, the loan maturity was prolonged until 30 November 2012 with fixed interest rate of 6 per cent.

Interest rate on loans granted to the related parties is based on corresponding borrowing rate, therefore carrying amount of loans granted to related parties approximates their fair value.

Interest rate established for loans granted to related parties is based on the interest rate set for similar borrowings, therefore, the carrying amount of loans granted to related parties approximate their fair value.

Interest rates on loans granted to related parties are as follows:

	<b>2010</b>	<b>2009</b>
Loans granted to related parties	6%	6%

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	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Amounts payable within one year</i></b>				
Subsidiaries of the Company	-	-	2,322	1,830
SBA group companies	58	216	58	216
Other related parties	128	128	128	128
Ultimate parent company	1,324	1,729	857	1,511
	<u>1,510</u>	<u>2,073</u>	<u>3,365</u>	<u>3,685</u>

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Convertible bonds issued</i></b>				
Ultimate parent company	1,741	-	1,741	-
	<u>1,741</u>	<u>-</u>	<u>1,741</u>	<u>-</u>

On 10 November 2009, the subsidiary Šatrija AB granted to the Company a current loan of LTL 500 thousand which is subject to interest rate of 6 month VILIBOR plus 1.3 per cent margin. As of 31 December 2009, interest rate was 8.57 per cent. The repayment date of the loan is 10 November 2010. Loan was refunded in 2010.

In 2010, Šatrija AB transferred to the Company LTL 1,071,984. The loan agreement has not been concluded, therefore the repayment term and interest rate are not defined. The bank has imposed restrictions on the repayment of these amounts valid until 30 September 2014 that are not completely agreed between the bank and the Company.

In 2008, the subsidiary Gotija UAB granted to the Company a current loan of LTL 1,250 thousand priced at 6 per cent annual interest rate and maturing on 30 June 2009.

On 1 July 2009, this loan was converted to the euros, i.e. EUR 362 thousand, using the official exchange rate of the litas against the euro announced by the Bank of Lithuania (LTL 3.4528 to EUR 1). The repayment date of the loan is 30 June 2010. Interest rate is set at 12 month LIBOR EUR + 1.3 per cent profit margin. As of 31 December 2009, interest rate was 2.81 per cent.

On 1 July 2010, the repayment term of the loan was extended for the additional period of one year expiring on 30 June 2011. Interest rate was established at 12 month LIBOR EUR + 1.3 margin making a 2.606 per cent interest rate.

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b><i>Key management compensation including social security costs</i></b>				
Remuneration of management	1,258	1,379	704	919
	<u>1,258</u>	<u>1,379</u>	<u>704</u>	<u>919</u>

In 2010 and 2009 the management of the Group and the Company did not receive any loans, guarantees; any other payments or property transfers were made or accrued.

***Guarantees issued***

Guarantees issued on behalf of related parties are disclosed in Note 32.

**32. Contingent liabilities and commitments**

*Guarantees issued*

The Group has not issued any guarantees to secure the fulfillment of obligations of other parties.

The Company has an agreement with bank, based on which the Company issued a guarantee for the amount of LTL 5,726 thousand (LTL 7,161 thousand as of 31 December 2009) on behalf of its subsidiary OAO MTF Mrija to secure the repayment of borrowings.

The Company's management believe that OAO MTF Mrija will meet its obligations to the bank.

***Commitments***

As of 31 December 2010 and 2009 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

**33. Post balance sheet events**

In March 2011, a trilateral agreement was signed between OAO Mrija, Omniteksu UAB and SEB Lizingas based on which OAO Mrija committed to sell to the company Omniteksas a Bruckner machine pledged to SEB bank for the consideration of EUR 290 thousand. On 31 March 2011, an advance payment of EUR 250 was received and transferred to SEB bank as the repayment of the loan.

From 28 March 2011, Mr. Saulius Rakauskis holds the position of the Company's Finance Director.



Utenos trikotažas

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ANNUAL REPORT  
FOR 2010

## 1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2010 to 31 December 2010.

All amounts in the Annual Report present situation as at 31 December 2010, unless otherwise stated. Further in this report Utenos Trikotažas AB can be referred to as the Company or the Issuer.

## 2. Issuer and its contact data

Company name	<b>Utenos Trikotažas AB</b>
Authorised share capital	LTL 19,834,442
Address	J. Basanavičiaus g. 122, Utena
Telephone	(389) 51 445
Fax	(389) 69 358
E-mail	<a href="mailto:utenos.trikotazas@ut.lt">utenos.trikotazas@ut.lt</a>
Website	<a href="http://www.utenostrikotazas.lt">www.utenostrikotazas.lt</a>
Legal and organisation form	Legal entity, public company
Date and place of incorporation	Registered with the Register of Legal Entities of Utena District on 6 December 1994; reregistered with the Ministry of Economy of the Republic of Lithuania on 18 September 1998.
Registration code	BĮ 98-257
Code of the Register of Legal Entities	183709468

## 3. Nature of the Issuer's operations

Utenos Trikotažas AB operates in the field of light industry. The Company's principal activity is production of knit-wear and textile articles.

The Company's profile of activities:

- production of knit-wear and textile articles;
- production of mass-consumption goods which is closely related to principal activities;
- retail and wholesale trade in own production and production of other companies in local and foreign markets;
- purchase-sale transactions of foreign trade;
- rendering of services to natural and legal persons.

## 4. Agreements with intermediaries of securities' public turnover

On 25 September 2005, the Issuer concluded a service agreement with the Department of Safe Custody Services of SEB Vilniaus Bankas AB (address Gedimino pr. 12, LT-01103 Vilnius). Under this agreement the accounting of the Issuer's securities is handled.

On 25 April 2007, the Issuer concluded an agreement with OMX Exchanges Ltd. on the system of service provision, disclosure and communication of information.

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

The Company's shares are listed on the Official List of the National Stock Exchange, as well on the Baltic List of the Lithuanian, Latvian and Estonian stock market.

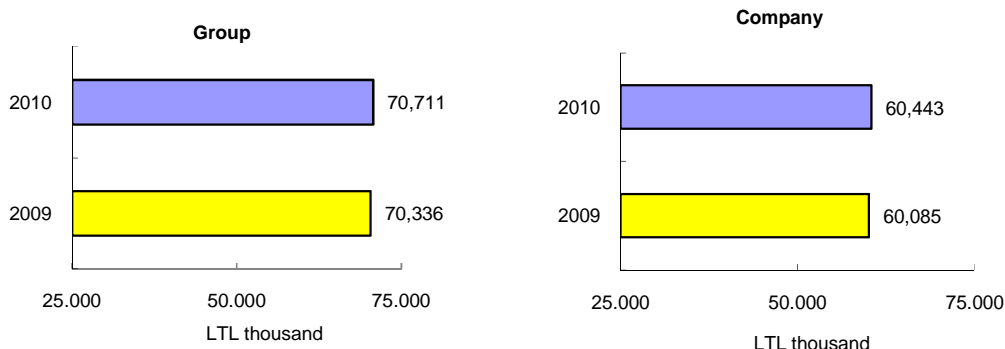
19,834,442 of ordinary registered shares have been registered for public turnover of securities. A nominal value of one share is LTL 1.

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

### Trade

In 2010, total sales of goods and services of the Company amounted to LTL 60.4 million. Trade volume increased by LTL 0.4 million or by 0.7 per cent as compared to 2009. The Company's exports to Western Europe and other countries accounted for 89 per cent, whereas sales in Lithuania accounted for 11 per cent of total production.

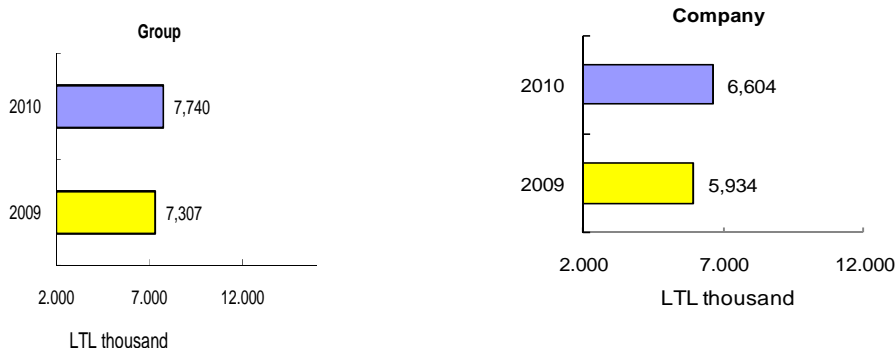
In 2010, total sales of goods and services of Utenos Trikotažas AB group (hereinafter “the Group”) amounted to LTL 70.7 million. The Group’s exports accounted for 85 per cent, whereas sales in Lithuania accounted for 15 per cent of total production.



### Lithuania

In 2010, the Company sold 582.7 thousand knit-wear items in Lithuania totalling to LTL 6.6 million. The sales in Lithuania increased by LTL 0.67 million or 12 per cent.

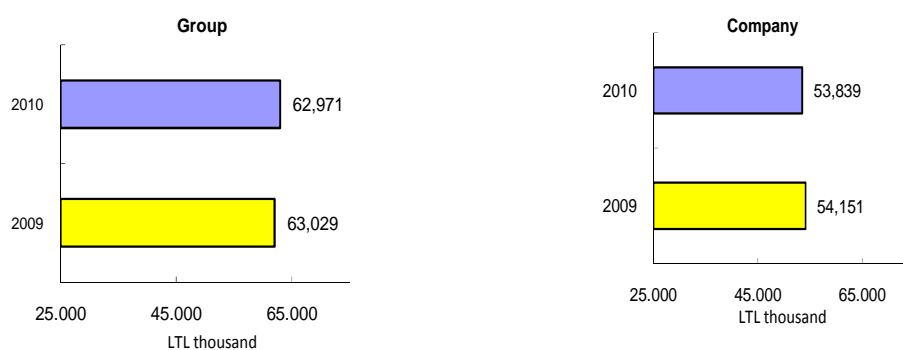
In 2009, the Group’s sales in Lithuania and other Baltic countries amounted to LTL 7.74 million, which is more by LTL 0.43 million as compared to 2009.



### Export

In 2010, the Company exported 4.1 million knit-wear items totalling to LTL 53.8 million. The Company’s exports decreased by LTL 0.3 million or 1 per cent comparing to 2009. Large retail chains from Western Europe remained as the major customers of the Company.

In 2010, the Group’s exports to Western Europe and other regions amounted to LTL 63 million, which is less by LTL 58 thousand as compared to 2009.

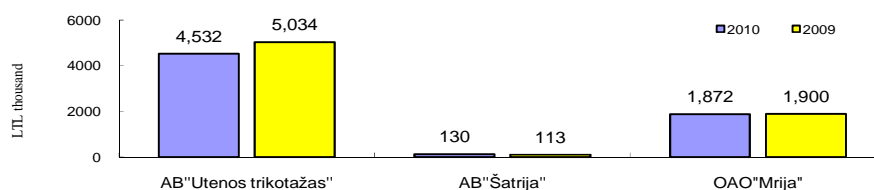


## Production

In 2010, the Company produced 4.5 million knit-wear items. The Company's subcontractors (including the company in Ukraine) produced 3 million knit-wear items or 68 per cent of total production volume.

In 2010, Šatrija AB produced 0.13 million sewn items.

In 2010, OAO MTF Mrija produced 1.9 million items.



## Investments

In 2010, the Group's investments in new equipment and new technologies amounted to LTL 0.5 million including transactions within the Group.

In 2010, the Company's investments in new equipment and technologies amounted to LTL 0.4 million.

In 2010, Šatrija AB invested LTL 0.06 million.

In 2010, OAO MTF Mrija invested LTL 0.03 million.

In 2010, Gotija UAB had made no investments.

## Development

The Company's research activities and decisions are focused on potential development opportunities through the implementation of the Company's strategic goals. This involves improvement of production technologies, development of new materials attractive to the customers, development of own-design collections, certification of production processes, etc.

## Risk factors related to the Issuer's operations

Key risk factors related to operations of Utenos Trikotažas AB include:

- Overall economic situation of Lithuania;
- Foreign currency fluctuations;
- Amendments to laws and legal acts of the Republic of Lithuania;
- Changes in accounting and tax regulations.



**Economic factors.** The Company's operations are dependent on state politics, political and economic developments in Lithuania or developments affecting Lithuania, i.e. political and economic developments in Ukraine.

The Company and the Group use instruments ensuring that production is sold to reliable customers. The Company's and the Group's policy focuses on maintaining adequate amount of cash and cash equivalents or maintaining funding by keeping adequate credit lines available with the purpose of implementing commitments provided for in their strategic plans.

For several years in turn operations of Utenos Trikotažas AB have been successful. The Company continues to improve the management system according to EN ISO 9001, EN ISO 14001, SA 8000 and other relevant requirements.

**Social risk factors.** The Company focuses attention on improvement of working conditions, training of personnel, and qualification development.

**Technical and technological risk factors.** The condition of the Company's major facilities is good and does not pose any risk to operations. Utenos Trikotažas AB regularly invests in renovation of facilities and introduction of the latest technologies. In 2011, the Company expects to allocate LTL 0.4 million for investments.

**Ecological risk factors.** The environment management system meeting the requirements of ISO 14001 has been introduced at the Company. Key environmental strategic objectives include:

- Reduction of environmental pollution through efficient and economical use raw materials and energy resources;
- Reduction in waste volume, improvement of management of waste and chemical materials, reduction of use of dangerous chemical substances in the production process.

## 7. Analysis of financial and non-financial performance

Key performance indicators of Utenos Trikotažas AB:

Financial indicators	COMPANY	
	2010	2009
Revenue (LTL '000)	60,443	60,085
Operating profit (loss) (LTL'000)	534	4,423
Operating profit (loss) margin (%)	0.9	7.4
EBITDA	5,627	7,326
Profit (loss) before tax	(771)	3,218

Relative indicators	COMPANY	
	2010	2009
Short-term solvency ratio	1.44	0.67
Return on assets (%)	(1.3)	5.2
Net profitability (loss) (%)	(1.3)	5.4
Assets turnover	1.03	0.97
Debt-to-equity ratio	2.17	2.20
Book value per share	0.93	0.97
Critical liquidity ratio	0.95	0.48
Debt ratio	0.69	0.69
Net earnings (deficit) per share	(0.04)	0.16

## **8. References to and additional explanations of data presented in the financial statements**

All financial data presented in this Annual Report is calculated in accordance with the International Financial Reporting Standards, endorsed for the application in the EU and approved by the assigned auditor under established procedure.

## **9. Main features of the Group's internal control and risk management systems related to the preparation of the consolidated financial statements**

The consolidated financial statements of Utenos Trikotažas Group are prepared according to International Financial Reporting Standards as adopted by the EU. The principles of internal control organisation and accounting are consistently applied to all companies of Utenos Trikotažas Group. In preparing the consolidated financial statements all inter-company transactions and balances are eliminated.

Internal controls in Utenos Trikotažas AB includes control procedures over business processes related to sale of products and revenue generation (client settlement and accounting management), operation of information systems and the reporting processes.

## **10. Information about the Company's own shared acquisition**

No own shares were acquired by Company during the current accounting period.

## **11. Significant events subsequent to the end of the previous financial year**

On 12 January 2010, Utenos Trikotažas AB signed the convertible bond agreements.

On 13 January 2010, Utenos Trikotažas AB signed finance lease contracts with Swedbank Lizingas AB.

On 14 January 2010, announcement of publishing terms of the interim reports and audited consolidated report in 2010.

On 29 January 2010, announcement of unaudited performance results for fourth quarter of 2009.

On 26 February 2010, announcement of unaudited interim consolidated financial statements of 2009.

On 2 April 2010, the general meeting of shareholders of Utenos Trikotažas AB was convened.

On 7 April 2010, announcement of the drafts of the decisions of the general shareholder meeting to be convened on 28 April 2010.

On 28 April 2010, decisions of the General shareholder meeting were approved.

On 30 April 2010, announcement of the sales figures for the first quarter of 2010.

On 26 May 2010, announcement of the performance results for the first quarter of 2010.

On 19 July 2010, announcement of the sales figures for the second quarter and the first half-year of 2010.

On 30 August 2010, announcement of the consolidated interim report and the financial statements for a six-month period of 2010.

On 20 October 2010, announcement of the sales figures of the third quarter of 2010.

On 22 November 2010, announcement of the acquisition of the voting rights.

On 24 November 2010, announcement of the financial statements for the 9-month period of.

On 24 January 2011, announcement of the sales figures for the fourth quarter of 2010.

On 24 January 2011, announcement of publishing terms of the interim reports and audited consolidated report in 2011.

## **12. The Company's operating plans and prospects**

In 2011, the Company plans to actively develop sales of ecological products and to develop the co-operation with customers demanding higher quality and sophisticated technology and to maintain close relationship with longstanding business customers.

Note: the Company's operating plan for 2011 was approved at the Board's meeting held on 1 February 2011, Minutes No. 1.

## **13. Structure of the Issuer's authorised share capital**

As at 31 December 2010, the Company's authorised share capital was comprised of 19,834,442 ordinary registered shares with a nominal value of LTL 1 each.

Utenos Trikotažas AB authorised share capital according to types of shares:

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value (LTL)	Percentage in the authorised share capital (%)
Ordinary registered shares	19,834,442	1	19,834,442	100.00

All shares of Utenos Trikotažas AB are fully paid.

All shares of the Company are ordinary registered shares of one class granting equal rights to their holders (shareholders).

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

1. to receive a part of the Company's profit (dividend);
2. to receive a part of assets of the Company in liquidation;
3. to receive shares without payment if the authorised capital is increased out of the Company's funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting of Shareholders decides to withdraw the pre-emption right in the manner prescribed by the Lithuanian Law on Companies in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
5. to lend to the Company in the manner prescribed by law; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;
6. to transfer all or part of the shares into the ownership of other persons;
7. to force other shareholder to sell their shares to them or to force other shareholders to buy their shares from them in cases and manner prescribed by the Law on the Law on Securities Market;
8. other property rights established by laws.

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

1. to attend the General Meetings of Shareholders;
2. to vote at General Meetings of Shareholders according to voting rights carried by their shares; One ordinary registered share carries one vote;
3. to receive information on the Company specified by laws;
4. to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the company manager and Board members of their obligations prescribed by laws or these Articles of Association as well as in other cases laid down by laws;
5. other non-property rights established by laws.

#### 14. Restrictions on disposal of securities

There are no restrictions.

#### 15. Shareholders

As at 31 December 2010, the total number of shareholders of Utenos Trikotažas AB was 1,306.

The table below indicates shareholders owning or holding more than 5 per cent of the Issuer's authorised share capital as at 31 December 2010.

Names of shareholders, types, registered addresses, company codes	Number of ordinary registered shares held	Share in the authorised capital (%)	Share of votes held (%)
Koncernas SBA UAB Laisvės pr.3, Vilnius company code 3220673	10,140	51.12	51.12
Amber Trust S.C.A.(SCA) Commandite par Actions 52route d'Esch 1-2965, Luxembourg	2,700	13.61	13.61
East Capital Asset Management, Kungsgatan 30,Box 1364, Stockholm, Sweden Code 556564-5370	2,091	10.54	10.54
KJK Fund, SICAV-SIF 412F, route d'Esch L-1030, Liuksemburgas, Nr.B 86729	1,095	5.52	5.52
Other shareholders	3,808	19.21	19.21

#### 16. Shareholders holding special control rights and descriptions of these rights

There are no such shareholders.

#### 17. All restrictions regarding voting rights

There are no restrictions.

#### 18. All 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

There are no such agreements.

#### 19. Personnel

Number of employees of Utenos Trikotažas AB group at the year end:

2010	2009	2008
1,320	1,335	1,595

Number of employees of Utenos Trikotažas AB group by separate companies:

Company	2010 12 31	2009 12 31
Utenos trikotažas AB	778	758
Mrija OAO	319	348
Šatrija AB	219	224
Gotija UAB	4	5
	<b>1,320</b>	<b>1,335</b>

Number of employees of Utenos Trikotažas AB by separate groups:

Group of employees	2010	2009
Managers and specialists	102	101
Managers whereof	3	3
Workers	676	657
Total	<b>778</b>	<b>758</b>

The groups of employees by education:

Group of employees	Groups of employees by education:					
	Higher education	Non-higher professional education	Vocational education	Secondary	Basic	Higher non-university
Managers	3	-	-	-	-	-
Specialists	76	14	1	-	-	8
Workers	12	210	153	221	55	25
<b>Total</b>	<b>91</b>	<b>224</b>	<b>154</b>	<b>221</b>	<b>55</b>	<b>33</b>

## 20. Amendment procedure of the Issuer's Articles of Association

The Articles of Association of the Company shall be amended by the decision of the General Meeting of Shareholders adopted in the manner prescribed by laws, except in cases specified in the Lithuanian Law on Companies. Following the decision by the General Meeting of Shareholders to amend the Company's Articles of Association, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Meeting of Shareholders. Amendments to the Articles of Association were made on 17 December 2009.

## 21. Issuer's bodies

The Articles of Association of Utenos Trikotažas AB stipulate that the Company shall have the following bodies: the General Meeting of Shareholders, the Board and the General Manager. The Supervisory Board shall not be set up at the Company.

The Company's Board shall be granted all powers stipulated in the Company's Articles of Association including powers assigned to it by laws. The Board shall deal with deliberation of collegial issues and decision making.

The Board shall deliberate and approve the Company's operating strategy, management structure and job descriptions of employees. The Board shall elect and remove from office the Company Manager, fix his salary and set other terms of the employment contract. The Board shall specify information classified as the Company's commercial secret. The Board shall analyse and assess the Company's draft annual and consolidated financial statements and proposed profit (loss) appropriation and shall submit them to the General Meeting of Shareholders. The Board shall pass other decisions assigned within its powers by legal acts, by the Company's Articles of Association and by the decisions of the General Meeting of Shareholders. The Board shall have a responsibility of convening and arranging the General Meetings of Shareholders in due time.

The Board of Utenos Trikotažas AB shall be composed of 4 members elected for the period of 4 years.

The Board members of Utenos Trikotažas AB Algirdas Šabūnas, Gintautas Rudis, Robertas Beržinskas and Vytautas Vaškys were elected during the Meeting of Shareholders on 29 April 2009 for the period until 29 April 2013.

## 22. Members of the collegial bodies, the Company Manager, the Chief Financial Officer

As at 31 December 2010:

Position	Name, surname	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
<b>Board</b>				
Chairman of the Board	Algirdas Šabūnas	-	2009.04.29	2013.04.29
Member of the Board	Gintautas Rudis	111	2009.04.29	2013.04.29
Member of the Board	Robertas Beržinskas	-	2009.04.29	2013.04.29
Member of the Board	Vytautas Vaškys	10	2009.04.29	2013.04.29
<b>Head of Administration and the Chief Financial Officer</b>				
General Manager	Nerijus Vilūnas	-	2008.09.17	-
Chief Account	Reda Kučinskienė	-	2008.01.14	-

In 2010, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2010, the aggregate remuneration of the Company General Manager and the Chief Accountant amounted to LTL 304 thousand.

The Company has concluded no agreements with members of bodies or employees that would define their compensation in case of their resignation or dismissal without a sound reason or in case of termination of their employment as a result of the change in the control of the Company.

### 23. Information about significant agreements

The Company has concluded no significant agreements in which the Company is a party to and which would come into effect, change or terminate as a result of the change in the control of the Company.

### 24. Information about the compliance with the Governance Code

Utenos Trikotažas AB confirms its substantial compliance with the principles of the Governance Code approved by the Vilnius Stock Exchange for the companies listed on the regulated market.

### 25. Information about transactions with related parties

Results of transactions with related parties performed in 2010 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2010.

### 26. Data on publicly announced information

The Company announces information on significant events (as well as other information required by laws) through the system of information disclosure and communication GlobeNewswire. Publicly announced information is also available on the Company's website at [www.utenostrikotazas.lt](http://www.utenostrikotazas.lt) and on the website of the Vilnius Stock Exchange at [www.baltic.omxgroup.com](http://www.baltic.omxgroup.com).

### 27. General information on the Group of companies

#### 27.1. Companies that constitute the Group, their contact data and principle activities

Company name	<b>Šatrija AB</b>
Legal form	Public company
Date and place of incorporation	1955m. Vilnius 5, 4400 Raseiniai
Company code	172285032
Address	Vilnius 5, 4400 Raseiniai
Telephone	8 (428) 70611
Fax	8 (428) 70611
E-mail	<a href="mailto:raseiniai@satrija.lt">raseiniai@satrija.lt</a>
Website	<a href="http://www.satrija.lt">www.satrija.lt</a>
Principal activities	Sewing of clothes

Company name	<b>OAO Mukačevska Trikotažnaja Fabrika Mrija</b>
Legal form	Open public company
Date and place of incorporation	1971m. Matrosova 13, 89600 Mukačevo, Ukraine
Company code	00307253
Address	Matrosova 13, 89600 Mukačevo, Ukraine
Telephone	+ 380 (3131) 52780
Fax	+380 (3131) 52780
E-mail	<a href="mailto:mriya@mk.ukrtel.net">mriya@mk.ukrtel.net</a>
Website	none
Principal activities	Production of knit-wear articles

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Company name	<b>Gotija UAB</b>
Legal form	Private company
Date and place of incorporation	1994m. Laisvės al. 33, Kaunas
Company code	134181619
Address	Laisvės al. 33, Kaunas
Telephone	8 (37) 205879
Fax	8 (37) 205879
E-mail	None
Website	None
Principal activities	Retail trade in clothes

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**27.2. Agreements concluded between the Issuer and brokerage firms and/or credit institutions providing investing services and/or conducting investing activity**

Subsidiaries Šatrija AB, OAO Mukačevska Trikotažnaja Fabrika Mrija, Gotija UAB do not trade in securities in regulated markets.

**27.3. Trade in securities of the Group companies in regulated markets**

Subsidiaries Šatrija AB, OAO Mukačevska Trikotažnaja Fabrika Mrija, Gotija UAB do not trade in securities in regulated markets.

General Manager Nerijus Vilūnas



6 April 2011

## APPENDIX TO THE ANNUAL REPORT

### UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2010

**Utenos Trikotažas AB** (hereinafter “the Company”) following paragraph 3 of Article 21 of the Law of the Republic of Lithuania on Public Trading in Securities 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Relevant matters are made public in the Company's prospectus-report deliveries, and they are publicly available on the websites of the Lithuanian Securities Commission and the Stock Exchange.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Every year the Company's board approves the plans of operation containing the description of the Company's development strategy for 2-3 upcoming years. All bodies of the Company are familiarised with the strategic objectives and the ways of their implementation as set forth in the plans of operation.  The Company has implemented a motivation system, which ensures direct link between the strategic objectives and personal performance of individual employees.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the board and chief executive officer (the supervisory board has not been set up).
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company has a collective employment contract in place. Utenos Trikotažas AB supports youth and non-governmental organisations, foster homes, organisations of disabled individuals, multichild families, Utena Region Community Fund.



<b>Principle II: The corporate governance framework</b>		
<b>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.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The supervisory board has not been set up, however, the general meeting of shareholders has elected the board. The Company's chief executive officer and the chairman of the board is not one and the same person.
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 described in the recommendation are fulfilled at the Company by a collegial management body – the board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	Only one collegial body has been set up.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	No comments.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Company's board is composed of 4 members. The Company's chief executive officer and the chairman of the board is not one and the same person.
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.	Not applicable	There are no non-executive directors and the supervisory board.

<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 departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The Company is in compliance with this recommendation. The Company has not set up the supervisory board, and the chairman of the board has never been in the past and currently is not the Company's chief executive officer.</p>
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**Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting**

**The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**

<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>A collegial management body is set up in accordance with the requirements of the Lithuanian Law on Companies, and the shareholders are notified of candidates to become members of the Company's collegial management 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>This information on candidates to the board was disclosed to the shareholders together with the notification on convening the general meeting of shareholders, which involved the election of members to the board, and the agenda of the general meeting of shareholders.</p>
<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>No</p>	<p>Such kind of information is not disclosed by a collegial body – the board members – in the annual report.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	<p>Yes</p>	<p>The members of the Company's management bodies are actively involved in a wide range of areas in other companies, which enables them to ensure an adequate competence in respect of their current functions.</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>	No	No comments.
<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 sufficient number of independent members.</p>	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
<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"> <li>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;</li> <li>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;</li> <li>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);</li> <li>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1Part 1);</li> </ol>	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

<p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, 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>	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
<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>	No	
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
<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>	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	The board members receive bonuses.
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**Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting**

**The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	No comments.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	No comments.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	No comments.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company's Articles of Association define the procedure of co-operation between a collegial body and the shareholders in accordance with the Lithuanian Law on Companies.

<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>	Yes	These matters are stipulated in the Board's Work Regulations of the Company.
<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 bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	Yes	The Company's director general is not a members of the board.
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	No	There are no independent members. Only the audit committee is established by the Company.



<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	Yes	Recommendation is applied for the audit committee.
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	No	No comments.
<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>	No	<p>Yes. The Audit Committee acts in accordance with the approved regulations of the Audit Committee.</p> <p>No. The annual report does not disclose information about the composition of the committees, their sittings, main activities, etc.</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>	No	<p>Yes. The audit committee has the right to invite the Company's Manager, members of the Board, the Chief Financier, other employees responsible for finances, as well as external auditors to attend its meetings.</p> <p>No. Rules governing the activity of the Company do not deal with the instances/matters.</p>

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>1) 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;</li> <li>2) 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;</li> <li>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Properly consider issues related to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	There is no Nomination Committee.
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>1) 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;</li> <li>2) 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;</li> <li>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>4) 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);</li> <li>5) Make general recommendations to the executive directors and members of the management bodies on the level and</li> </ol>	No	There is no Remuneration Committee.



<p>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> <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> <ol style="list-style-type: none"> <li>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>3) 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.</li> </ol> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</li> <li>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> </ol>	Yes	The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.

<p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	<p>A collegial body – the board – does not carry out any assessment of its activities. The board assesses the Company's annual performance.</p>

<b>Principle V: The working procedure of the company's collegial bodies</b>		
<b>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.</b>		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	No comments.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	No	The board meetings are held at least once in a quarter or at shorter intervals, if necessary.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	No comments.
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.	Not applicable	Not applicable, since only the board has been set up.

<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b>		
<b>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.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company is in compliance with the Law on Companies and its Articles of Association.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	No comments.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company is in compliance with the Law on Companies and its Articles of Association.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	No comments.

<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 in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	No	<p>The Company has no technical possibilities to use modern technologies in voting process during the general meetings of shareholders, and the shareholders have never requested so far to use modern technologies in voting process during the general meetings of shareholders.</p>
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**Principle VII: The avoidance of conflicts of interest and their disclosure**

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

<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>	Yes	
<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>	Yes	No comments.
<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.</p>	Yes	
<p>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.</p>	Yes	No comments.

<b>Principle VIII: Company's remuneration policy</b>		
<b>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.</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company's remuneration policy is contained in a business plan approved by the board.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Company has not set up any remuneration committees.



<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) 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;</li> <li>2) The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>3) 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;</li> <li>4) 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;</li> <li>5) 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;</li> <li>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>3) 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;</li> <li>4) All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ol> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>2) 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.</li> </ol> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the</p>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.

<p>company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	Not applicable	
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> <li>1) Grant of share-based schemes, including share options, to directors;</li> <li>2) Determination of maximum number of shares and main conditions of share granting;</li> <li>3) The term within which options can be exercised;</li> <li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</li> </ol>	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	Not applicable	
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	Not applicable	



<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	Not applicable	
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**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.**

<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	Yes	<p>The Company has a collective employment contract in place. The chairman of the trade union is invited to join monthly production meetings and other major management discussions of the Company.</p>
<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.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		

**Principle X: Information disclosure and transparency**

**The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1) The financial and operating results of the company;</li> <li>2) Company objectives;</li> <li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risk factors;</li> <li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> </ol> <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 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>All information, except for certain items (see the note below), is disclosed in the Company's annual prospectus-reports, and posted on the websites of the Company and the Vilnius Stock Exchange.</p> <p style="text-align: center;">Note:</p> <p>The following information mentioned in paragraph 4 of recommendation item 10.1 is disclosed: members of the Company's supervisory and management bodies, chief executive officer of the Company.</p> <p>Information mentioned in recommendation items 10.2 to 10.4 is not disclosed.</p>
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<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>	Yes	Information is posted on the website of the Vilnius Stock Exchange.
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	Yes	Information is posted on the website of the Vilnius Stock Exchange.
<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>	Yes	This information is available on the websites of the Stock Exchange and the Lithuanian Securities Commission.

**Principle XI: The selection of the company's auditor**
**The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**

<p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	Yes	The Company is compliance with the legal requirements in terms of the audit of its annual financial statements and the annual report by an independent firm of auditors. Interim financial statements are not audited.
<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>	Yes	The Company is in compliance with this recommendation, where the Company's board proposes a candidate firm of auditors to the general meeting of shareholders.
<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>	Yes	The firm of auditors performing audit of financial statements for 2010 has rendered non-audit services to the Company. This information will be disclosed in the General meeting of shareholders.