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PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditor's report to the shareholders of AB Utenos trikotažas

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2012, and 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 Annual Report for the year ended 31 December 2012 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2012.

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

Inga Gudinaitė
Auditor's licence
No. 000366

The audit was completed on 27 March 2013.

Bank of Lithuanian
Žirmūnų g. 151,
LT-09128 Vilnius

2013-04-30

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, Gintautas Bareika , General Director of Utenos trikotazas, AB, Finance Director Saulius Rakauskis, and Chief Account Reda Kučinskienė, 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 of 2012 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 of 2012.

General Director **Gintautas Bareika**

Finance Director **Saulius Rakauskis**

Chief Account **Reda Kučinskienė**

UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
CONSOLIDATED ANNUAL REPORT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

CONTENTS

Statements of financial position

		Group		Company	
		31 December		31 December	
	Notes	2012	2011	2012	2011
ASSETS					
Non-current assets					
Intangible assets	6	3 530	3 820	135	365
Property, plant and equipment	7	22 247	24 971	14 996	17 032
Investment property	8	756	2 969	756	2 969
Investments into subsidiaries	9	-	-	5 175	5 175
Trade and other receivables		38	79	-	-
Receivables from subsidiaries	29	-	-	11 143	13 131
Deferred income tax asset	27	309	438	-	-
		26 880	**32 277**	**32 205**	**38 672**
Current assets					
Inventories	10	11 199	8 031	10 105	7 011
Trade receivables	11	5 410	4 259	4 127	3 193
Receivables from and prepayments to subsidiaries	29	-	-	4	-
Receivables from other related parties	29	-	68	-	9
Other receivables	12	682	799	133	105
Deposits	14	-	1 646	-	-
Cash and cash equivalents	15	925	1 084	187	512
		18 216	**15 887**	**14 556**	**10 830**
Non-current assets held for resale	13	1 976	-	1 976	-
		20 192	**15 887**	**16 532**	**10 830**
Total assets		**47 072**	**48 164**	**48 737**	**49 502**

Statements of financial position (cont'd)

		Group		Company	
		31 December		31 December	
	Notes	2012	2011	2012	2011
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital	16	19 834	19 834	19 834	19 834
Foreign currency translation reserve		1 852	1 548	-	-
Other reserves	17	1 983	1 983	1 983	1 983
Accumulated retained earnings/ (losses)	17	(17 054)	(13 440)	(13 084)	(6 754)
		6 615	**9 925**	**8 733**	**15 063**
Non-controlling interest		**952**	**895**	**-**	**-**
Total equity		**7 567**	**10 820**	**8 733**	**15 063**
LIABILITIES					
Non-current liabilities					
Borrowings and lease	18	5 926	9 138	5 926	9 138
Borrowings from subsidiaries	18, 29	-	-	5 450	3 134
Convertible bonds issued	19	11 141	9 599	11 141	9 599
Defered income tax liabilities	27	-	152	-	152
Provisions for employee benefits	20	421	312	387	277
		17 488	**19 201**	**22 904**	**22 300**
Current liabilities					
Borrowings and lease	18	6 981	8 741	4 708	5 240
Trade payables		5 662	2 635	5 284	2 335
Payables to subsidiaries	29	-	-	88	30
Payables to other related parties	29	3 504	2 613	2 608	1 906
Accrued expenses and other current liabilities	21	5 870	4 154	4 412	2 628
		22 017	**18 143**	**17 100**	**12 139**
Total liabilities		**39 505**	**37 344**	**40 004**	**34 439**
Total equity and liabilities		**47 072**	**48 164**	**48 737**	**49 502**

The notes on pages 10 to 65 form an integral part of these financial statements.

These financial statements were approved by General Manager and Chief Accountant on 27 March 2013.

General Manager	Gintautas Bareika	G. Bareika
Chief Accountant	Reda Kučinskienė	

Statements of comprehensive income

		Group		Company	
		Year ended 31 December		Year ended 31 December	
	Notes	2012	2011	2012	2011
Revenue	5	51 462	61 172	41 751	51 396
Cost of sales	22	(44 590)	(50 289)	(37 206)	(43 242)
Gross profit		**6 872**	**10 883**	**4 545**	**8 154**
Selling expenses	23	(2 848)	(2 337)	(2 454)	(1 981)
General and administrative expenses	23	(6 455)	(5 846)	(7 954)	(11 862)
Other income	24	2 030	1 713	1 608	663
Other expenses	24	(253)	(407)	(118)	(265)
Operating (loss) profit		**(654)**	**4 006**	**(4 373)**	**(5 291)**
Finance income	25	1 539	3 192	245	274
Finance cost	25	(4 465)	(5 567)	(2 354)	(2 429)
(Loss) profit before tax		**(3 580)**	**1 631**	**(6 482)**	**(7 446)**
Income tax	27	23	145	152	(208)
(Loss) Profit for the year		**(3 557)**	**1 776**	**(6 330)**	**(7 654)**
Profit (loss) attributable to:					
Equity holders of the Company	28	(3 614)	1 618	(6 330)	(7 654)
Non-controlling interest		57	158	-	-
		(3 557)	**1 776**	**(6 330)**	**(7 654)**
Other comprehensive income (loss)					
Foreign currency translation gain (losses)		304	(172)	-	-
Other comprehensive income (loss)		**304**	**(172)**	-	-
Total comprehensive income (loss) for the year		**(3 253)**	**1 604**	**(6 330)**	**(7 654)**
Total comprehensive (loss) income attributable to:					
Equity holders of the Company		(3 310)	1 446	(6 330)	(7 654)
Non-controlling interest		57	158	-	-
		(3 253)	**1 604**	**(6 330)**	**(7 654)**
Basic/dilutive earnings per share (LTL per share)	28	(0.18)	0.08		

The notes on pages 10 to 65 form an integral part of these financial statements.

General Manager	Gintautas Bareika	
Chief Accountant	Reda Kučinskienė	

Statements of changes in equity

Group	Equity attributable to the equity holders of the Company						
	Share capital	**Foreign currency translation reserve**	**Other reserves**	**Accumulated (losses)**	**Total**	**Non-controlling interest**	**Total equity**
Balance as of 31 December 2010	**19 834**	**1 720**	**1 983**	**(15 058)**	**8 479**	**737**	**9 216**
Total comprehensive income (loss)	-	(172)	-	1 618	1 446	158	1 604
Balance as of 31 December 2011	**19 834**	**1 548**	**1 983**	**(13 440)**	**9 925**	**895**	**10 820**
Total comprehensive income (loss)	**-**	304	-	(3 614)	(3 310)	57	(3 253)
Balance as of 31 December 2012	**19 834**	**1 852**	**1 983**	**(17 054)**	**6 615**	**952**	**7 567**

Company	**Share capital**	**Other reserves**	**Accumulated retained earnings/ (losses)**	**Total**
Balance as of 31 December 2010	**19 834**	**1 983**	**900**	**22 717**
Total comprehensive income (loss)	-	-	(7 654)	(7 654)
Balance as of 31 December 2011	**19 834**	**1 983**	**(6 754)**	**15 063**
Total comprehensive income (loss)	-	-	(6 330)	(6 330)
Balance as of 31 December 2012	**19 834**	**1 983**	**(13 084)**	**8 733**

The notes on pages 10 to 65 form an integral part of these financial statements.

General Manager — Gintautas Bareika

Chief Accountant — Reda Kučinskienė

Statements of cash flows

		Group Year ended 31 December		Company Year ended 31 December	
	Notes	2012	2011	2012	2011
Cash flows from operating activities					
Loss(profit) for the year		(3 557)	1 776	(6 330)	(7 654)
Adjustments for non-cash items:					
Depreciation and amortization		2 836	3 179	2 310	2 376
Impairment of investments into subsidiaries		-	-	-	6 222
Impairment of accounts receivable from subsidiaries	3.1	-	-	3 500	1 478
Impairment (reversal) of non-current assets held for sale		-	(289)	-	-
Impairment (reversal) of investment property		-	(165)	-	(165)
Gain on disposal of property, plant and equipment and investment property	24	(1 315)	(196)	(1 300)	(3)
Impairment and write-off of inventories		42	288	44	311
Impairment and write-off of accounts receivable		1	(158)	1	(158)
Provisions for employees benefits	20	184	59	193	4
Interest expense	25	2 340	2 595	2 316	2 138
Impairment of investments		26	-	-	-
Income tax expense	27	(23)	(145)	(152)	208
Changes in working capital:					
(Increase) decrease in inventories		(2 737)	840	(2 960)	1 080
(Increase) decrease in trade receivables		(1 061)	3 337	(926)	2 757
(Increase) in receivables from subsidiaries		-	-	(1 515)	(1 235)
Decrease (increase) in other receivables and other current assets		284	955	(28)	805
Increase (decrease) in trade and other accounts payable		3 931	(1 596)	3 709	(4 522)
Increase (decrease) in taxes payable and other current liabilities		1 785	(1 707)	1 700	1 684
Cash generated from operating activities		**2 735**	**8 773**	**562**	**5 326**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(389)	(130)	(223)	(89)
Acquisition of intangible assets		(67)	(11)	(67)	(11)
Proceeds from sale of property, plant and equipment		1 640	1 059	1 605	4
Investments in term deposits	14	1 646	(1 646)	-	-
Interest received		18	13	-	-
Net cash flows generated from investing activities		**2 848**	**(715)**	**1 315**	**(96)**

Statements of cash flows (cont'd)

		Group		Company	
		Year ended 31 December		Year ended 31 December	
	Notes	**2012**	**2011**	**2012**	**2011**
Cash flows from financing activities					
Proceeds from borrowings from subsidiaries		-	-	2 315	813
Repayment of borrowings and lease payments		(4 936)	(7 426)	(3 744)	(5 230)
Interest paid		(806)	(1 275)	(773)	(1 013)
Net cash flows to financing activities		**(5 742)**	**(8 701)**	**(2 202)**	**(5 430)**
Net (decrease) in cash and cash equivalents		**(159)**	**(643)**	**(325)**	**(200)**
Cash and cash equivalents at the beginning of the year	15	**1 084**	**1 727**	**512**	**712**
Foreign exchange effect on the balance of cash and cash equivalents		**-**	**-**	**-**	**-**
Cash and cash equivalents at the end of the year	15	**925**	**1 084**	**187**	**512**

The notes on pages 10 to 65 form an integral part of these financial statements.

General Manager	Gintautas Bareika	
Chief Accountant	Reda Kučinskienė	

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 Str. 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 NASDAQ OMX Vilnius Stock Exchange.

As of 31 December 2012 and 2011 the shareholders of the Company were as follows:

	Number of shares held	**Interest held (%)**
UAB Koncernas SBA	10 140	51.12
Investment Fund Amber Trust	2 700	13.61
Investment Fund East Capital Asset	2 091	10.54
Other shareholders	4 903	24.73
	19 834	100.00

In 2012 the average number of employees of the Company was 643 (2011: 706).

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

		Group's share (%) as of 31 December		
	Registered address	**2012**	**2011**	**Activity**
Šatrija AB	Vilniaus Str. 5, Raseiniai	89,78	89,78	Sewing of clothes
Gotija UAB	Laisvės Str. 33, Kaunas	90,50	90,50	Retail trade
PAT MTF Mrija	Motroso Str. 13, Mukačiov, Ukraine	98,95	98,95	Production of knitted articles

In 2012 the average number of employees of the Group was 1 031 (2011: 1 204).

The Company's management authorized these financial statements on 27 March 2013. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. Summary of significant accounting policies

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

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

During the year the Group and the Company has adopted the following IFRS amendments:
- amendment to IFRS 7 *Financial Instruments* - Enhanced Derecognition Disclosure Requirements,
- amendment *to IAS 12 Income tax* - Deferred tax - Recovery of Underlying Assets.

The amendments did not impact the financial statements of the Group and the Company, because the Group and the Company did not have items or transactions addressed by these changes.

Standards issued but not yet effective

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

Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (effective for financial years beginning on or after 1 July 2012)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's and the Company's financial position or performance.

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

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

2.1 Basis of preparation (cont'd)

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

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 Separate Financial Statements requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

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

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

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

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

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

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

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

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

2.1 Basis of preparation (cont'd)

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

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC (Standards Interpretation Committee)12 Consolidation — Special Purpose Entities. The Group has not yet evaluated the impact of the implementation of this standard on the financial position or performance of the Group.

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

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

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

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The Group and the Company have not yet evaluated the impact of the implementation of this standard on the financial position or performance of the Group and the Company.

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

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

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

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

2.1 Basis of preparation (cont'd)

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

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

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

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

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

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

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

2.2 Consolidation

The consolidated financial statements of the Group include AB Utenos trikotažas and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

From 1 January 2010 losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. Prior to 1 January 2010 losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the Company, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the Company.

Acquisitions and disposals of non-controlling interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the non-controlling interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

Investments in subsidiaries in the Company's stand-alone financial statements are carried at cost, less impairment.

Financial guarantees provided by the Company for the liabilities of the subsidiaries during the initial recognition are accounted at estimated fair value as the investment into subsidiaries and financial liability in statement of financial position. Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the subsidiary's financial liability to the bank. If there is a possibility that the subsidiary may fail to fulfil its obligations to the bank, a financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

<u>Business combinations</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

2.2 Consolidation (cont'd)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 (hereinafter '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 functional currency of the Group is LTL, except for PAT MTF Mrija, which operates in Ukraine and its functional currency is UAH.

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

After initial recognition (Note 2.2), goodwill is measured at cost less any accumulated impairment losses. Goodwill is included in intangible assets in the statement of financial position. Goodwill is tested annually for impairment (Note 2.8). 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).

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. The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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.

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	15 – 25 years
Motor vehicles	4 – 7 years
Machinery	5 – 15 years
Other property, plant and equipment	2 – 20 years

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date, ensuring that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

2.6 Property, plant and equipment (cont'd)

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 operating expenses in the profit and loss.

Borrowing costs incurred since 1 January 2009 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 activity 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 administrative expenses in the profit and loss.

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

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 the asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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

The Group's and the Company's financial assets comprise trade and other receivables, loans granted and investments into subsidiaries.

(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.

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Company 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.

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.

2.9 Financial assets (cont'd)

(b) Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to sell and value in use. Amounts receivable from subsidiary are tested for impairment jointly with investments into the subsidiary.

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 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 and in the Bank, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Derecognition of financial assets and liabilities

Financial assets

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

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

When the Group/the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's/the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group/ the Company could be required to repay.

Financial liabilities

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

2.17 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 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.

Profit for the year 2012 of the Group's subsidiaries that operate in Lithuania is taxable at a rate of 15 per cent (2011: 15 per cent). Corporate income tax rate in Ukraine is 21 per cent. (2011 -23 per cent).

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 carried forward for 5 consecutive years and can only be 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 2010 taxable losses may be brought forward up to 25 per cent of accumulated losses over four years. Starting from 2012 taxable losses may be brought forward for an unlimited period.

(b) Deferred tax

Deferred 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 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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 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

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

(a) 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 installments 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.

2.20 Employee benefits (cont'd)

(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.

(d) Non-current employee benefits

According to the requirements of Lithuanian Labour Code, each employee leaving the Group or the Company at the age of retirement is entitled to a one-off payment in the amount of 2 months salary.

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

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

2.21 Provisions

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

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.

(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.

2.25 Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

3. Financial risk management

3.1 Financial risk factors

The Group's and the Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's and the Company'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 and the Company. 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:

	Group		Company	
Assets reported in the statements of financial position	**2012**	**2011**	**2012**	**2011**
Non-current amounts receivable from subsidiaries	-	-	7 288	9 961
Non-current trade and other receivables	38	79	-	-
Trade receivables	5 410	4 259	4 127	3 193
Amounts receivable from subsidiaries (Note 29)	-	-	4	-
Amounts receivable from other related parties	-	68	-	9
Cash and cash equivalents	925	1 084	187	512
	6 373	5 490	11 606	13 675

	Group		Company	
Liabilities reported in the statements of financial position	**2012**	**2011**	**2012**	**2011**
Borrowings	12 907	17 879	10 634	14 378
Borrowings from subsidiaries	-	-	5 450	3 134
Convertible bonds issued	11 141	9 599	11 141	9 599
Trade payables	5 662	2 635	5 284	2 335
Amounts payable to subsidiaries	-	-	88	30
Amounts payable to other related parties	3 504	2 613	2 608	1 906
Accrued expenses and other current liabilities and other payables (Note 21)	1 807	1 033	1 541	724
	35 021	33 759	36 746	32 106

3.1 Financial risk factors (cont'd)

(a) Market risk

(i) Monetary assets and monetary liabilities foreign exchange risk

Group	2012		2011	
	Assets	Liabilities	Assets	Liabilities
LTL	1 384	11 291	987	7 766
USD	-	43	-	-
UAH	543	222	870	338
SEK	-	4	-	-
EUR	4 967	27 760	6 401	29 150
	6 894	39 320	8 258	37 254

Company	2012		2011	
	Assets	Liabilities	Assets	Liabilities
LTL	524	13 103	328	5 667
USD	-	43	-	-
UAH	9	-	9	-
SEK	-	4	-	-
EUR	14 962	26 603	16 550	28 706
	15 495	39 753	16 887	34 373

The Group and the Company operates internationally and carries out a significant part of its transactions in euro. With effect from 2 February 2002, the litas has been pegged to the euro at an exchange rate of LTL 3.4528 = EUR 1, therefore the management believes that entities operating in Lithuania are not exposed to currency exchange risk related to euro.

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

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

3.1 Financial risk factors (cont'd)

The Ukrainian subsidiary incurred a foreign exchange loss amounting to LTL 508 thousand during the year ended 31 December 2012 (2011: gained foreign exchange profit of LTL 224 thousand) due to fluctuations in the official exchange rate of Ukrainian gryvnia (UAH) to EUR settled by the National Bank of Ukraine.

UAH weakening/ strengthening by 10 per cent against EUR (with all other variables remaining stable) as of 31 December 2012 would increase/reduce the Group's net profit by LTL 1 883 thousand (2012: 1 885 LTL thousand) due to borrowings and accounts payable of its Ukrainian operations denominated in euro.

(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 2012 and 2011 were denominated in LTL and EUR (Note 18).

The Group and the Company analyses 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 granted, borrowings (including finance lease payables) by the estimated interest rate shift. Except for the current year's profit (loss), there is no impact on the equity of the Group and the Company.

Based on the simulations performed, the impact of a 0.5 per cent increase/decrease in interest rates on the Company's and the Group's net result would be an increase/decrease at maximum of LTL 136 thousand (2011: LTL 208 thousand) and LTL 120 thousand (2011: LTL 225 thousand), respectively, mainly as a result of higher/lower interest expense/income on borrowings and loans granted.

(b) Credit risk

i) Maximum exposure to credit risk

Credit risk arises from cash balances at bank, loans granted and trade receivables, including receivables from related parties.
The table below summarises all credit risk exposures related to financial position items of the Group and the Company. Maximum exposure to credit risk before collateral held or other credit enhancements:

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
Cash and cash equivalents at bank (Note 15)	906	1 071	177	504
Current loans and trade receivables (Notes 29 and 11)	5 410	4 327	4 131	3 202
Non-current loans granted and amounts receivable	38	79	11 143	13 131
Total	**6 354**	**5 477**	**15 451**	**16 837**

3.1 Financial risk factors (cont'd)

ii) 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.

a) Trade receivables – trade customers with no independent rating

	Group		Company	
	2012	**2011**	**2012**	**2011**
New trade customers (up to 12 months)	123	75	123	23
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	5 287	4 252	4 008	3 179
Total accounts receivable	**5 410**	**4 327**	**4 131**	**3 202**

b) Cash and cash equivalents, excluding cash on hand

	Group		Company	
	2012	**2011**	**2012**	**2011**
A and above *	899	1 044	172	493
No rating	13	27	10	11
Total	**912**	**1 071**	**182**	**504**

* Independent ratings established by Fitch agency.

3.1 Financial risk factors (cont'd)

Loans granted and trade receivables that are past due are not treated as impaired when the Group's and the Company's management expects to recover these receivables.
The ageing analysis of current trade receivables and loans is given in the table below:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Not past due	**4 708**	**3 153**	**3 475**	**2 124**
Past due not impaired				
Past due up to 30 days	629	1 147	587	1 067
Past due 31-60 days	53	14	49	3
Past due 61-180 days	12	11	12	6
Past due more than 181 days	8	2	8	2
Total past due not impaired	**702**	**1 174**	**656**	**1 078**
Overdue and provided for				
Past due more than 181 days	780	780	707	707
Impairment allowance for trade receivables	(780)	(780)	(707)	(707)
Total accounts receivable	**5 410**	**4 327**	**4 131**	**3 202**

The Company's non-current accounts receivable consist of accounts and loans receivable from subsidiary PAT MTF Mrija, which accounted for LTL 11 143 thousand on 31 of December 2012 (2011: LTL 13 131 thousand). As of 31 of December 2012 these receivable amounts from subsidiary were past due for more than 236 days (not overdue as of 31 December 2011), and there was impairment allowance made of LTL 4 978 thousand (in 2011 impairment allowance made of LTL 1 478 thousand).

The Group did not have material non-current receivables and loans granted as of 31 December 2012 and 2011.

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
LTL	482	251	446	194
EUR	4 834	3 797	10 973	12 969
UAH	94	285	-	-
	5 410	4 333	11 419	13 163

3.1 Financial risk factors (cont'd)

(c) Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit lines to meet its commitments at a given date in accordance with its strategic plans.

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. It is likely that part of the Group's and the Company's trade payables which as of 31 December 2012 amounted to LTL 3 492 thousand and LTL 2 596 thousand, respectively, will be paid later than presented bellow. 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

31 December 2012	**Up to 3 months**	**3-12 months**	**1-5 years**	**Total**
Borrowings from banks	172	2 307	-	2 479
Finance lease liabilities	369	4 775	6 119	11 263
Convertible bonds issued	-	-	15 018	15 018
Trade payables and other financial liabilities	10 961	-	-	10 961
	11 502	**7 082**	**21 137**	**39 721**

31 December 2011	**Up to 3 months**	**3-12 months**	**1-5 years**	**Total**
Borrowings from banks	389	3 313	-	3 702
Finance lease liabilities	1 477	4 432	9 642	15 551
Convertible bonds issued	-	-	15 011	15 011
Trade payables and other financial liabilities	6 281	-	-	6 281
	8 147	**7 745**	**24 653**	**40 545**

Company

31 December 2012	**Up to 3 months**	**3-12 months**	**1-5 years**	**Total**
Finance lease liabilities	369	4 775	6 119	11 263
Convertible bonds issued	-	-	15 018	15 018
Trade payables and other financial liabilities	6 522	-	-	9 522
	6 891	**4 775**	**21 137**	**35 803**

31 December 2011	**Up to 3 months**	**3-12 months**	**1-5 years**	**Total**
Finance lease liabilities	1 477	4 432	9 642	15 551
Convertible bonds issued	-	-	15 011	15 011
Trade payables and other financial liabilities	4 992	-	-	4 992
	6 469	**4 432**	**24 653**	**35 554**

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, including financial lease, less cash and cash equivalents. As of 31 December the Group's and the Company's capital structure was as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Total borrowings and convertible bonds issued	24 048	27 478	21 775	23 977
Less: cash and cash equivalents	(925)	(1 084)	(187)	(512)
Net debt	23 123	26 394	21 588	23 465
Total equity	7 567	10 820	8 733	15 063
Total capital	30 690	37 214	30 321	38 528

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 2012 the Company was not in compliance with this requirement. The Company has no information about the plans of the Board with regards to this issue. As of 31 December 2011, the Company and its subsidiaries, registered in Lithuania, complied with these requirements.

Company's subsidiary, AB Šatrija, retained earnings as of 31 December 2012 and 2011 were negative. Pursuant to the provisions of the Law on Limited Liability Companies of the Republic of Lithuania, if the total of retained earnings at the beginning of the financial year and net profit (loss) for the year is negative, the General Shareholders' Meeting has to make a decision to cover these losses. Transfers to distributable results should be made in the following sequence:

a) transfer from reserves not used in the reporting financial year;
b) transfer from the legal reserve;
c) transfer from the share premium.

As of the date of these financial statements, the Management of the Company was not informed about the actions of the shareholders of the Company related to this matter.

The shareholders‘ equity of the subsidiary registered in Ukraine was negative as of 31 December 2012 and 31 December 2011. 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 2012 and 31 December 2011, the shareholders‘ equity of this subsidiary was less than the statutory minimal amount of authorised share capital. On the date of these financial statements there were no decisions made or actions taken concerning PAT "MTF Mrija" negative shareholders' equity.

3.3 Fair value estimation of financial assets and liabilities

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 subsidiary by the Company is estimated discounting expected cash flows at market interest rates (Note 4).

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. According to Management's estimation, the fair value of the convertible bonds issued equals to LTL 13 111 thousand as of 31 December 2012 (LTL 12 253 thousand as of 31 December 2011).

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:

(a) Going concern assumptions

During the reporting year, the Group incurred net loss of LTL 3 557 thousand and the Company incurred a net loss of LTL 6 330 thousand (2011: the Group earned net profit of LTL 1 776 thousand, Company incurred net loss of LTL 7 654 LTL thousand).

At the end of the reporting financial year, the Group's and the Company's current liabilities exceeded current assets by LTL 1 825 thousand and LTL 568 thousand, respectively (as of 31 December 2011 the Group's and the Company's current liabilities exceeded current assets by LTL 2 256 thousand and LTL 1 309 thousand, respectively).

As of 31 December 2012, the Company was not in compliance with restrictive conditions stipulated in lease agreements with the leasing company. As of 28 December 2012 The Company received the waiver from the leasing company that despite the breach of the covenants as of 31 December 2012, no measures provided in the agreements would be taken.

The Group's and the Company's financial statements have been prepared on a going concern basis, based on the assumption that the Group and the Company will continue their operation in the foreseeable future. Based on the assessment of the management, sufficient financial resources will be available to the Group or the Company to cover their current liabilities as they fall due. The management's assessment is based on the following considerations and plans, which would allow the Group and the Company to maintain sufficient cash flows to sustain its activities for at least 12 upcoming months:

4. Critical accounting estimates and judgments (cont'd)

- In 2012, the Group and the Company generated positive EBITDA (excluding allowances made for intercompany receivables). The Group's net result was negative and amounted to LTL 3 557 thousand. The Company's net result in 2012 was negatively impacted by additional write-offs of LTL 3.5 million made for receivables from subsidiary PAT MTF Mrija, which essentially had no effect on the Group's and the Company's cash flows in 2012.

- In 2012, the Group's and the Company's liquidity ratios (current assets/current liabilities) have improved. As of 31 December 2012, the Group's and the Company's liquidity ratios were 0.92 and 0.97, respectively (0.88 and 0.89, respectively, as of 31 December 2011).

- Liquidity was impaired, as LTL 2 273 thousand of the debt to FIDO bank was accounted in current liabilities in the end of 2012, because the final settlement term is in December 2013. The management of the Group believes that these loans would be possible to extend, as they were extended in 2012.

- In addition, on 21 December 2012 the Company and Swedbank Lizingas UAB agreed on new amendments to the agreements concerning the lease contracts. The parties revised the installment schedules and a new annual interest rate was agreed which was set at 6 month EURIBOR + 4.43 per cent margin. The final settlement term of the finance lease liabilities was not changed - September 2014. Beginning from December 2012 the three-month grace period without a loan amortisation was agreed.

- In the next financial year the Company and the Group will continue to implement costs and working capital management controlling measures as well as will put efforts to pursue sale growth. Also, during the next financial year the Company and the Group expects to generate positive EBITDA.
- The group will look for opportunities to sell the assets, which are not used in the main activities. The book values of such assets are: LTL 1 976 million in Lithuania and LTL 2 001 million in Ukraine.

(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 Šatrija AB and related goodwill

After testing for impairment there was no impairment identified for the investment into the subsidiary Šatrija AB and related goodwill. If reasonably worsened inputs were used in impairment testing, no impairment had been detected.

Investment in the subsidiary PAT MTF Mrija and related goodwill

In 2011 additional allowances were made for the investments into the subsidiary PAT MTF Mrija. As a result the investment cost was impaired to zero. Investments into this subsidiary before impairment allowances accounted to LTL 7 578 thousand, after allowances to LTL 0 (allowances of LTL 1 357 thousand were made before 2011, the remaining amount of LTL 6 221 thousand was impaired in 2011).

Amounts receivable from subsidiary PAT MTF Mrija were tested for impairment jointly with investments into the subsidiary. Receivables from PAT MTF Mrija as of 31 December 2012 before impairment allowances amounted to LTL 16 797 thousand, after allowances LTL 11 143 thousand. As of 31 December 2012 additional allowance of LTL 3 500 thousand for receivables was made. In 2011 receivables from PAT MTF Mrija before impairment allowances amounted to LTL 15 285 thousand, after allowances LTL 13 131 thousand. Impairment allowances of LTL 676 thousand were made before 2011, and additional amount of LTL 1 478 thousand was impaired in 2011.

4. Critical accounting estimates and judgments (cont'd)

As at 31 December 2012 and 2011 the recoverable amount of the cash-generating unit has been determined based on a value in use which was determined using cash flow projections approved by the management and covering a five year period.

Based on current industry situation and past experience, the Group's management included the following inputs in the impairment test: increase in revenue from manufacturing activities of PAT MTF Mrija by 33.3 per cent in 2013 comparing with 2012 and increase by 10.0 - 30.0 per cent for the period 2014-2017, maintaining a gross profit of 16-23 per cent.

In addition, Company's management expects a significant increase in revenues from the Company's production reselling activities in the Ukrainian market. The gross margin of these activities is expected to reach 15 per cent.

The discount rate applied to cash flow projections is 20.9 per cent (19.3 per cent in 2012) and cash flows beyond 5-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 4.6 million expected to be received by the Group on the disposal of equipment and buildings that are not used in the activities of PAT MTF Mrija.

In the opinion of the Group's management, the most important and most change-like assumptions are the discount rate and revenue growth. The sensitivity analysis to these assumptions is provided below.

Increase of discount rate applied to the discounted cash-flows by 1 percentage point (i.e. from 20.9 per cent to 21.9 per cent, with all other inputs remaining stable) would result in an additional impairment loss of accounts receivable from subsidiary amounting to LTL 686 thousand as of 31 December 2012 (investment would not change as it is impaired to zero).

Reduction in revenue growth from manufacturing activities during 2013 by 23.3 percentage point (i.e. from 33.3 per cent to 10 per cent, with all other inputs remaining stable) would result in an additional impairment loss of accounts receivable from subsidiary amounting to LTL 1.4 million as of 31 December 2012.

Reduction in revenue from resale of the Company production level in Ukraine by 50 per cent in 2013 (with all other inputs remaining stable) would result in an additional impairment loss of accounts receivable from subsidiary amounting to LTL 2.8 million as of 31 December 2012.

Decrease in growth rate used for extrapolation of cash flows beyond 5-year period by 4 percentage point (i.e. from 4 per cent to nil, with all other inputs remaining stable) would result in an additional impairment loss of accounts receivable from subsidiary amounting to LTL 1.5 million as of 31 December 2012.

As regards to goodwill impairment test, after testing for impairment there were no impairment detected for the goodwill (Note 6) related to the investment to PAT MTF Mrija. If reasonably worsened inputs were used in impairment testing, no impairment had been detected.

(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. Judgment 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 judgment is pricing for similar types of transactions with unrelated parties, when such information is known to the Group/Company.

5. Segment information

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

In assessing operational performance of segments the Group's Board takes into account the sales revenue, gross profit, EBITDA (earnings before financial activity result, tax, depreciation and amortization), profit (loss) ratios, 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 eliminated on consolidation.

2012	**Production of knitted articles**	**Production of working clothes**	**Retail of knitted articles**	**Eliminations**	**Total**
External sales	42 582	8 264	616	-	51 462
Internal sales	304	37	-	(341)	-
Total revenue	**42 886**	**8 301**	**616**	**(341)**	**51 462**
Gross profit	**4 879**	**1 717**	**276**	**-**	**6 872**
EBITDA	**1 274**	**878**	**30**	**-**	**2 182**
Profit (loss) for the year	**(4 234)**	**610**	**67**	**-**	**(3 557)**
Depreciation and amortization	2 602	234	-	-	2 836
Impairment and write-off (reversal) of accounts receivable	1	-	-	-	1
Impairment and write-off (reversal) of inventories	44	(2)	-	-	42
Interest expenses	2 496	-	-	(138)	2 358
Income tax	(152)	129	-	-	(23)
Total segment assets	**40 415**	**10 716**	**1 483**	**(5 542)**	**47 072**
Total segment liabilities	**42 497**	**2 520**	**30**	**(5 542)**	**39 505**

5. Segment information (cont'd)

2011	Production of knitted articles	Production of working clothes	Retail of knitted articles	Eliminations	Total
External sales	51 963	8 624	585	-	61 172
Internal sales	325	10	-	(335)	-
Total revenue	**52 288**	**8 634**	**585**	**(335)**	**61 172**
Gross profit	**8 613**	**2 022**	**248**	**-**	**10 883**
EBITDA	**5 769**	**1 395**	**21**	**-**	**7 185**
Profit (loss) for the year	**182**	**1 557**	**37**	**-**	**1 776**
Depreciation and amortisation	2 966	253	4	(44)	3 179
Impairment of investment property	(166)	-	-	-	(166)
Impairment of non-current assets held for sale	(289)	-	-	-	(289)
Impairment and write-off (reversal) of accounts receivable	(158)	-	-	-	(158)
Impairment and write-off (reversal) of inventories	315	(27)	-	-	288
Interest expenses	2 635	-	-	(27)	2 608
Income tax	208	(359)	7	-	(145)
Total segment assets	**40 128**	**9 777**	**1 423**	**(3 164)**	**48 164**
Total segment liabilities	**38 279**	**2 191**	**38**	**(3 164)**	**37 344**

	2012	2011
EBITDA	**2 182**	**7 185**
Depreciation and amortisation	(2 836)	(3 179)
Operating (loss) profit	**(654)**	**4 006**
Interest expenses	(2 358)	(2 608)
Other finance cost, net	(568)	233
Profit (loss) for the year before income tax	**(3 580)**	**1 631**

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

5. Segment information (cont'd)

The Group's and the Company's revenue from one customer exceeding 10 per cent of total sales in 2012 and 2011 was as follows:

Customer	Region	Group Percentage of total sales (%)		Company Percentage of total sales (%)	
		2012	2011	2012	2011
Customer 1	Western Europe	16	14	20	17
Customer 2	Western Europe	11	13	14	16
Customer 3	Western Europe	8	13	10	15
Customer 4	Western Europe	8	6	10	7

Revenue from these customers are attributed to production of knitted articles segment.
The table below summarizes the Group's revenues geographically:

2012	Western Europe	Lithuania	Other regions	Total
Sales of the Group	40 804	8 367	2 291	51 462

2011	Western Europe	Lithuania	Other regions	Total
Sales of the Group	53 249	6 052	1 871	61 172

The majority of Group sales were performed to Western Europe customers. In 2012 23 per cent of total production was sold to Swedish customers (2011: 26 per cent) and 24 per cent - to German customers (2011: 23 per cent).

The Group's assets (except for the assets of subsidiary PAT 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 5 166 thousand as of 31 December 2012 (LTL 5 690 thousand as of 31 December 2011).

6. Intangible assets

	Group				Company
	Goodwill, related to PAT MTF Mrija	**Goodwill, related to Šatrija AB**	**Other intangible assets**	**Total**	**Other intangible assets**
Cost:					
Balance as of 1 January 2010	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
Additions	-	-	11	11	11
Foreign currency translation differences	28	-	2	30	-
Balance as of 31 December 2011	2 061	1 522	3 738	7 321	3 211
Additions	-	-	67	67	67
Foreign currency translation differences	(59)	-	(5)	(64)	-
Balance as of 31 December 2012	2 002	1 522	3 800	7 324	3 278
Amortisation and impairment:					
Balance as of 1 January 2010	-	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
Charge for the year	-	-	294	294	289
Foreign currency translation differences	-	-	2	2	-
Balance as of 31 December 2011	-	129	3 372	3 501	2 846
Charge for the year	-	-	297	297	297
Foreign currency translation differences	-	-	(4)	(4)	-
Balance as of 31 December 2012	-	129	3 665	3 794	3 143
Net book value as of 31 December 2010	**2 033**	**1 393**	**649**	**4 075**	**643**
Net book value as of 31 December 2011	**2 061**	**1 393**	**366**	**3 820**	**365**
Net book value as of 31 December 2012	**2 002**	**1 393**	**135**	**3 530**	**135**

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 and loss.
As of 31 December 2012, the acquisition cost of intangible assets of the Group and the Company that were fully amortised but still in use amounted to LTL 2 413 thousand and LTL 1 899 thousand, respectively (LTL 2 152 thousand and LTL 1 832 thousand, respectively as of 31 December 2011).

6. Intangible assets (cont'd)

Goodwill

On 26 July 2004 the subsidiary Šatrija AB controlled by the Company, purchased 100 per cent of the shares of Justima UAB and took control over this company which was later merged into Šatrija AB. According to the terms of the share purchase agreement, Šatrija AB 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.

As of 31 December 2012 and 2011 the recoverable amount of the cash-generating unit has been determined based on a value in use which was determined using cash flow projections approved by the management and covering a five year period. Projected revenues were discounted using 16.65 per cent pre-tax discount rate, while cash flows beyond the five-year period were extrapolated using a 2 per cent growth rate that reflects the best estimate of the management based on the present situation of this business sector.

According to the impairment test results, the Group did not account for any goodwill impairment for this goodwill as of 31 December 2012 and 2011.

As of 31 December 2012 and 2011, the most important and most change-like assumptions in the carrying value of the goodwill are the discount rate and revenue growth.

As at the date of these financial statements the management of the Group did not expect that these assumptions could change significantly, leading to impairment of goodwill.

Based on the impairment test performed, no impairment needed to be recognized on the goodwill arising from investment in PAT MTF Mrija. (Note 4).

7. Property, plant and equipment

Group	Land and buildings	Structures	Vehicles and other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 31 December 2010	14 163	1 063	78 815	27	94 068
Additions	49	-	81	-	130
Reclassification (Note 13)	-	-	3 212	(17)	3 195
Disposals and write-offs	(5)	(34)	(1 660)	28	(1 671)
Foreign currency translation differences	47	5	54	1	107
Balance as of 31 December 2011	14 254	1 034	80 502	39	95 829
Additions	67	-	322	-	389
Disposals and write-offs	(441)	(4)	(1 056)	-	(1 501)
Foreign currency translation differences	(84)	(13)	(252)	(1)	(350)
Reclassification	-	-	28	(28)	-
Balance as of 31 December 2012	13 796	1 017	79 544	10	94 367
Accumulated depreciation:					
Balance as of 31 December 2010	6 319	670	61 641	-	68 630
Charge for the year	165	47	2 891	-	3 103
Disposals and write-offs	-	-	(817)	-	(817)
Foreign currency translation differences	19	1	(108)	-	(88)
Balance as of 31 December 2011	6 503	718	63 607	-	70 828
Charge for the year	253	43	2 354	-	2 650
Disposals and write-offs	(180)	(2)	(999)	-	(1 181)
Foreign currency translation differences	(28)	(10)	(169)	-	(207)
Balance as of 31 December 2012	6 548	749	64 793	-	72 090
Impairment:					
Balance as of 31 December 2010	30	-	-	-	30
Balance as of 31 December 2011	30	-	-	-	30
Balance as of 31 December 2012	30	-	-	-	30
Net book value as of 31 December 2010	**7 814**	**393**	**17 174**	**27**	**25 408**
Net book value as of 31 December 2011	**7 721**	**316**	**16 895**	**39**	**24 971**
Net book value as of 31 December 2012	**7 218**	**268**	**14 751**	**10**	**22 247**

7. Property, plant and equipment (cont'd)

Company	Land and buildings	Structures	Vehicles and other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 31 December 2010	7 432	571	66 071	17	74 091
Additions	40	-	21	28	89
Reclassification	-	-	17	(17)	-
Disposals and write-offs	-	-	(284)	-	(284)
Balance as of 31 December 2011	7 472	571	65 825	28	73 896
Additions	-	-	223	-	223
Reclassification	-	-	28	(28)	-
Disposals and write-offs	(265)	-	(814)	-	(1 079)
Balance as of 31 December 2012	7 207	571	65 262	-	73 040
Accumulated depreciation:					
Balance as of 31 December 2010	3 050	393	51 539	-	54 982
Charge for the year	91	31	2 014	-	2 136
Disposals and write-offs	-	-	(284)	-	(284)
Balance as of 31 December 2011	3 141	424	53 269	-	56 834
Charge for the year	91	31	1 979	-	2 101
Disposals and write-offs	(147)	-	(774)	-	(921)
Balance as of 31 December 2012	3 085	455	54 474	-	58 014
Impairment:					
Balance as of 31 December 2010	30	-	-	-	30
Balance as of 31 December 2011	30	-	-	-	30
Balance as of 31 December 2012	30	-	-	-	30
Net book value as of 31 December 2010	**4 352**	**178**	**14 532**	**17**	**19 079**
Net book value as of 31 December 2011	**4 301**	**147**	**12 556**	**28**	**17 032**
Net book value as of 31 December 2012	**4 092**	**116**	**10 788**	**-**	**14 996**

7. Property, plant and equipment (cont'd)

Total depreciation charges of the Group's and the Company's property, plant and equipment amounted to LTL 2 650 thousand and LTL 2 101 thousand, respectively in 2012 (2011: LTL 3 103 thousand and LTL 2 136 thousand, respectively). The respective amounts of LTL 2 358 thousand and LTL 1 887 thousand in 2012 (2011: LTL 2 673 thousand and LTL 1 959 thousand, respectively) were included in the Group's and the Company's cost of sales. 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 cost of LTL 37 135 thousand and LTL 26 328 thousand, respectively, were fully depreciated as of 31 December 2012 (2011: LTL 36 083 thousand and LTL 25 632 thousand, respectively), but were still in use.

Property, plant and equipment of the Group and the Company with net book values of LTL 22 867 thousand and LTL 17 375 thousand, respectively, as of 31 December 2012 (2011: LTL 26 806 thousand and LTL 19 814 thousand, respectively) were pledged to the banks as a collateral for the borrowings (Note 18).

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:

	Group		**Company**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Cost – capitalised finance lease				
Buildings	7 058	7 324	7 058	7 324
Vehicles and other property, plant and equipment	43 237	43 809	43 237	43 809
	50 295	51 133	50 295	51 133
Accumulated depreciation				
Buildings	(3 050)	(3 108)	(3 050)	(3 108)
Vehicles and other property, plant and equipment	(34 268)	(33 212)	(34 268)	(33 212)
	(37 318)	(36 320)	(37 318)	(36 320)
Net book value	12 977	14 813	12 977	14 813

8. Investment property

	Group	Company
Cost:		
Balance as of 31 December 2010	4 338	4 338
Balance as of 31 December 2011	4 338	4 338
Disposals	(272)	(272)
Reclassification to non current asset held for sale (Note 13)	(2 831)	(2 831)
Balance as of 31 December 2012	1 235	1 235
Accumulated depreciation:		
Balance as of 31 December 2010	1 267	1 267
Charge for the year	102	102
Balance as of 31 December 2011	1 369	1 369
Charge for the year	90	90
Disposals	(125)	(125)
Reclassification to non current asset held for sale (Note 13)	(855)	(855)
Balance as of 31 December 2012	479	479
Impairment		
Balance as of 31 December 2010	165	165
Reversal of impairment	(165)	(165)
Balance as of 31 December 2011	-	-
Balance as of 31 December 2012	-	-
Net book value as of 31 December 2010	**2 906**	**2 906**
Net book value as of 31 December 2011	**2 969**	**2 969**
Net book value as of 31 December 2012	**756**	**756**

Rental income and related costs have been disclosed in Note 24.

Investment property of the Company and the Group comprises buildings rented to related party.

8. Investment property (cont'd)

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

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Cost – capitalised finance lease				
Investment property	1 109	4 212	1 109	4 212
Accumulated depreciation				
Investment property	(353)	(1 243)	(353)	(1 243)
Impairment loss for investment property	-	165	-	165
Investment property reversal of impairment	-	(165)	-	(165)
Net book value	756	2 969	756	2 969

The fair value of the investment property approximates its net book value as of 31 December 2012 and as of 31 December 2011. The fair value of investment property as of 31 December 2012 and as of 31 December 2011 was estimated by management using market price per square meter of similar premises in similar locations identified by independent property valuators.

Investment property rental income

	Group		Company	
	2012	2011	2012	2011
During 1 year	41	241	41	241
After 1 year but not later than 5 years	86	505	86	505
After 5 years	-	-	-	-
	127	746	127	746

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:

	2012	2011
Cost of investments:		
Balance as of 1 January	12 753	12 753
Balance as of 31 December	12 753	12 753
Impairment:		
Balance as of 1 January	7 578	1 357
Impairment	-	6 221
Balance as of 31 December	7 578	7 578
Carrying amount of investments in subsidiaries as of 31 December	**5 175**	**5 175**

As of 31 December 2012, investment into the subsidiary Šatrija AB amounting to LTL 4 935 thousand was pledged to the lease company as collateral for the finance lease (as of 31 December 2011: LTL 4 935 thousand) (Note 18).

As described in Note 4, the investment into the subsidiary PAT MTF Mrija was impaired to zero.

10. Inventories

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Raw materials	4 919	3 376	3398	2 034
Work in progress	4 069	2 133	3 879	2 000
Finished goods	3 866	4 108	3 667	3 773
Goods for resale	267	289	-	-
	13 121	9 906	10 944	7 807
Write-down to net realisable value:				
Opening balance	(1 875)	(1 600)	(796)	(494)
Change	(47)	(275)	(43)	(302)
Closing balance	(1 922)	(1 875)	(839)	(796)
	11 199	8 031	10 105	7 011

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as of 31 December 2012 amounted to LTL 2 792 thousand and LTL 1 709 thousand respectively (2011: LTL 2 540 thousand and LTL 1 461 thousand, respectively). Changes in impairment allowance for inventories during 2012 and 2011 were recorded within the Group's and the Company's general and administrative expenses.

All inventories of the Company as of 31 December 2012 and 2011 were pledged to the lease company as collateral for the finance lease (Note 18).

11. Trade receivables

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Trade receivables, gross	6 190	5 039	4 834	3 900
Allowance for trade receivables:	-	-	-	-
Opening balance	(780)	(893)	(707)	(820)
Change	-	113	-	113
Closing balance	(780)	(780)	(707)	(707)
	5 410	4 259	4 127	3 193

Changes in impairment allowance for doubtful trade receivables during 2012 and 2011 were recorded within the Group's and the Company's general and administrative expenses.

12. Other accounts receivable

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Taxes receivable, except for prepaid income tax	443	660	5	18
Prepayments and other current assets	239	139	128	87
	682	799	133	105

13. Non current assets held for resale

As of 31 of December 2012 the Company's building with a net book value of LTL 1 976 thousand was reclassified as asset held for sale. This asset is part of production of knitted articles segment and is intended to be sold in year 2013. The Company is intensively searching for the buyer for this property.

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. During 2010 certain equipment was sold and for the remaining equipment active search was taking place. As the management planned to dispose this equipment within a year after the date of the statement of financial position, it was classified as non-current assets held for sale as of 31 December 2010. As of 31 December 2010, impairment charge for the equipment amounting to LTL 389 thousand was recorded. In 2011 the equipment was not sold and was reclassified back to property, plant and equipment as planned disposal date is uncertain. The carrying value of this equipment after depreciation and impairment amounted to LTL 2 001 thousand as of 31 December 2012 (LTL 1 872 thousand as of 31 December 2011).

14. Deposits

As of 31 December 2011, the Group company Šatrija AB had total amount of LTL 1 646 thousand of term deposits, with maturity dates of March-June 2012, with the annual interest rate of 1.1 per cent – 1.3 per cent. As of 31 December 2012, the Group and the Company had no deposits.

15. Cash and cash equivalents

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Cash on hand	13	13	5	8
Cash at bank	912	871	182	504
Deposits with maturity term of 3 months or less	-	200	-	-
	925	1 084	187	512

The balance of the Group's deposits as of 31 December 2011 included a deposit of LTL 200 thousand with annual interest rate of 1.25 per cent. Its contractual maturity date was 30 January 2012.

In 2012 and 2011, all cash inflows into the Company's accounts in the bank were pledged to the lease company as collateral for the finance lease (Note 18). As of 31 December 2012 and 2011, the Group and the Company had no restrictions on the use of cash and cash equivalents.

16. Share capital

As of 31 December 2012 and 2011, the share capital comprised 19 834 442 ordinary registered shares with par value of LTL 1 each. As of 31 December 2012 and 2011, all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as of 31 December 2012 and 2011. The Company did not hold its own shares as of 31 December 2012 and 2011.

17. Other reserves and retained earnings

Other reserves

The balance of the Company's reserves as of 31 December 2012 and 2011 comprised a legal reserve, which is fully composed.

Retained earnings (deficit)

Pursuant to the provisions of the Law on Limited Liability Companies of the Republic of Lithuania, if the total of retained earnings at the beginning of the financial year and net profit (loss) for the year is negative, the General Shareholders' Meeting has to make a decision to cover these losses. Transfers to distributable results should be made in the following sequence:

a) transfer from reserves not used in the reporting financial year;
b) transfer from the compulsory reserve;
c) transfer from the share premium.

As of the date of these financial statements, the Management of the Company was not informed about the actions of the shareholders of the Company related to this matter.

18. Borrowings

	Group		Company	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Current				
Current portion of non-current bank borrowings	2 273	3 501	-	-
Finance lease liabilities	4 708	5 240	4 708	5 240
	6 981	8 741	4 708	5 240
Non–current				
Borrowings from subsidiaries	-	-	5 450	3 134
Finance lease liabilities	5 926	9 138	5 926	9 138
	5 926	9 138	11 376	12 272
Total borrowings	12 907	17 879	16 084	17 512

In 2012 and 2011, 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 15) 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:

	Group		Company	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
EUR	12 907	17 879	16 084	17 512

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

	Group		Company	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Long-term bank borrowings	11.00	6.72	-	-
Finance lease liabilities	5.03	5.62	5.03	5.62

18. Borrowings (cont'd)

The interest rate for the borrowings is based on market interest rate, therefore, in the opinion of management, the carrying amount of borrowings approximates their fair value as of 31 December 2012 and 2011.

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:

	Group		**Company**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Every 6 months or more	12 907	17 879	10 634	14 378
Every 12 months	-	-	5 450	3 134
	12 907	17 879	16 084	17 512

As of 31 December 2012 and 2011, 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 4 (3.5 in 2011);
Upon the approval from the bank, for the covenants calculated in 2011:
- the calculation of the Group's financial ratios included EBITDA 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.

On 4 January 2012, the Company and Swedbank Lizingas UAB entered into the agreements concerning the lease contracts. The parties revised the installment schedules and annual interest rate was agreed which was set at 6 month EURIBOR plus 3.24 per cent margin. The final settlement term of finance lease liabilities was not changed – 30 September 2014, however current portion of financial lease decreased by approximately LTL 2.4 million.

On 21 December 2012, the Company and Swedbank Lizingas UAB entered into the new agreements concerning the lease contracts. The parties revised the instalment schedules and a new annual interest rate was agreed which was set at 6 month EURIBOR plus 4.43 per cent margin. The final settlement term of finance lease liabilities was not changed – 30 September 2014.

On 26 December 2012, the subsidiary Company PAT MTF Mrija and FIDO bank entered into the new agreements concerning the loan. The parties agreed the new final settlement term of the loan – 25 December 2013 and a new annual interest rate was agreed – 11 per cent.

As of 31 December 2012, the Company was not in compliance with restrictive conditions stipulated in lease agreements with the leasing company. As of 28 December 2012 The Company received the waiver from the leasing company that despite the breach of the covenants for the date 31 December 2012, no measures provided in the agreements would be taken.

As of 31 December 2011, the Group was not in compliance with one ratio:
a) DSCR (debt service coverage ratio) not lower than 1.2.
In December 2011 the Company had received the waivers for non-compliance with DSCR from the the lease company and the bank, which confirmed that the bank will not apply forfeit or/and will not terminate the agreement.

18. Borrowings (cont'd)

Finance lease liabilities – minimum lease payments:

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Not later than 1 year	5 145	5 910	5 145	5 910
After 1 year but not later than 5 years	6 119	9 642	6 119	9 642
After 5 years	-	-	-	-
	11 264	15 552	11 264	15 552
Future finance lease charges	(630)	(1 174)	(630)	(1 174)
Present value of finance lease liabilities	10 634	14 378	10 634	14 378
Present value of finance lease liabilities:				
Not later than 1 year	4 708	5 240	4 708	5 240
After 1 year but not later than 5 years	5 926	9 138	5 926	9 138
After 5 years	-	-	-	-
	10 634	14 378	10 634	14 378

19. Convertible bonds issued

	Group		Company	
	2012	2011	2012	2011
Convertible bonds issued to the bank	8 795	7 578	8 795	7 578
Convertible bonds issued to UAB Koncernas „SBA“	2 346	2 021	2 346	2 021
	11 141	9 599	11 141	9 599

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 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 issued is LTL 112 thousand (equivalent in EUR 36 thousand); the bond bears interest at 15%. The maturity term of bonds is 5 years; the maturity date is 12 January 2015. If Swedbank AB chooses to convert the bonds into the shares, it has to submit a written request to the Company as from 1 January 2010 till 11 December 2014 inclusive and the convertible bonds shall be exchanged into the shares of the Company on the redemption day. The maximum number of the shares for which the issued convertible bonds might be converted at the end of the conversion period – 11 850 thousand shares with the nominal value LTL 1.

Swedbank AB, on 15th of December 2011 disposed all convertible bonds of the Company to company FR&R Invest AB , which is registered in Sweden and is related party to the bank.

19. Convertible bonds issued (cont'd)

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 UAB koncernas SBA

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. If Koncernas SBA UAB chooses to convert the bonds into the shares, it has to submit a written request to the Company as from 1 January 2010 till 11 December 2014 inclusive and the convertible bonds shall be exchanged into the shares of the Company on the redemption day. The maximum number of the shares for which the issued convertible bonds might be converted at the end of the conversion period – 3 168 thousand shares with the nominal value LTL 1.

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 close to zero, therefore the total value of the compound financial instrument was attributed to the liability component.

20. Provisions for employee benefits

	Group	Company
Balance as of 31 December 2011	410	355
Wages earned	89	75
Interest costs	21	17
Actuarial (profit) loss	150	142
Reversed costs due to cancelled labour contracts	(76)	(41)
Balance as of 31 December 2012	594	548
Long term provisions for employee benefits as of 31 December 2012	421	387
Short term provisions for employee benefits as of 31 December 2012	173	161
Long term provisions for employee benefits as of 31 December 2011	312	277
Short term provisions for employee benefits as of 31 December 2011	98	78

Provisions for pension and jubilee benefits represent amounts calculated according to the collective agreements, which are in force in the Group and the Company. In The Company and it's subsidiary Šatrija 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.

2012 provisions were calculated with the discount rate of 4.72 per cent and employee turnover rate of 11.14 per cent (in 2011: 5.71 per cent and 11,3 per cent , respectively).

21. Accrued expenses and other current liabilities

	Group		Company	
	2012	2011	2012	2011
Accrual for vacation reserve	1 975	1 613	1 266	832
Wages, salaries and social security	1 743	1 292	1 398	923
Amounts payable for services and non-current assets	1 485	822	1 377	644
Bonuses for employees	70	-	-	-
Taxes payable, except for profit tax	275	216	204	149
Other liabilities	322	211	164	80
	5 870	4 154	4 412	2 628

22. Cost of sales

	Group		Company	
	2012	2011	2012	2011
Wages, salaries and social security	20 388	20 567	14 823	14 530
Materials	14 030	18 255	13 970	17 690
Other overhead expenses	7 747	8 761	6 500	9 040
Depreciation and amortisation	2 358	2 673	1 887	1 959
Cost of materials sold	67	33	26	23
	44 590	50 289	37 206	43 242

23. Selling general and administrative expenses

	Group		Company	
	2012	**2011**	**2012**	**2011**
Selling expenses				
Wages salaries and social security	1 282	1 016	1 054	804
Maintenance costs of retail outlets	90	100	-	-
Agency costs	477	442	452	427
Transportation costs	399	313	381	305
Advertising and marketing costs	116	78	101	67
Other selling expenses	484	388	466	378
Total selling expenses	2 848	2 337	2 454	1 981
General and administrative expenses				
Wages salaries and social security	2 635	2 445	1 761	1 704
Communications and consulting services	1 005	1 187	758	904
Taxes other than income tax	378	532	320	494
Depreciation and amortisation	390	382	316	305
Security	314	229	120	41
Vehicles exploitation expenses	195	201	150	113
Provisions for employee benefits (Note 20)	184	59	193	4
Services of financial institutions	152	110	102	89
Mission expenses	133	93	104	64
Premises exploitation expenses	128	109	89	77
Representation expenses	100	243	69	175
Impairment and write-off (reversal) of inventories	42	288	44	311
Impairment of financial assets	26	-	-	7 700
Impairment and write-off (reversal) of accounts receivable	-	(158)	3 500	(158)
Impairment (reversal) of non-current assets	(1)	(289)	(1)	-
Impairment (reversal) of investment property	-	(166)	-	(166)
Other	774	581	429	205
Total general and administrative expenses	6 455	5 846	7 954	11 862
	9 303	8 183	10 408	13 843

24. Other income and expenses

	Group		Company	
	2012	**2011**	**2012**	**2011**
Gain from disposal of non-current assets	1 315	196	1 300	3
Rent income	225	308	225	302
Other income	490	1 209	83	358
Other income	**2 030**	**1 713**	**1 608**	**663**
Rent costs	(116)	(121)	(116)	(121)
Other expenses	(137)	(286)	(2)	(144)
Other expenses	**(253)**	**(407)**	**(118)**	**(265)**

25. Finance costs, net

	Group		Company	
	2012	**2011**	**2012**	**2011**
Foreign exchange gain	1 521	3 174	37	61
Interest income	18	13	208	208
Interest for late payments, net	-	5	-	5
Income from financing activities	1 539	3 192	245	274
Interest expenses	(2 358)	(2 608)	(2 316)	(2 346)
Foreign exchange (loss)	(2 107)	(2 959)	(38)	(83)
Financial expenses	(4 465)	(5 567)	(2 354)	(2 429)

26. Employee benefits

	Group		Company	
	2012	**2011**	**2012**	**2011**
Wages and salaries	18 505	18 277	13 476	13 014
Social security	5 800	5 751	4 165	4 024
	24 305	24 028	17 641	17 038

27. Income tax

Income tax expense comprised as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Current tax	-	(7)	-	-
Change in deferred tax	23	152	152	(208)
Income tax expense recognized in the statement of comprehensive income	23	145	152	(208)

27 Income tax (cont'd)

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:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Income tax at a rate of 15%	537	(246)	972	1 117
Effect of different tax rates applicable to subsidiary in Ukraine	70	37	-	-
Unrecognized deferred tax assets	185	540	-	(1 155)
Change in valuation allowances for deferred tax asset	(388)	-	(255)	-
Expenses not deductible for tax purposes	(381)	(186)	(565)	(170)
Income tax expenses reported in income statement	**23**	**145**	**152**	**(208)**

In 2012, 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 2011). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 21 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:

Group	**2010**	**Recognised in income statement**	**2011**	**Recognised in income statement**	**2012**
Deferred tax assets					
Tax loss carry forward	601	549	1 150	242	1 392
Inventories	84	35	119	17	136
Receivables	69	(22)	47	11	58
Impairment of property, plant and equipment and investment property	29	(25)	4	112	116
Provisions for employee benefits	63	(2)	61	28	89
Goodwill	131	(16)	115	(15)	100
Accrued charges	48	62	110	31	141
Deferred tax assets before valuation allowance	1 025	581	1 606	426	2 032
Less: valuation allowance	-	-	-	(388)	(388)
Deferred tax assets, net	1 025	581	1 606	38	1 644
Deferred tax liabilities					
Depreciation of property, plant and equipment	(891)	(429)	(1 320)	(15)	(1 335)
Deferred tax liabilities	(891)	(429)	(1 320)	(15)	(1 335)
Deferred tax asset, net	134	152	286	23	309

27. Income tax (cont'd)

Company	**2010**	**Recognised in income statement**	**2011**	**Recognised in income statement**	**2011**
Deferred tax assets					
Tax loss carry forward	601	225	626	367	1 193
Inventories	74	45	119	7	126
Receivables	69	(22)	47	-	47
Impairment of property, plant and equipment and investment property	29	(25)	4	-	4
Provisions for employee benefits	53	-	53	29	82
Accrued charges	48	(18)	30	15	45
Deferred tax assets before valuation allowance	874	205	1 079	418	1 497
Less: valuation allowance	-	-	-	(255)	(255)
Deferred tax assets, net	874	205	1 079	163	1 242
Deferred tax liabilities					
Depreciation of property, plant and equipment	(819)	(413)	(1 231)	(11)	(1 242)
Deferred tax liabilities	(819)	(413)	(1 231)	(11)	(1 242)
Deferred tax asset, net	55	(208)	(152)	152	-

Deferred 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 taxes relate to the same fiscal authority.

As at 31 December 2012 the Group's and the Company's tax losses to be carried forward against future taxable income amounted to LTL 16 631 thousand and LTL 7 953 thousand, respectively (2011: LTL 13 902 thousand and LTL 5 510 thousand, respectively). All tax losses of the Company and the Group may be carried forward for the unlimited term. Up until 2012, only 25 per cent of the accrued tax losses of Company's subsidiary PAT MTF Mrija could have been carried forward.

As at 31 December 2012 the Group's company PAT MTF Mrija had tax losses of LTL 7 352 thousand (2011: LTL 6 229 thousand) on which no deferred tax assets were recognised due to uncertainties related to their realisation. In 2011 the Group comapany PAT MTF Mrija realised part of tax losses for which deferred tax was not recognized.

28. Basic/dilutive earnings 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:

	Group	
	2012	**2011**
Profit attributable to the equity holders of the Group	(3 614)	1 618
Weighted average number of shares in issue (thousand)	19 834	19 834
Basic/dilutive earnings per share (in LTL)	(0.18)	0.08

Convertible bonds are not included into earnings per share calculation as they were antidilutive.

29. 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:

Related party	***Description of relation***
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 19). If the convertible bond holders exercise the conversion option, UAB Koncernas SBA would own less than 51 per cent of the share capital of the Company. The conversion option was not exercised as at 31 December 2012.

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 2012 and 31 December 2011, the management of the Group and the Company had 0.002 per cent of shares of PAT MTF Mrija.

The Group's and the Company's related-party transactions in 2012 and 2011 were as follows:

29. Related-party transactions (cont'd)

	Group		Company	
	2012	**2011**	**2012**	**2011**
Sales of goods and services				
Subsidiaries of the Company	-	-	943	640
SBA group companies	211	138	25	46
Ultimate parent company	15	13	12	13
	226	151	980	699

	Group		Company	
	2012	**2011**	**2012**	**2011**
Interest income				
Subsidiaries of the Company	-	-	207	207
	-	-	207	207

	Group		Company	
	2012	**2011**	**2012**	**2011**
Interest expenses				
Ultimate parent company	325	280	325	280
Subsidiaries of the Company	-	-	138	27
	325	280	463	307

	Group		Company	
	2012	**2011**	**2012**	**2011**
Purchases of goods and services				
Subsidiaries of the Company	-	-	1 117	2 342
SBA group companies	-	142	-	123
Other related parties	15	5	14	5
Ultimate parent company	870	1 021	712	766
	885	1 168	1 843	3 236

	Group		Company	
	2012	**2011**	**2012**	**2011**
Acquisition of property, plant and equipment				
Subsidiaries of the Company	-	-	7	-
	-	-	7	-

29. Related-party transactions (cont'd)

	Group		Company	
	2012	2011	2012	2011
Amounts receivable (including prepayments and loans)				
Accounts receivable from subsidiaries, gross*	-	-	8 367	7 777
Impairment allowances made	-	-	(4 176)	(676)
Accounts receivable from subsidiaries, net	-	-	4 191	6 101
Prepayments to subsidiaries	-	-	3 858	3 170
Loans granted including interest receivable from subsidiaries, gross**	-	-	4 579	4 338
Impairment allowances made	-	-	(1 478)	(1 478)
Loans granted including interest receivable from subsidiaries, net	-	-	3 101	2 860
SBA group companies	-	68	-	9
	-	68	11 147	13 140

* In 2012 and 2011 the accounts receivable consists only of accounts receivable from PAT MTF Mrija.

** In 2012 and 2011 the amount stands for loan granted including interest receivable to PAT MTF Mrija, with maturity of 30 November 2015, with fixed annual interest rate of 6 per cent.

15 with fixed interest rate of 6 per cent.

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

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

	2012	2011
Loans granted to related parties	6%	6 %

	Group		Company	
	2012	2011	2012	2011
Current and non-current payables				
Subsidiaries of the Company	-	-	5 538	3 164
SBA group companies	12	12	12	12
Other related parties	135	130	134	130
Ultimate parent company	3 357	2 471	2 462	1 763
	3 504	2 613	8 146	5 069

	Group		Company	
	2012	2011	2012	2011
Convertible bonds issued				
Ultimate parent company	2 346	2 021	2 346	2 021
	2 346	2 021	2 346	2 021

29. Related-party transactions (cont'd)

On 23 December 2011, the Company and subsidiary Šatrija, AB entered in to the loan agreement for EUR 550 thousand, with the interest rate equal to 12 month EURIBOR (for the agreement day it was 1.988 per cent), plus 3.24 per cent risk and profit margin. The total interest rate, which was set for the whole loan period, was 5.288 per cent. Repayment date 15 January 2013. During 2012 Šatrija, AB transferred to the Company LTL 2 300 thousand. On 31 December 2012 the additional agreement to the loan contract had been signed between the Company and a subsidiary Šatrija AB which extended the loan amount for EUR 666 thousand. The total amount of the loan EUR 1 216 thousand; the interest rate was set to 12 months EURIBOR (for the day the contract was signed, i.e. 0.54 per cent) plus 4.43 per cent annual interest rate risk and profit margin,- so total interest rate is equal to 4.97 per cent and is applied to the entire period of the loan; the final settlement term of the loan is 15 January 2015.

The Company has the borrowing of EUR 362 thousand from the subsidiary Gotija, UAB. On 1 July 2010, the repayment term of the loan was extended for the additional period of one year expiring on 30 June 2011. On 27 September 2011 the repayment term of the loan was extended to the 31 December 2012. Interest rate was established at 12 month EURIBOR plus 1.3 per cent making a total 3.364 per cent interest rate. In 2012 the loan was extended with an interest rate of 12 months EURIBOR (for the day the contract was signed, i.e., 0.54 per cent) plus 4.43 per cent annual interest rate risk and profit margin. Total interest rate is equal to 4.97 per cent and is applied to the entire period of the loan. The final settlement term of the loan is 15 January 2015.

	Group		Company	
	2012	**2011**	**2012**	**2011**
Key management compensation including social security costs				
Remuneration of management	1 705	1 327	982	704
	1 705	1 327	982	704

Key management includes general director, functional directors and chief accountant.
In 2012 and 2011 the management of the Group and the Company did not receive any loans, guarantees; any other payments or property transfers were not made or accrued. Remuneration of management comprise base salary and related social security costs.

Guarantees issued

Guarantees issued on behalf of related parties are disclosed in Note 30.

30. 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 2 273 thousand (LTL 3 500 thousand as of 31 December 2011) on behalf of its subsidiary PAT MTF Mrija to secure the repayment of borrowings.

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

Off balance sheet commitments

As of 31 December 2012 and 2011 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

31. Post balance sheet events

On 23 January 2013 AB Utenos Trikotažas has pledged 98.95 per cent of its subsidiary PAT MTF Mrija shares to Fido bank Ukraine.

UTENOS TRIKOTAŽAS AB
CONSOLIDATED ANNUAL REPORT
For 12 months period
ENDED 31 DECEMBER 2012

1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2012 to 31 December 2012.
All amounts in the Annual Report presented as at 31 December 2012, 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	**Utenos Trikotažas AB**
Authorised share capital	LTL 19 834 442
Address	J. Basanavičiaus g. 122, Utena
Telephone	(389) 51 445
Fax	(389) 69 358
E-mail	utenos.trikotazas@ut.lt
Website	www.utenostrikotazas.lt
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 textile 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;
- 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. Key performance indicators of the Group

UT group sales, profit, price per share for the last 5 years.

	2012	2011	2010 adjusted	2009 adjusted	2008
Revenue (LTL'000)	51 462	61 172	70 711	70 336	109 954
Profit for the year (LTL'000)	-3 557	1 776	3 683	2 463	-17 553
Price per share	0.687	0.777	1.309	1.140	1.390
Dividend per share	-	-	-	-	-

Financial ratios

	Group			Company		
	2012	2011	2010 adjusted	2012	2011	2010 adjusted
Revenue (LTL'000)	51 462	61 172	70 711	41 751	51 396	60 443
Operating profit(loss) (LTL'000)	-654	4 006	3 974	-4 373	-5 291	3 021
Operating profit (loss) margin (%)	-1.3	6.5	5.6	-10.5	-10.3	5.0
Profit (loss) before tax (LTL'000)	-3 580	1 631	3 111	-6 482	-7 446	886
Profit (loss) before tax, margin (%)	-7.0	2.7	4.4	-15.5	-14.5	1.5
Profit (loss) for the year (LTL'000)	-3 557	1 776	3 683	-6 330	-7 654	1 346
Profit (loss) for the year margin (%)	-6.9	2.9	5.2	-15.2	-14.9	2.2
Number of shares, (thousand)	19 834	19 834	19 834	19 834	19 834	19 834

Relative ratios

	Group			Company		
	2012. 12.31	2011. 12.31	2010. 12.31 adjusted	2012. 12.31	2011. 12.31	2010. 12.31 adjusted
Return on capital employed (%)	-17.9	9.0	18.6	-31.9	-38.6	6.8
Return on assets (%)	-7.6	3.7	6,7	-13.0	-15.5	2.1
Return on shareholders' equity (%)	-47.0	16.4	40.0	-72.5	-50.8	5.9
Debt ratio (%)	83.9	77.5	83.4	82.1	69.6	63.9
Debt-to-equity ratio (%)	522.1	345.1	500.8	458.1	228.6	177.0
Liquidity ratio (%)	91.7	87.6	105.6	96.7	89.2	143.3
Equity to assets ratio (%)	16.1	22.5	16.6	17.9	30.4	36.1

Operating figures

	Group			Company		
	2012	2011	2010	2012	2011	2010
Manufactured items	2 730	3 376	5 073	1 787	1 985	3 079
Average number of employees	1 031	1 204	1 320	643	706	778

Ratios related with the share price

	2012	2011	2010
P/E	-3.77	9.52	7.23
EPS	-0.18	0.08	0.18
EV/EBITDA	16.84	5.82	8.06
EV/EBIT	-30.07	9.86	10.01

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

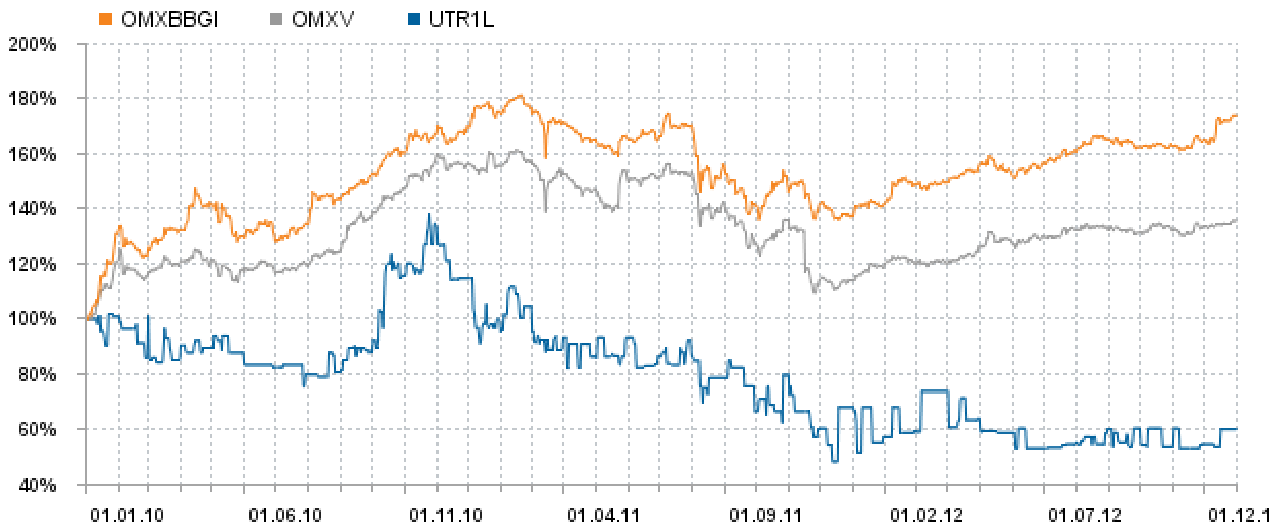
The Company's shares are listed on the Official List of the National Stock Exchange, as well on the Baltic List of the Lithuanian, Latvian and Estonian stock market. 19 834 442 of ordinary registered shares have been registered for public turnover of securities. A nominal value of one share is LTL 1.

7. Information regarding the price of shares and their dynamics

AB ,,Utenos trikotažas" share price dynamics, 2010-2012 (LTL):

Price ratios	2012	2011	2010
Open price, LTL	0.760	1.309	1.140
High price, LTL	0.843	1.274	2.072
Low price, LTL	0.590	0.552	0.860
Last price, LTL	0.687	0.777	1.309
Traded volume	119 656	781 069	837 139
Turnover, million LTL	0.08	0.81	0.98
Capitalisation, million LTL	13.63	15.41	25.96

AB „Utenos trikotažas“, OMX BalticBenchmark GI and OMX Vilnius Index dynamics, 2010-2012



Index/ Equity	31.12.2012	31.12.2011	31.01.2010	31.12.2012/ 31.12.2011 change, %
OMX BalticBenchmark GI	546,98	431,94	533,99	**26,63**
OMX Vilnius	355,08	298,78	409,65	**18,84**
UTR1L	0,20 EUR	0,23 EUR	0,38 EUR	**-11,56**

8. Dividend policy

Dividends are not been planned for the year 2012.

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

The sharp decrease in sales of basic products to retail clients focused on middle – lower market segments was the key driver behind weak sales in 2012.

As commented above, a negative group operating profit had been resulted due to decreased sales volumes.

Company anticipates that a consistent implementation of the strategy, i. e. proactive collaboration with our new customers both in Western Europe and Russian markets, accomplishment of a new brand „ABOUT - Baltic underwear“ concept for international markets, participation at international textiles exhibitions, focussed and systematic approach to the development of an innovative fabrics will eventually lead to a considerable sales growth in the nearest future.

A special attention was paid to Lithuanian market as well: an online shops www.utenostrikotazas.lt and http://shop.about-underwear.com/ were opened in 2012.

Revenue (LTL '000)

	2012	2011	Change	2010
AB ,,Utenos trikotažas“	41 751	51 396	-18.8%	60 443
AB ,,Šatrija“	8 301	8 642	-3.9%	8 843
PAT ,,MTF Mrija“	2 888	3 517	-17.9%	4 095
UAB ,,Gotija“	616	585	5.3%	587
Elimination of intercompany transactions	-2 094	-2 968	-29.4%	-3 257
	51 462	**61 172**	**-15.9%**	**70 711**

EBITDA (LTL '000)

	2012	2011	Change	2010
AB ,,Utenos trikotažas“	1 436	4 785	-70.0%	5 589
AB ,,Šatrija“	878	1 395	-37.1%	963
PAT ,,MTF Mrija“	-162	984	-116.5%	623
UAB ,,Gotija“	30	21	42.9%	2
	2 182	**7 185**	**-69.6%**	**7 177**

Trade

	Group			Company		
Revenue (LTL '000)	2012	2011	Change	2012	2011	Change
Western Europe	40 804	53 249	-23.4%	33 385	45 218	-26.2%
Lithuania	8 367	6 052	38.3%	7 432	5 645	31.7%
Other regions	2 291	1 871	22.4%	934	533	75.3%
	51 462	**61 172**	**-15.9%**	**41 751**	**51 396**	-18.8%

In 2012, total sales of goods and services of the Company amounted to LTL 41.8 million. Trade volume decreased by LTL 9.6 million or by 18,8 per cent as compared to 2011. The Company's exports to Western Europe and other countries accounted for 82.2 per cent, whereas sales in Lithuania accounted for 17.8 per cent of total production.

In 2012, total sales of goods and services of Utenos Trikotažas AB group (hereinafter “the Group”) amounted to LTL 51.5 million. The Group‘s exports accounted for 83.7 per cent, whereas sales in Lithuania accounted for 16.3 per cent of total production.

Lithuania

In 2012, the Company sold 617 thousand knit-wear items in Lithuania totalling to LTL 7.4 million. The sales in Lithuania increased by LTL 1.8 million or 31.7 per cent.

In 2012, the Group‘s sales in Lithuania amounted to LTL 8.4 million, which is more by LTL 2.3 million as compared to 2011.

Export

In 2012, the Company exported 1.8 million knit-wear items totalling to LTL 34.3 million. The Company’s exports decreased by LTL 11.4 million or 25 per cent comparing to 2011. Large retail chains from Western Europe remained as the major customers of the Company.

In 2012, the Group‘s exports to Western Europe and other regions amounted to LTL 43.1 million, which is less by LTL 12 millionas compared to 2011.

Production

In 2012, the Company produced 1.8 million knit-wear items. The Company‘s subcontractors (including the company in Ukraine) produced 0.79 million knit-wear items or 28.8 per cent of total production volume.
In 2012, Šatrija AB produced 0.19 million sewn items. In 2012, PAT ,,MTF Mrija“ produced 0.8 million items.

Production (units '000)

	2012	2011	Change
AB ,,Utenos trikotažas“	1 787	1 985	-10.0%
AB ,,Šatrija“	186	121	54.0%
PAT ,,MTF Mrija“	757	1 270	-40.4%
UAB ,,Gotija“	-	-	-
	2 730	**3 376**	**-19.1%**

Investments

In 2012, the Group‘s investments in new equipment and new technologies amounted to LTL 456 thousand including transactions within the Group.
In 2012, the Company‘s investments in new equipment and technologies amounted to LTL 283 thousand.
In 2012, Šatrija AB invested LTL 104 thousand.
In 2012, PAT MTF Mrija invested LTL 69 thousand.
In 2012, Gotija UAB had made no investments.

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 and in the World (which effect Lithuania). 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.

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.

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 of 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.

10. References to and additional explanations of data presented in the financial statements

All 2012 and 2011 financial data presented in this Annual Report is calculated based on the financial information presented in the Group's financial statements for the year 2012, prepared in accordance with the International Financial Reporting Standards as adopted by the EU. These financial statements were approved by the auditor assigned under established procedure.

11. 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 (IFRS) 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 processes related to sales and manufacturing of production, supply, financial reports preparation.

12.Social responsibility

AB ,,Utenos trikotažas" in order to implement the development of corporate social responsibility in partnership with business, social and international partners in 23 May 2006 certified for international social responsibility standard SA 8000 (recertified in 2009).

SA 8000 standard objectives:

- Ensure social welfare of workers and employees;
- Improve social responsibility not only inside the Company, but also encourage subcontractors;
- Demonstrate to the Western partners that AB ,,Utenos trikotažas" managers of all levels treat their workers civilized and the Company had implemented core human rights conventions and directives.

AB „Utenos trikotažas" management ensured that wages paid shall be sufficient to meet the basic needs of personnel and to provide some discretionary income.

Social responsibility (SA 8000) standard demands:

- The work for children under 16 years must not be practiced;
- Forced labor, verbal abuse or physical punishment must be avoided; working conditions must be healthy and safe;
- Discrimination based on nationality, race, religion, sex, sexual orientation, membership in organizations or political affilation, age or disability must be prevented; employing, dismissing or retiring must not become a cause to work successfully, feel happy and needed.
- Equal pay for equal work and same opportunities for learning and promotions for men and women;
- People should work under well-defined working time schedules (work start, work end, lunch break and rest breaks); overtime work or work on rest days or holidays must be provided in the collective agreement or harmonized with workers' representatives – Council of Trade Unions.
- Payment and additions for work done must be clear to employees and all this must be harmonized in the collective agreement or with workers' representatives – Council of Trade Unions.

13. Information about the Company's own share acquisitions

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

14. Significant events subsequent to the end of the previous financial year

On 19 January 2012, announcement of publishing terms of the interim reports and audited consolidated report in 2012.
On 31 January 2012, announcement of unaudited performance results for fourth quarter of 2011.
On 28 February 2012, announcement of unaudited interim consolidated financial statements of 2011 .
On 6 April 2012, the general meeting of shareholders of Utenos Trikotažas AB was convened.
On 27 April 2012, decisions of the General shareholder meeting were approved.
On 27 April 2012, announcement of the sales figures for the first quarter of 2012.
On 31 May 2012, announcement of the performance results for the first quarter of 2012.
On 31 July 2012, announcement of the sales figures for the second quarter of 2012.
On 31 August 2012, announcement of the consolidated interim report and the financial statements for a six-month period of 2012.
On 19 October 2012, announcement, that Utenos Trikotažas AB sold idle assets.
On 31 October 2012, announcement of the sales figures of the third quarter of 2012.
On 30 November 2012, announcement of the financial statements for the 9-month period.
On 31 January 2013, announcement of publishing terms of the interim reports and audited consolidated report in 2013.
On 31 January 2013, announcement of the sales figures for the fourth quarter of 2012.
On 28 February 2013, announcement of unaudited interim consolidated financial statements of 2012.

15. The Company's operating plans and objectives

In 2013, the Company plans to actively expand sales of ecological products and to develop the co-operation with customers demanding higher quality and sophisticated technology, to maintain close relationship with longstanding business customers.

Note: the Company‘s operating plan for 2013 was approved at the Board‘s meeting held on 30 January 2013, Minutes No. 1.

Key objectives for 2013:

- Development of sales to clients demanding ecological, high quality and value added products.
- Development of Branded product lines sales in East markets (Russia, Ukraine), Western Europe and Lithuania.
- Focused and systematic approach to the development of innovative fabrics.
- Manufacturing efficiency improvement.

16. Structure of the Issuer's authorised share capital

As at 31 December 2012, 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 shareholders 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.

17. Restrictions on disposal of securities

There are no restrictions.

18. Shareholders

As at 31 December 2012, the total number of shareholders of Utenos Trikotažas AB was 1 151.

The table below indicates shareholders owning or holding more than 5 per cent of the Issuer's authorised share capital as at 31 December 2012.

Names of shareholders	company codes	Country	registration address	Number of ordinary registered shares held	Share in the authorised capital (%)	Share of votes held (%)
UAB Koncernas „SBA"	132206739	Lithuania	Laisvės pr.3, Vilnius	10 140	51.12	51.12
AmberTrust S.C.A.(SCA) SICAV-SIF	B 87145	Luxembourg	412F, routed'Esch L-1030	2 700	13.61	13.61
EastCapital AssetManagement	556564-5370	Sweden	Kungsgatan 30, Box 1364, Stocholm	2 091	10.54	10.54
KJK Fund SICAV-SIF	B 86729	Luxembourg	412F, routed'Esch L-1030	1 095	5.52	5.52
Other shareholders	-	-	-	3 808	19.21	19.21

19. Shareholders holding special control rights and descriptions of these rights

There are no such shareholders.

20. All restrictions regarding voting rights

There are no restrictions.

21. 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.

22. Personnel

Average number of employees of the Group, by companies:

	2012.12.31	2011.12.31	Change, +/-
AB ,,Utenos trikotažas“	643	706	-63
AB ,,Šatrija“	180	195	-15
PAT ,,MTF Mrija“	204	299	-95
UAB ,,Gotija“	4	4	-
	1 031	1 204	-173

Employees related costs (thousand LTL) distribution, by companies:

	2012	**2011**	**Change (%)**
AB ,,Utenos trikotažas“	17 641	17 038	3,5
AB ,,Šatrija“	5 072	4 804	5,6
PAT ,,MTF Mrija“	1 448	2 064	-29,8
UAB ,,Gotija“	144	122	18,0
	24 305	24 028	1,2

The employee distribution by education (according to 31 December, 2012):

Group of employees	Total	Employee distribution by education					
		Higher education	Non-higher professional education	Vocational education	Secondary	Basic	Higher non-university
Managers	4	4	-	-	-	-	-
Specialists	102	76	14	-	-	-	12
Workers	608	9	180	147	204	40	28
	714	89	194	147	204	40	40

23. Management of the Group companies

Company name	Managers
AB ,,Utenos trikotažas“	Gintautas Bareika
AB ,,Šatrija“	Giedrius Grondskis
PAT ,,MTF Mrija”	Tatjana Roshchina
UAB ,,Gotija“	Zita Davtartienė

24. Management incentives

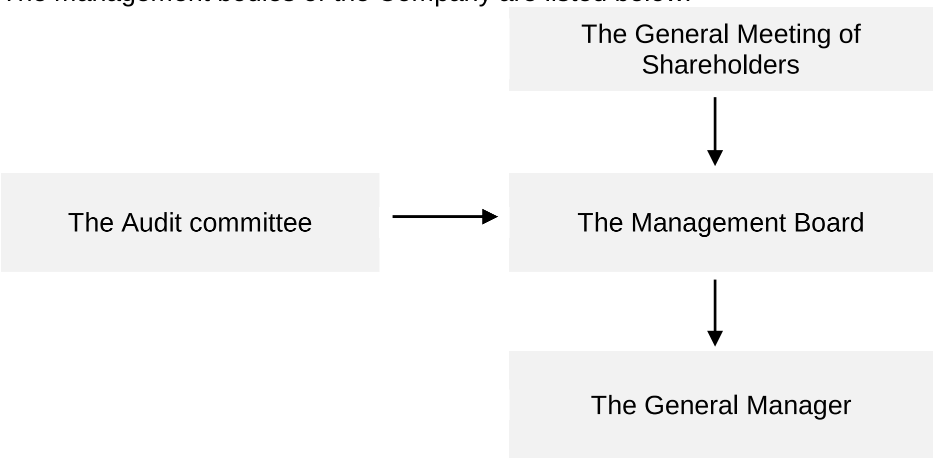
Management incentives are assigned by the decision of the Board taking into account the objectives met.

25. 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.

26. Issuer's management bodies

The management bodies of the Company are listed below:



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 General Meeting of Shareholders on 29 April 2009 for the period until 29 April 2013.

The Audit committee consists of 3 (three) members with at least one independent member. The Audit committee members by the submission of the Board are being appointed and withdrawn by the General Meeting of Shareholders. The members of the Committee are elected for the term of 4 (four) years.

The shareholders meeting held on 29 April 2009 confirmed composition of AB „Utenos trikotažas" audit committee and operating policies.The shareholders meeting held on 29 April 2009 elected Audit committee members: Jolanta Vaitkuvienė, Giedrius Grondskis, independent auditor Genadijus Makuševas.

The Duties of the Audit Committee:

1. To observe the process of preparation of the Company's financial reports;
2. To review the systems of internal control, risk management and internal audit, if it exists in the Company;
3. To observe the process of external audit;
4. To observe how the external auditor or audit company follows the principles of independence and objectivity;
5. To provide the Board of the Company with written recommendations regarding the selection, appointment and recall of an external audit company.

6. To immediately inform the Managing Director of the company about information provided by the audit company to audit committee about audit related problematic issues especially when significant control defects related to financial statements occur.

Audit committee rights:
- To get complete information and (or) documents (their copies) needed for the audit committee to perform their duties. On the audit committee request Administration of the Company must provide the information and (or) documents (their copies) to the Audit committee per 3 working days.
- To get complete information on details of accounting, financial and other operations of the company. On the audit committee request Administration of the Company as well as on its own initiative must inform the audit committee of the methods used to account for significant and (or) 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 offshores and (or) activities carried out through special purpose vehicles (organizations), for the purpose to clarify the justification of such operations.

Audit committee members may be remunerated for their operations. Remunerations and the payment terms are determined by the submission of the board by the General shareholders meeting.

27. Members of the collegial bodies, the Company Manager, the Finance Manager

As at 31 December 2012:

Position	Name, surname	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
Board				
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
Head of Administration and the Chief Financial Officer				
General Manager	Nerijus Vilūnas	-	2008.09.17	2011.08.12
General Manager	Gintautas Bareika	-	2011.08.16	-
Finance Director	Saulius Rakauskis	-	2011.03.28	-

Information about board members:

<u>Algirdas Šabūnas (b. 1974)</u>
AB „Utenos trikotažas“ chairman of the Board from 26 April 2007, re-elected for four years term 29 April 2009.

Education: University of Vytautas Didysis, Master degree in Finance and Banking, doctoral degree in Social Sciences.

Working place: UAB Koncernas „SBA“, finance vice-president.

Participation in the management of other companies:
UAB „Klaipėdos baldų prekyba“, the chairman of the board
AB „Šatrija“, the chairman of the board
UAB Koncernas „SBA“, the board member
UAB „PIĮ Grupė“, the board member

Gintautas Rudis (b. 1963)
AB „Utenos trikotažas“ board member from 29 January, reelected for four years term 29 April 2009.

Education: Kaunas University of Technology, Master degree in Management.

Working place: UAB „Enteco Baltic“, CEO.

Participation in the management of other companies:
UAB Koncernas „SBA“, the board member
UAB „PIĮ Grupė“, the board member
AB „Šatrija“, the board member
AB „Kauno baldai“, the chairman of supervisory board
AB „Šilutės baldai“, the chairman of supervisory board

Robertas Beržinskas (b.1970)
AB „Utenos trikotažas“ board member from 13 July 2007 reelected for four years term 29 April 2009.

Education: Vilnius University of technology, Master degree in Business Management.

Working place: private capital AmberTrust and AmberTrust II advisor.

Vytautas Vaškys (b. 1967)
AB „Utenos trikotažas“ board member from 29 April 2009.

Education: Kaunas University of technology, Master degree in International Management and Business Administration (EMBA).

Working place: UAB Koncernas „SBA“, business risks director.

Participation in the management of other companies:
UAB „Enteco Baltic“, the chairman of the board
UAB „PIĮ Grupė“, the board member
UAB „SBA Baldų Kompanija“, the board member
UAB „Klaipėdos baldų prekyba“, the board member
AB „Šatrija“, the board member
PAT „Mrija“, the supervisory board member

In 2012, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2012, the aggregate remuneration of the Company General Manager and the Finance Director amounted to LTL 346.7 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.

28. 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.

29. 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.

30. Information about transactions with related parties

Results of transactions with related parties performed in 2012 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2012.

31. 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 and on the website of the Vilnius Stock Exchange at www.baltic.omxgroup.com.

32. Company's auditor

The Ordinary shareholders meeting of the Company on 28 of April 2011 decided:

To elect the audit company UAB "Ernst & Young Baltic" (company code 110878442) as the Company's audit enterprise for the period of two years: 2011 and 2012. To approve the annual remuneration for the audit services LTL 56 200 excl. VAT.

To conclude the agreement with UAB "Ernst & Young Baltic" for the audit services for the years 2011 -2012, with the provided possibility in the agreement, upon the decision of AB "Utenos trikotažas" general shareholder meeting, to extend the agreement for the year 2013.

33. General information on the Group of companies

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

Company name	**Šatrija AB**
Legal form	Public company
Date and place of incorporation	1955m. Vilniaus 5, 4400 Raseiniai
Company code	172285032
Address	Vilniaus 5, 4400 Raseiniai
Telephone	8 (428) 70611
Fax	8 (428) 70611
E-mail	raseiniai@satrija.lt.
Website	www.satrija.lt
Principal activities	Sewing of clothes

Company name	**PAT Mukačevska Trikotažnaja Fabrika Mrija**
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	mriya@mk.ukrtel.net
Website	www.mriyamukachevo.com
Principal activities	Production of knit-wear articles

Company name	**Gotija UAB**
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	gotija@ut.lt
Website	None
Principal activities	Retail trade in clothes

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

Subsidiaries Šatrija AB, PAT MTF Mrija, Gotija UAB do not trade in securities in regulated markets.

33.3. Trade in securities of the Group companies in regulated markets

Subsidiaries Šatrija AB, PAT MTF Mrija, Gotija UAB do not trade in securities in regulated markets.

34. Post balance sheet events

On 23 January 2013 AB Utenos Trikotažas has pledged 98.95 per cent of subsidiary company PAT MTF Mrija shares to Fido bank Ukraina.

General Manager Gintautas Bareika 27 March 2013

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 2012

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
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Relevant matters are made public in the Company's internet site www.utenostrikotazas.lt and on the website of 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, audit committee 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. The board every quarter review employee related social questions.

Principle II: The corporate governance framework The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The 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.

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.	Yes	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.

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.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	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.
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.	Yes	This information on candidates to the board was disclosed to the shareholders together with the notification on convening the general meeting of shareholders (in accordance with the requirements of the Lithuanian Law on Companies), which involved the election of members to the board, and the agenda of the general meeting of shareholders.
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.	Yes	Information published about the board members in the annual report: education, occupation, participation in the management of the other companies

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.	Yes	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.
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.	Yes	Newly appointed members by collegial body are acquainted with their duties, the company's organization and operations.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

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: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1Part 1);	No	3 out of 4 members of the Management Board work in the companies related with the controlling shareholder.

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; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.	No	
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
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.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

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.	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.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

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	The board members responsibly carries duties of collegial body.

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.
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.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
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.	Yes	The Company's employees are not a members of the board.

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.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far. The rights and duties of the audit committee are provided in the audit committee's regulations, confirmed during shareholder meeting 29 April 2009.

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.	Yes	The Audit Committee acts in accordance with the approved regulations of the Audit Committee.
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.	No	The Audit committee is composed of 3 members (one of them is independent).
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.	No	Yes. The Audit Committee acts in accordance with the approved regulations of the Audit Committee. The annual report does not include committee's reports.
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.	Yes	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.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 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; 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; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	There is no Nomination Committee.

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 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; 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; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 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); 5) Make general recommendations to the executive directors and members of the management bodies on the level and	No	There is no Remuneration Committee.

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. 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: 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; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 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. 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.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 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); 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; 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; 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; 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;	Yes	The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.

6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

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.	No	A collegial body – the board – does not carry out any assessment of its activities. The board assesses the Company's annual performance.

Principle V: The working procedure of the company's collegial bodies The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.		
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.	Yes	The board meetings are held at least once in a quarter or more often, 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.

Principle VI: The equitable treatment of shareholders and shareholder rights The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's 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.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	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.

Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	No comments.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	No comments.

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company's remuneration policy is 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	Information is not disclosed.

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.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
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. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 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; 2) The remuneration and advantages received from any undertaking belonging to the same group; 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; 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; 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; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 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: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 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; 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; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 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. 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	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.

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.		
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.	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 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.	Not applicable	
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.	Not applicable	
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.	Not applicable	

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.	Not applicable	

Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company has a collective employment contract in place. The chairman of the workers Trade union is invited to join monthly production meetings and other major management discussions of the Company.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 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. 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. 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.	Yes	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. Note: 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 (remuneration is not disclosed). Information mentioned in recommendation item 10.3 is not disclosed.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	Information is posted on the websites of the Vilnius Stock Exchange and the Company.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Information is posted on the websites of the Vilnius Stock Exchange and the Company.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	This information is available on the websites of the Stock Exchange and the Company

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	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.
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.	Yes	