17 April 2008
Vilnius

CONFIRMATION OF THE COMPANY'S RESPONSIBLE PERSONS

Hereby we confirm, that by our knowledge Consolidated Financial Statements for the year 2007 prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss of APB Apranga, as well as of Apranga Group consolidated companies.

As well we confirm that by our knowledge Consolidated Report for the year 2007 gives correct overview of business development and activities of Apranga Group.

Apranga Group General Manager
Rimantas Perveneckas

Apranga Group Chief Financial Officer
Vaidas Savukynas

APB APRANGA

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

for the year ended 31 December 2007

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Translation note:

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

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Translation note:

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

Independent Auditor's Report

To the shareholders of Apranga APB

Report on the financial statements

We have audited the accompanying consolidated financial statements of Apranga APB and its subsidiaries (the Group) and the financial statements of Apranga APB (the Company) set out on pages 5 – 37 which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2007 set out on pages 39-69 and have not noted any material inconsistencies between the financial information included in it and the audited accompanying financial statements for the year ended 31 December 2007.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
17 April 2008

INCOME STATEMENTS

		Group		Company	
		Year ended 31 December		Year ended 31 December	
	Note	2007	2006	2007	2006
Revenue	4	368 907	253 489	198 656	151 055
Cost of sales	5	(200 959)	(139 311)	(126 198)	(98 212)
Gross profit		**167 948**	**114 178**	**72 458**	**52 843**
Selling costs	5	(115 424)	(80 273)	(52 431)	(41 357)
General and administrative expenses	5	(21 114)	(12 504)	(15 212)	(9 635)
Other income	6	1 313	1 071	17 068	9 837
Net foreign exchange gain (loss)		13	292	22	(12)
Operating profit		**32 736**	**22 764**	**21 905**	**11 676**
Finance costs	7	(2 694)	(1 714)	(2 579)	(1 544)
Profit before income tax		**30 042**	**21 050**	**19 326**	**10 132**
Income tax expense	8	(5 119)	(3 614)	(1 998)	(759)
PROFIT FOR THE YEAR	**11**	**24 923**	**17 436**	**17 328**	**9 373**
Basic and diluted earnings per share (in LTL)	**11**	**0.71**	**0.49**	**0.49**	**0.27**

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

These financial statements were approved by Management Board on 17 April 2008 and signed by:

Rimantas Perveneckas
General Director

Valdas Savukynas
Chief Financial Officer

BALANCE SHEETS

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2007	2006	2007	2006
ASSETS					
Non-current assets					
Property, plant and equipment	12	110 439	84 598	69 653	54 315
Intangible assets	13	981	721	843	509
Investments in subsidiaries	14	-	-	9 377	8 453
Prepayments	17	757	865	300	522
Trade and other receivables	20	100	29	100	29
		112 277	**86 213**	**80 273**	**63 828**
Current assets					
Inventories	15	73 821	48 626	44 958	31 179
Non-current assets held for sale	16	1 118	1 118	1 118	1 118
Prepayments	17	3 883	1 309	1 531	773
Trade and other receivables	20	4 145	1 127	25 111	17 722
Cash and cash equivalents	21	7 287	4 770	2 990	2 312
		90 254	**56 950**	**75 708**	**53 104**
TOTAL ASSETS		**202 531**	**143 163**	**155 981**	**116 932**
EQUITY AND LIABILITIES					
Equity					
Ordinary shares	22	35 292	35 292	35 292	35 292
Legal reserve	23	1 550	1 081	1 550	1 081
Translation difference		(76)	(178)	-	-
Retained earnings		50 852	30 293	29 886	16 909
		87 618	**66 488**	**66 728**	**53 282**
Non-current liabilities					
Borrowings	24	-	16 567	-	16 567
Bonds issued	25	20 000	-	20 000	-
Deferred tax liabilities	9	3 531	2 091	1 991	525
Obligations under finance leases		16	37	16	37
Other liabilities		-	87	-	86
		23 547	**18 782**	**22 007**	**17 215**
Current liabilities					
Borrowings	24	53 574	7 844	47 735	6 273
Bonds issued	25	653	20 436	653	20 436
Obligations under finance leases		20	18	20	18
Current income tax liability		1 112	1 668	106	178
Trade and other payables	26	36 007	27 927	18 732	19 530
		91 366	**57 893**	**67 246**	**46 435**
Total liabilities		**114 913**	**76 675**	**89 253**	**63 650**
TOTAL EQUITY AND LIABILITIES		**202 531**	**143 163**	**155 981**	**116 932**

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

These financial statements were approved by Management Board on 17 April 2008 and signed by:

Rimantas Perveneckas
General Director

Vaidas Savukynas
Chief Financial Officer

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Note	Share capital	Legal reserve	Translation reserve	Retained earnings	Total
Balance at 1 January 2006		**35 292**	**882**	**(167)**	**15 190**	**51 197**
Currency translation difference - recognised directly in equity		-	-	(11)	(16)	(27)
Net profit for the year					17 436	17 436
Total recognised income and expenses for 2006		-	-	(11)	17 420	17 409
Transfer to legal reserve	23	-	199	-	(199)	-
Dividends paid	10	-	-	-	(2 118)	(2 118)
Balance at 31 December 2006		**35 292**	**1 081**	**(178)**	**30 293**	**66 488**
Currency translation difference - recognised directly in equity		-	-	102	(13)	89
Net profit for the year					24 923	24 923
Total recognised income and expenses for 2007		-	-	102	24 910	25 012
Transfer to legal reserve	23	-	469	-	(469)	-
Dividends paid	10	-	-	-	(3 882)	(3 882)
Balance at 31 December 2007		**35 292**	**1 550**	**(76)**	**50 852**	**87 618**

COMPANY

	Note	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2006		**35 292**	**882**	**9 853**	**46 027**
Net profit for the year		-	-	9 373	9 373
Transfer to legal reserve	23	-	199	(199)	-
Dividends paid	10	-	-	(2 118)	(2 118)
Balance at 31 December 2006		**35 292**	**1 081**	**16 909**	**53 282**
Net profit for the year		-	-	17 328	17 328
Transfer to legal reserve	23	-	469	(469)	-
Dividends paid	10	-	-	(3 882)	(3 882)
Balance at 31 December 2007		**35 292**	**1 550**	**29 886**	**66 728**

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

These financial statements were approved by Management Board on 17 April 2008 and signed by:

Rimantas Perveneckas
General Director

Vaidas Savukynas
Chief Financial Officer

STATEMENTS OF CASH FLOW

		Group		Company	
		Year ended 31 December		Year ended 31 December	
	Note	2007	2006	2007	2006
OPERATING ACTIVITIES					
Profit before income taxes		30 042	21 050	19 326	10 132
Adjustments for:					
Depreciation and amortization	5	15 763	11 752	7 086	5 352
Change in allowances for slow-moving inventories	5	(59)	1 493	(216)	1 493
Gain on disposal of property, plant and equipment	6	(338)	(37)	(338)	(37)
Write-off of property, plant and equipment		192	167	192	131
Dividends income	6	-	-	(7 273)	(4 031)
Interest expenses	7	2 691	1 711	2 078	1 251
		48 291	**36 136**	**20 855**	**14 291**
Changes in operating assets and liabilities:					
(Increase) in inventories		(25 136)	(11 753)	(13 563)	(7 086)
Decrease (increase) in receivables		(5 555)	2 122	(4 859)	(1 836)
Unrealized foreign exchange loss		89	(28)	(22)	-
Increase in payables		7 993	7 354	1 510	7 997
Cash generated from operations		**25 682**	**33 831**	**3 921**	**13 366**
Income taxes paid		(4 235)	(1 226)	(604)	(57)
Interest paid		(2 479)	(1 714)	(2 362)	(1 544)
Net cash from operating activities		**18 968**	**30 891**	**955**	**11 765**
INVESTING ACTIVITIES					
Interest received		5	3	501	293
Dividends received	6	-	-	7 273	1 525
Loans granted to subsidiaries		-	-	(81 141)	(3 479)
Loans repayments received from subsidiaries		-	-	78 004	-
Purchases of property, plant and equipment and		(51 155)	(32 618)	(23 680)	(13 048)
Proceeds on disposal of property, plant and equipment		9 437	5 019	1 068	90
Investment in subsidiaries	14	-	-	(924)	(2 517)
Net cash used in investing activities		**(41 713)**	**(27 596)**	**(18 899)**	**(17 136)**
FINANCING ACTIVITIES					
Dividends paid	10, 23	(3 882)	(2 118)	(3 882)	(2 118)
Proceeds from borrowings	24	49 221	16 977	75 887	46 710
Repayments of borrowings	24	(26 662)	(10 561)	(58 072)	(34 954)
Repayments of obligations under finance leases		(19)	(871)	(19)	(871)
Net cash from financing activities		**18 658**	**3 427**	**13 914**	**8 767**
NET INCREASE (DECREASE) IN CASH AND BANK		**(4 087)**	**6 722**	**(4 030)**	**3 396**
CASH AND BANK OVERDRAFTS:					
AT THE BEGINNING OF THE PERIOD	21	**(3 074)**	**(9 796)**	**(1 002)**	**(4 398)**
AT THE END OF THE PERIOD	21	**(7 161)**	**(3 074)**	**(5 032)**	**(1 002)**

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

These financial statements were approved by Management Board on 17 April 2008 and signed by:

Rimantas Perveneckas General Director	Vaidas Savukynas Chief Financial Officer

1. GENERAL INFORMATION

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

At 31 December the Company's shareholders were:

	2007		2006	
	Number of shares	**% of total ownership**	**Number of shares**	**% of total ownership**
UAB MG Baltic investment	18 512 896	52.5	18 512 896	52.5
Other	16 779 064	47.5	16 779 064	47.5
Total	**35 291 960**	**100.0**	**35 291 960**	**100.0**

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

The Company's shareholders' meeting has the power to amend the financial statements after issue.

The Company is listed on Vilnius Stock Exchange.

At 31 December 2007 the Group consisted of the Company and the following its wholly owned subsidiaries:

Name	Country	Headquarters	Principal activity
UAB Apranga LT	Lithuania	Kirtimų 51, Vilnius	Retail trade of apparel
UAB Apranga BPB LT	Lithuania	Kirtimų 51, Vilnius	Retail trade of apparel
UAB Apranga PLT	Lithuania	Kirtimų 51, Vilnius	Retail trade of apparel
SIA Apranga	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga LV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga BPB LV*	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga PLV*	Latvia	Elizabetes 51, Riga	Retail trade of apparel
OÜ Apranga	Estonia	Ravala 4/Laikmaa 15, Tallinn	Retail trade of apparel
OÜ Apranga Estonia	Estonia	Viru 4, Tallinn	Retail trade of apparel
OÜ Apranga BEE*	Estonia	Ravala 4/Laikmaa 15, Tallinn	Retail trade of apparel

* established during the year ended 31 December 2007 (Note 14)

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

	Total number of shops		Shops, where premises are owned by Group	
Country	**2007**	**2006**	**2007**	**2006**
Lithuania	55	47	7	7
Latvia	23	15	-	-
Estonia	5	3	-	-
Total	**83**	**65**	**7**	**7**

At 31 December 2007 the Group and the Company employed 1637 and 797 people respectively (2006: 1170 and 647 people respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

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

2.2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Consolidation of subsidiaries

Subsidiaries UAB Apranga BPB LT, UAB Apranga PLT, SIA Apranga BPB LV, SIA Apranga PLV, OÜ Apranga BEE operating brands of INDITEX Group (BERSHKA, PULL AND BEAR) are consolidated although the Company issued irrevocable call options to INDITEX Group granting the right to purchase up to 100% of shares of those subsidiaries after 3 years from establishment of subsidiaries (Note 28). The options are firmly and irrevocably granted so that the Company waived the right that it might have to revoke them. Management of the Company believes that it is appropriate to consolidate these subsidiaries considering that (1) the control over subsidiaries is exercised, i.e. the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities is retained by the Company, (2) the options are not currently exercisable, and (3) there are no indications that INDITEX Group would intend to exercise its call options after they become exercisable. The fair value of those call options is not material and they have not been recognised in these financial statements.

(b) Income taxes

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

(c) Related party transactions

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

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

(d) Revenue recognition

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

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

The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life.

2.3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company and the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007.

(a) The following new standards, amendments to standards and interpretations are effective in 2007:

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and some of the requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these consolidated financial statements.

(b) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRS 4, Insurance contracts
- IFRIC 7, Applying the Restatement Approach under IAS 29;
- IFRIC 8, Scope of IFRS 2;
- IFRIC 9, Reassessment of Embedded Derivatives;
- IFRIC 10, Interim Financial Reporting and Impairment

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

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Group does not expect IFRS 8 to affect the consolidated financial statements.

Puttable financial instruments and obligations arising on liquidation — IAS 32 and IAS 1 Amendment (effective from 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its consolidated financial statements.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The Group is currently assessing the impact of the amended standard on its financial statements.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

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

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

Vesting Conditions and Cancellations — Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2008). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group does not expect the amendment to affect its consolidated financial statements.

IFRIC 11, IFRS 2 – Group and treasury share transactions. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation is not expected to have any significant impact on the financial statements.

IFRIC 12, Service concession arrangements (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the operations because none of the Group's companies provide for public sector services.

IFRIC 13, Customer Loyalty Programmes (issued in June 2007; effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.

IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation is not expected to have any significant impact on the financial statements.
Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

Amendment to IAS 23, IFRIC 12, IFRIC 13, IFRIC 14 and IFRS 3 have not been yet endorsed by EU.

2.4 CONSOLIDATION

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

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

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal or other date on which the control over subsidiary is ceased, as appropriate.

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

2.5 SEGMENT REPORTING

(a) Geographical segment

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in another economic environment. Geographical segments are determined by the location of customers that is the same as location of assets.

(b) Business segment

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments.

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

The applicable rates used for the principal currencies as of 31 December 2007 and 2006 were as follows:

		2007			2006
1 EUR	=	3.4528 LTL	1 EUR	=	3.4528 LTL
1 LVL	=	4.9567 LTL	1 LVL	=	4.9537 LTL
10 EEK	=	2.2067 LTL	10 EEK	=	2.2067 LTL

2.7 INTANGIBLE ASSETS

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

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

Software	3-5 years
Licences	5-6 years

Amortisation is accounted for as selling expense.

2.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Property, plant and equipment acquired under finance leases are depreciated over their expected useful lives on the same basis as own assets.

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

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

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

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

All borrowing costs are expensed in the period in which they are incurred.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

2.10 INVESTMENTS IN SUBSIDIARIES

In the separate Company's financial statements investments in subsidiaries are carried at cost. The carrying value of investments is reduced to recognize an impairment loss of the value of the investments, such reduction being determined and made for each investment individually. Dividends received are credited to the parent's income statement.

2.11 NON-CURRENT ASSETS HELD FOR SALE

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

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

2.12 INVENTORIES

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

2.13 FINANCIAL ASSETS AND LIABILITIES

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

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

(a) Trade and other receivables

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

(b) Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

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

(c) Bank borrowings

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

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

(d) Issued bonds

Issued bonds are classified as financial liabilities, which are repurchased in one amount or in instalments under a certain repayment schedule. Issued bonds are recognized initially at fair value, being their issue proceeds net of transaction cost incurred. They are measured at amortized cost using the effective interest rate approach.

(e) Trade and other payables

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

2.14 SHARE CAPITAL

(a) Ordinary shares

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

(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 the income statement 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.

2.15 RESERVE

(a) Translation reserve

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

(b) Other reserves

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

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

2.16 INCOME TAX

(a) Current income tax

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

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

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

Starting from 1 January 2002 income tax rate applied for the Company and subsidiaries operating in Lithuania is 15%. On 1 January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January 2006, companies will have to pay an additional 4% tax calculated based on the income tax principles, and for the following year a 3% tax starting from 1 January 2007. After the year 2007 the income tax applied to the companies in Lithuania will be standard, i.e. 15%. Income tax rate on current year taxable profits in Latvia is 15% and in Estonia nil. However, in Estonia profit tax is payable in the year of distribution of earnings at a rate of 23% in 2006, 22% in 2007, 21% in 2008, and 20% in the year 2009 and after.

(b) Deferred income tax

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

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

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

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

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

2.17 LEASES

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

(a) the Company or the Group as lessor

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

(b) the Company or the Group as lessee

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

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

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

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

2.18 EMPLOYEE BENEFITS

(a) Social security contributions

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

(b) Termination benefits

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

(c) Bonus plans

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

2.19 PROVISIONS

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

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

2.20 REVENUE RECOGNITION AND RELATED EXPENSES

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

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

Revenue is recognized as follows:

(a) Sales of goods – retail

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

(b) Sales of services

Revenue from services is recognised on performance of the services.

(c) Interest income

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

(d) Dividend income

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

(e) Rental income

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

2.21 DIVIDEND DISTRIBUTION

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

2.22 EARNINGS PER SHARE

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

2.23 RELATED PARTIES

Parties are considered to be related if:
(a) directly, or indirectly through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
(ii) has an interest in the entity that gives it significant influence over the entity; or
(iii) has joint control over the entity;
(b) the party is an associate of the entity;
(c) the party is a joint venture in which the entity is a venturer;
(d) the party is a member of the key management personnel of the entity or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

Credit risk

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

Company's credit risk arising from trade receivables from subsidiaries and loans to subsidiaries is managed by controlling financial performance of subsidiaries on a monthly basis. As all subsidiaries are profitable after initial start-up period, according to management none credit risk is associated with those amounts.

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

Liquidity risk

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

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

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

	Group		Company	
As at 31 December 2007	Less than 1 year	Between 1 and 2 years	Less than 1 year	Between 1 and 2 years
Borrowings	55 206	-	49 337	-
Bonds	1 198	21 198	1 198	21 198
Obligations under finance leases	20	16	20	16
Trade and other payables	36 007	-	18 732	-
Total	**92 431**	**21 214**	**69 287**	**21 214**

	Group		Company	
As at 31 December 2006	Less than 1 year	Between 1 and 2 years	Less than 1 year	Between 1 and 2 years
Borrowings	5 497	20 195	4 041	20 195
Bonds	20 800	-	20 800	-
Obligations under finance leases	20	40	20	40
Trade and other payables	27 927	-	19 530	-
Total	**54 244**	**20 235**	**44 391**	**20 235**

Market risk

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates. The Company has loans to subsidiaries with floating interest rates, but the cash flow risk is mitigated by applying the same variable element of interest rate on those loans as the banks are charging the Company.

The Group's interest rate risk arises from borrowings (Note 24). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk, but this is not included in sensitivity analysis as the change in interest rates has no impact on profit or equity of the Group.

The Company's and Group's borrowings consist of loans with floating interest rate, which is related to LIBOR (VILIBOR, RIGIBOR). As at 31 December 2007 the Company's and Group's bonds had a fixed rate of 5.99% (2006: 4%). The interest rate of bonds includes 2 year standard IRS plus 1.25%, hence is fixed, as it is not subject to repricing earlier than the maturity date of bonds. The Company and the Group did not use any derivative financial instruments in order to control the risk of interest rate changes.

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

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

Based on the simulations performed, management considers the impact on post tax profit of a 0.5% shift in interest rates to be not material to the financial statements of the Group and the Company.

Foreign exchange risk

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

The Group operates in Lithuania, Latvia and Estonia and accordingly has three functional currencies that all are pegged with EUR and do not fluctuate significantly. Therefore neither the Group, nor the Company is exposed to any significant foreign exchange risk.

Price risk

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

(b) Capital risk management

The group's objectives when managing capital are to safeguard the group'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 may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than LTL 150 thousand and of a private limited liability company must be not less than LTL 10 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2007 and 31 December 2006, the Company and all its Lithuanian subsidiaries complied with these requirements.

Pursuant to the Latvian Commercial Law the authorised share capital of a private limited liability company must be not less than LVL 25 thousand. In addition, the losses of the company should not exceed 50 per cent of the company's share capital. As at 31 December 2007 and 31 December 2006, all of the Company's Latvian subsidiaries complied with these requirements.

Pursuant to the Estonian Commercial Code the authorised share capital of a private limited liability company must be not less than EEK 40 thousand. In addition, the shareholders' equity should not be lower than 50 per cent of the company's share capital. As at 31 December 2007 and 31 December 2006, all of the Company's Estonian subsidiaries complied with these requirements.

In addition, the Group has to comply with the financial covenants imposed in the agreements with SEB and DnB Nord banks. The Group and the Company was in compliance with the covenants as at 31 December 2007 and 31 December 2006.

(c) Fair value estimation

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

4. SEGMENT INFORMATION

Primary reporting format – business segments

The Company and the Group is operating in one business segment - retail trade of apparel.

Secondary reporting format – geographical segments

The Company operates in Lithuania. The Group operates in three countries – Lithuania, Latvia and Estonia.

For the year ended 31 December segment revenue of the Group was as follows:

	2007			
	Lithuania	**Latvia**	**Estonia**	**Group**
Total segment revenue	277 534	95 336	33 169	406 039
Intersegment revenue	(35 248)	(1 391)	(493)	(37 132)
Revenue	**242 286**	**93 945**	**32 676**	**368 907**

	2006			
	Lithuania	**Latvia**	**Estonia**	**Group**
Total segment revenue	193 447	60 459	25 899	279 805
Intersegment revenue	(25 801)	(414)	(101)	(26 316)
Revenue	**167 646**	**60 045**	**25 798**	**253 489**

The following is an analysis of the carrying amount of segment total assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Assets		Capital expenditure	
	2007	**2006**	**2007**	**2006**
Lithuania	149 888	111 784	27 977	21 218
Latvia	37 255	19 026	11 096	1 435
Estonia	15 388	12 353	2 791	5 038
Total	**202 531**	**143 163**	**41 864**	**27 691**

5. EXPENSES BY NATURE

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Cost of goods sold	201 018	137 818	126 414	96 719
Write-down of inventories to net realisable value	2 151	2 210	1 994	2 210
Reversal of prior year write-down of inventories to net realisable value	(2 210)	(717)	(2 210)	(717)
Total cost of sales	**200 959**	**139 311**	**126 198**	**98 212**

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Rent and utilities	39 176	29 769	18 423	16 203
Remuneration	31 113	19 492	14 678	10 917
Social security contributions	9 125	5 725	4 514	3 365
Depreciation and amortization	15 763	11 752	7 086	5 352
Advertising and marketing	5 929	3 959	3 716	2 464
Franchise expenses	7 190	4 710	546	439
Bank commissions	3 180	2 330	1 335	1 087
Labelling, packing and repairing	2 172	1 227	1 082	559
Logistics and distribution	330	321	134	251
Business trips	1 446	988	917	720
Total selling costs	**115 424**	**80 273**	**52 431**	**41 357**

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Remuneration	6 419	4 119	6 419	4 119
Social security contributions	1 987	1 275	1 987	1 275
Communication expenses	1 203	901	754	680
Repair and maintenance	5 677	2 111	2 809	1 388
Taxes (excluding income tax)	375	241	320	209
Consulting and audit expense	947	828	639	607
Other expenses	4 506	3 029	2 284	1 357
Total general and administrative expenses	**21 114**	**12 504**	**15 212**	**9 635**

6. OTHER INCOME

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Rent income	824	931	1 207	944
Management fees	-	-	7 569	4 458
Gain from disposal of fixed assets, net	399	37	399	37
Interest income	5	3	501	293
Dividends	-	-	7 273	4 031
Other income	85	100	119	74
Total other income	**1 313**	**1 071**	**17 068**	**9 837**

The Company has set off dividends receivable from OÜ Apranga Estonia in amount of LTL 2506 thousand against the corresponding amount of loan received from this subsidiary in 2006.

7. FINANCE COSTS

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Interest on bank borrowings	1 672	906	1 334	612
Interest on bonds	1 019	800	1 019	800
Interest on obligations under finance leases	3	8	3	8
Interest on borrowings from subsidiaries	-	-	223	124
Total finance costs	**2 694**	**1 714**	**2 579**	**1 544**

8. INCOME TAX EXPENSE

Domestic income tax is calculated at 18 per cent (2006: 19 per cent) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.
The total income tax charge can be reconciled to the accounting profit before tax as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
Profit before tax	30 042	21 050	19 326	10 132
Tax at the domestic income tax rate	5 408	4 000	3 479	1 925
Tax effect of expenses that are not deductible in determining taxable profit and of income not subject to tax	119	99	(1 206)	(769)
Unrecognised deferred tax asset from taxable losses	103	46	-	-
Utilisation of previously unrecognised deferred tax asset	-	(279)	-	(279)
Effect of tax rate change	(269)	(124)	(275)	(118)
Effect of different tax rates of foreign subsidiaries	(242)	(128)	-	-
Tax expense	**5 119**	**3 614**	**1 998**	**759**
Effective income tax rate	17,0%	17,2%	10,3%	7,5%

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Current income tax expense	3 678	3 491	532	961
Deferred tax	1 440	126	1 465	(199)
Income tax of prior periods	1	(3)	1	(3)
	5 119	**3 614**	**1 998**	**759**

9. DEFERRED TAX

The movement in deferred income tax account was as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
At beginning of year	(2 091)	(1 965)	(526)	(724)
Income statement (charge) credit	(1 440)	(126)	(1 465)	199
At end of year	**(3 531)**	**(2 091)**	**(1 991)**	**(525)**

In 2007 deferred income tax asset and liability related to the entities operating in Lithuania were calculated at 15% rate (2006: 15 - 18% rate), depending on the estimated timing of the realization of temporary differences, deferred income tax asset and liability related to the entities operating in Latvia and Estonia – at 15% and 21% (2006: 15% and 22%) rates respectively.

Deferred tax assets and liabilities recognised as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
Deferred tax assets:				
Inventories	323	398	299	398
Accruals	404	357	325	318
Total deferred tax assets	**727**	**755**	**624**	**716**
Deferred tax liability:				
Undistributed profits of subsidiaries	(954)	(1 199)	-	-
Property, plant and equipment	(3 304)	(1 647)	(2 615)	(1 241)
Total deferred tax liabilities	**(4 258)**	**(2 846)**	**(2 615)**	**(1 241)**
Deferred tax liabilities, net	**(3 531)**	**(2 091)**	**(1 991)**	**(525)**

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	3	4	3	4
Deferred tax asset to be recovered within 12 months	724	751	621	712
	727	**755**	**624**	**716**
Deferred tax liabilities:				-
Deferred tax liability to be recovered after more than 12 months	(2 838)	(1 205)	(2 272)	(953)
Deferred tax liability to be recovered within 12 months	(1 420)	(1 641)	(343)	(288)
	(4 258)	**(2 846)**	**(2 615)**	**(1 241)**
Deferred tax liabilities, net	**(3 531)**	**(2 091)**	**(1 991)**	**(525)**

Group's tax losses for which no deferred income tax was recognised amount to LTL 816 thousand (2006: LTL 242 thousand) and expire no earlier than in 2012.

10. DIVIDENDS PER SHARE

	2007*	**2006***
Approved dividends	3 882	2 118
Weighted average number of ordinary shares in thousand (Note 22)	35 292	35 292
Approved dividends per share, LTL	**0.11**	**0.06**

*The year when the dividends are approved.

In respect of the current year, the Board of Directors propose that a dividend of 0.16 LTL per share to be paid to shareholders in 2008 (Note 23). This dividend is subject to approval by the shareholders at the Annual Shareholder's Meeting and has not been included as a liability in these financial statements.

11. EARNINGS PER SHARE

	Group		Company	
	2007	**2006**	**2007**	**2006**
Net profit for the year	24 923	17 436	17 328	9 373
Weighted average number of ordinary shares in thousand (Note 22)	35 292	35 292	35 292	35 292
Basic and diluted earnings per share, LTL	**0.71**	**0.49**	**0.49**	**0.27**

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

12. PROPERTY, PLANT AND EQUIPMENT

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

GROUP	Buil-dings	Plant and equipment	Leasehold improve-ments	Other fixed assets	Construc-tion in progress	Total
Cost						
At 31 December 2005	**25 907**	**1 526**	**19 077**	**38 681**	**1 178**	**86 369**
Additions	-	21	2 235	17 043	12 912	32 211
Merger	7 821	-	-	-	-	7 821
Disposals and write-offs	-	(7)	(675)	(1 975)	(5 055)	(7 712)
Exchange differences	-	-	(4)	3	-	(1)
Transfers	3 182	-	3 336	1 443	(7 961)	-
At 31 December 2006	**36 910**	**1 540**	**23 969**	**55 195**	**1 074**	**118 688**
Additions	8	79	12 817	24 441	13 226	50 571
Disposals and write-offs	-	(48)	(8 935)	(2 755)	(399)	(12 137)
Transfers	297	(150)	11 530	1 176	(12 853)	-
At 31 December 2007	**37 215**	**1 421**	**39 381**	**78 057**	**1 048**	**157 122**
Accumulated depreciation						
At 31 December 2005	**3 083**	**1 089**	**4 092**	**16 675**	**-**	**24 939**
Charge for period	645	145	3 399	7 360	-	11 549
Merger	167	-	-	-	-	167
Exchange differences	-	-	-	(1)	-	(1)
Disposals and write-offs	-	(7)	(676)	(1 881)	-	(2 564)
At 31 December 2006	**3 895**	**1 227**	**6 815**	**22 153**	**-**	**34 090**
Charge for period	873	82	4 592	9 956	-	15 503
Disposals and write-offs	-	(43)	(258)	(2 609)	-	(2 910)
Transfers	153	(9)	12	(156)	-	-
At 31 December 2007	**4 921**	**1 257**	**11 161**	**29 344**	**-**	**46 683**
Carrying amount						
At 31 December 2005	**22 824**	**437**	**14 985**	**22 006**	**1 178**	**61 430**
At 31 December 2006	**33 015**	**313**	**17 154**	**33 042**	**1 074**	**84 598**
At 31 December 2007	**32 294**	**164**	**28 220**	**48 713**	**1 048**	**110 439**

COMPANY	Buildings	Plant and equipment	Leasehold improvements	Other fixed assets	Construction in progress	Total
Cost						
At 31 December 2005	**25 907**	**1 526**	**7 366**	**21 146**	**1 178**	**57 123**
Additions	-	21	-	5 351	7 426	12 798
Merger	7 821	-	-	-	-	7 821
Disposals and write-offs	-	(7)	(675)	(1 850)	(126)	(2 658)
Transfers	3 182	-	3 211	1 067	(7 460)	-
At 31 December 2006	**36 910**	**1 540**	**9 902**	**25 714**	**1 018**	**75 084**
Additions	8	79	67	9 887	13 097	23 138
Disposals and write-offs	-	(48)	(668)	(2 711)	(399)	(3 826)
Transfers	297	(150)	11 370	1 243	(12 760)	-
At 31 December 2007	**37 215**	**1 421**	**20 671**	**34 133**	**956**	**94 396**
Accumulated depreciation						
At 31 December 2005	**3 083**	**1 089**	**1 390**	**12 330**	**-**	**17 892**
Charge for period	645	145	1 312	3 082	-	5 184
Merger	167	-	-	-	-	167
Disposals and write-offs	-	(7)	(675)	(1 792)	-	(2 474)
At 31 December 2006	**3 895**	**1 227**	**2 027**	**13 620**	**-**	**20 769**
Charge for period	873	82	2 097	3 827	-	6 879
Disposals and write-offs	-	(43)	(258)	(2 604)	-	(2 905)
Transfers	153	(9)	-	(144)	-	-
At 31 December 2007	**4 921**	**1 257**	**3 866**	**14 699**	**-**	**24 743**
Carrying amount						
At 31 December 2005	**22 824**	**437**	**5 976**	**8 816**	**1 178**	**39 231**
At 31 December 2006	**33 015**	**313**	**7 875**	**12 094**	**1 018**	**54 315**
At 31 December 2007	**32 294**	**164**	**16 805**	**19 434**	**956**	**69 653**

At 31 December 2007 the Group's and the Company's buildings with the carrying amount of LTL 29168 thousand (2006: LTL 32730 thousand) have been pledged as security for outstanding loans from financial institutions (Note 24).

An excess of the Company's buildings with the total carrying amount of LTL 1007 thousand as of 31 December 2007 (2006: LTL 1260 thousand) was leased to third parties.

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Plant and equipment	1 014	670	1 014	670
Leasehold improvements	722	46	234	46
Other fixed assets	6 808	7 274	6 274	6 995
Total	**8 544**	**7 990**	**7 522**	**7 711**

At 31 December 2007 the carrying amount of the property, plant and equipment being acquired under finance lease contracts was LTL 42 thousand (2006: LTL 54 thousand).

13. INTANGIBLE ASSETS

At 31 December intangible assets consisted of the following:

	Group			Company		
	Licenses	Software	Total	Licenses	Software	Total
Cost						
At 31 December 2005	**989**	**626**	**1 615**	**989**	**511**	**1 500**
Additions	5	404	**409**	5	247	**252**
Write-offs	(12)	(2)	**(14)**	(12)	(2)	**(14)**
At 31 December 2006	**982**	**1 028**	**2 010**	**982**	**756**	**1 738**
Additions	155	429	**584**	155	387	**542**
Write-offs	-	(68)	**(68)**	-	(5)	**(5)**
At 31 December 2007	**1 137**	**1 389**	**2 526**	**1 137**	**1 138**	**2 275**
Accumulated amortisation						
At 31 December 2005	**670**	**430**	**1 100**	**670**	**405**	**1 075**
Charge for period	105	98	**203**	105	63	**168**
Write-offs	(12)	(2)	**(14)**	(12)	(2)	**(14)**
At 31 December 2006	**763**	**526**	**1 289**	**763**	**466**	**1 229**
Charge for period	86	174	**260**	86	121	**207**
Write-offs	-	(4)	**(4)**	-	(4)	**(4)**
At 31 December 2007	**849**	**696**	**1 545**	**849**	**583**	**1 432**
Carrying amount						
At 31 December 2005	**319**	**196**	**515**	**319**	**106**	**425**
At 31 December 2006	**219**	**502**	**721**	**219**	**290**	**509**
At 31 December 2007	**288**	**693**	**981**	**288**	**555**	**843**

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

	Group		Company	
	2007	2006	2007	2006
Licenses	621	459	621	459
Software	380	322	380	322
Total	**1 001**	**781**	**1 001**	**781**

14. INVESTMENTS IN SUBSIDIARIES

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

Name	Country of incorporation	Ownership %	Cost 2007	Cost 2006
UAB Apranga LT	Lithuania	100	2 500	2 500
UAB Apranga BPB LT	Lithuania	100	500	500
UAB Apranga PLT	Lithuania	100	300	300
SIA Apranga	Latvia	100	2 638	2 638
SIA Apranga LV	Latvia	100	529	529
SIA Apranga BPB LV	Latvia	100	297	-
SIA Apranga PLV	Latvia	100	297	-
OÜ Apranga	Estonia	100	1 545	1 545
OÜ Apranga Estonia	Estonia	100	441	441
OÜ Apranga BEE	Estonia	100	330	-
Total investments			**9 377**	**8 453**

The changes in investments are as follows:

	2007	2006
Beginning of the year	8 453	6 608
Establishment of UAB Apranga PLT	-	300
Establishment of OÜ Apranga	-	1 545
Establishment of SIA Apranga BPB LV	297	-
Establishment of SIA Apranga PLV	297	-
Establishment of OÜ Apranga BEE	330	-
At end of the year	**9 377**	**8 453**

Establishment of UAB Apranga PLT

In March 2006, the Company established a subsidiary UAB Apranga PLT. The share capital of the subsidiary comprises of 300 shares with a par value of LTL 1000 each. All shares have been fully paid in cash.

Establishment of OÜ Apranga

In July 2006, the Company established a subsidiary OÜ Apranga. The share capital of the subsidiary comprise of 1 share with a par value of EEK 7000 thousand (equivalent to LTL 1545 thousand). The shares have been fully paid in cash.

Establishment of SIA Apranga BPB LV and SIA Apranga PLV

On 19 December 2006 the Company adopted a decision to establish subsidiaries SIA Apranga BPB LV and SIA Apranga PLV. The 50 percent of the share capital of each company, LVL 60 thousand (equivalent to LTL 297 thousand) in total, was deposited at bank account on 28 December 2006. On 10 January 2007 the both companies were registered with the share capital of 600 shares with par value of LVL 100 each. On 26 February 2007 the shares of SIA Apranga BPB LV were fully paid in cash. On 29 March 2007 the shares of SIA Apranga PLV were fully paid in cash as well.

Establishment of OÜ Apranga BEE

In October 2007 the Company has established a subsidiary OÜ Apranga BEE with the share capital of EEK 1500 thousand (equivalent LTL 330 thousand). The shares have been fully paid in cash.

15. INVENTORIES

	Group 2007	Group 2006	Company 2007	Company 2006
Goods for resale	74 901	47 794	45 880	30 397
Write-down of goods for resale to net realisable value	(2 151)	(2 210)	(1 994)	(2 210)
Goods in transit	453	2 608	453	2 608
Materials and spare parts	618	434	619	384
Total	**73 821**	**48 626**	**44 958**	**31 179**

During the year ended 31 December 2006 the Group and the Company recognised as cost of sales a write-down of book value of goods for resale to their net realizable value by LTL 2210 thousan. The reversal of write-down of book value of the goods for resale to net realizable value by LTL 717 thousand made during the year ended 31 December 2005 was credited to cost of sales.

During the year ended 31 December 2007 the Group and the Company recognised as cost of sales write-down of book value of the goods for resale to their net realizable value by LTL 2151 thousand and LTL 1994 thousand. The reversal of write-down of book value of the goods for resale to net realizable value by LTL 2210 thousand made during the year ended 31 December 2006 was credited to cost of sales of the Group and the Company.

At 31 December 2007 inventories of the Group and the Company have been pledged as security for outstanding loans from financial institutions (Note 24). The total carrying amount of pledged inventories as at 31 December 2007 was respectively LTL 25310 thousand and LTL 18000 thousand (2006: LTL 24641 thousand and LTL 18000 thousand).

16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2007 and 2006 non-current assets held for sale consisted of the 91% ownership in UAB Palangos Varūna. Purchase of shares in the entity were not considered to be a business combination as the entity did not constitute a business. In substance it was the purchase of the long term assets. There were no impairment provisions on non-current assets held for sale in 2007 and 2006, as the cost of investments did not exceed their fair value as of 31 December 2007 and 2006.

17. PREPAYMENTS

At 31 December prepayments consisted of the following:

	Group		Company	
	2007	**2006**	**2007**	**2006**
Prepayments	4 640	2 174	1 831	1 295
Less non-current portion of prepayments	(757)	(865)	(300)	(522)
Current portion of prepayments	**3 883**	**1 309**	**1 531**	**773**

18. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		Company	
	Category - Loans and receivables		Category - Loans and receivables	
Assets as per balance sheet:	**2007**	**2006**	**2007**	**2006**
Trade and other receivables	4 245	1 156	25 211	17 751
Cash and cash equivalents	7 287	4 770	2 990	2 312
Total	**11 532**	**5 926**	**28 201**	**20 063**

	Group		Company	
	Category - Financial liabilities measured at amortised cost		Category - Financial liabilities measured at amortised cost	
Liabilities as per balance sheet:	**2007**	**2006**	**2007**	**2006**
Borrowings	53 574	24 411	47 735	22 840
Bonds	20 653	20 436	20 653	20 436
Obligations under finance leases	36	55	36	55
Trade and other payables	36 007	27 927	18 732	19 530
Total	**110 270**	**72 829**	**87 156**	**62 861**

19. CREDIT QUALITY OF FINANCIAL ASSETS

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Trade and other receivables with no history of counterparty defaults	4 245	1 156	25 211	17 751
Cash at bank that have high credit ratings (cash on hand is excluded)	1 070	724	6	6
Total	**5 315**	**1 880**	**25 217**	**17 757**

20. TRADE AND OTHER RECEIVABLES

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Trade receivables from subsidiaries	-	-	8 660	6 095
Loans to subsidiaries	-	-	13 889	10 752
Receivables from related parties	366	348	366	348
Trade receivables from unrelated parties	2 089	415	1 914	240
Other receivables	1 790	438	382	336
Less: allowance for impairment of receivables	-	(45)	-	(20)
Total	**4 245**	**1 156**	**25 211**	**17 751**
Less non-current portion of other receivables	(100)	(29)	(100)	(29)
Current portion	**4 145**	**1 127**	**25 111**	**17 722**

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007 no trade receivables were past due but not impaired. As of 31 December 2006, trade receivables of LTL 45 thousand and LTL 20 thousand were impaired and provided for by the Group and by the Company respectively. The other classes within trade and other receivables do not contain impaired assets.

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

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

	2007	**2006**
LTL	6 100	8 922
EUR	7 789	1 830
Total	**13 889**	**10 752**

The effective interest rate is 6.6 per cent (2006: 4.7 per cent), maturity date – 31 December 2008 (2006: 31 December 2007).

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

Movements in the allowance for impairment of receivables for the year ended 31 December were as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
Allowance at the beginning of the year	45	28	20	28
Increase during the year	-	45	-	20
Bad debts write-offs	(45)	(28)	(20)	(28)
Allowance at the end of the year	**-**	**45**	**-**	**20**

21. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Cash at bank	1 070	724	6	6
Cash on hand	533	494	266	268
Cash in transit	5 684	3 552	2 718	2 038
Total	**7 287**	**4 770**	**2 990**	**2 312**

Cash in certain bank accounts and future cash inflows into these accounts were pledged to banks as security for credit facilities granted. At 31 December 2007, the cash balances of the Group and the Company in the pledged accounts amounted to LTL 7 thousand and LTL 6 thousand (2006: LTL 13 thousand and LTL 6 thousand) (Note 24).

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Cash and cash equivalents	7 287	4 770	2 990	2 312
Bank overdrafts	(14 448)	(7 844)	(8 022)	(3 314)
Total	**(7 161)**	**(3 074)**	**(5 032)**	**(1 002)**

22. SHARE CAPITAL

At 31 December 2007 issued share capital of the Company consisted of 35291960 (2006: 35291960) ordinary shares at par value of LTL 1 each. All issued shares are fully paid.

Subsidiaries did not hold any shares of the Company as of 31 December 2007 and 2006. The Company did not hold its own shares as of 31 December 2007 and 2006.

23. PROFIT DISTRIBUTION

Under Lithuanian Law on Companies the Company has to allocate 1/20 of its net profit to the legal reserve until it reaches 1/10 of the Company's authorised capital (up to LTL 3529 thousand as at 31 December 2007).

On 28 April 2006 the Company's shareholders' meeting decided to pay out LTL 2118 thousand in dividends and allocate LTL 199 thousand to legal reserve.

On 27 April 2007 the Company's shareholders' meeting decided to pay out LTL 3882 thousand in dividends and allocate LTL 469 thousand to legal reserve.

In respect of the current year, the Board of directors propose that a dividend of LTL 5647 thousand to be paid to shareholders and LTL 866 thousand to allocate to the Company's legal reserve in 2008. This dividend and legal reserve allocation are subject to approval by shareholders at the Annual Shareholder's Meeting.

24. BORROWINGS

	Group		Company	
	2007	2006	2007	2006
Long term borrowings				
Bank credit lines and loans	-	16 567	-	16 567
	-	**16 567**	**-**	**16 567**
Short term borrowings				
Bank credit lines and loans	39 126	-	39 126	-
Bank overdrafts	14 448	7 844	8 022	3 314
Borrowings from subsidiaries	-	-	587	2 959
	53 574	**7 844**	**47 735**	**6 273**
Total borrowings	**53 574**	**24 411**	**47 735**	**22 840**

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

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

	Group		Company	
	2007	2006	2007	2006
LTL	47 148	19 881	47 148	19 881
EUR	-	-	587	2 959
LVL	6 426	4 530	-	-
Total	**53 574**	**24 411**	**47 735**	**22 840**

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

	Group		Company	
	2007	2006	2007	2006
Bank credit lines and loans	7,9%	4,7%	7,9%	4,7%
Bank overdraft	10,7%	5,8%	7,9%	4,7%
Borrowings from subsidiaries	-	-	7,9%	4,7%

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

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

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

	Group		Company	
	2007	2006	2007	2006
Subject to floating interest rate:				
- drawdown term matures within one year	2 608	3 137	1 362	-
- drawdown term matures beyond one year	-	25 567	-	25 567

25. BONDS ISSUED

At 31 December issued bonds consisted of the following:

	Group		Company	
	2007	**2006**	**2007**	**2006**
Bonds redeemable after one year	20 000	-	20 000	-
Bonds redeemable within one year	-	20 000	-	20 000
Accrued interest	653	436	653	436
Total	**20 653**	**20 436**	**20 653**	**20 436**

Bonds were issued by the Company on 16 June 2007 and will be redeemed on 15 June 2009.

The annual interest rate for bonds comprises 5.99 per cent and the interest is payable on 16 June 2008 and 15 June 2009.

Bonds issued in 2005 were redeemed on 15 June 2007 by the bank that acted as an agent for the Company. The same bank distributed the new bonds of the Company in 2007, therefore the redemption of old bonds and the issue of new bonds resulted in non-cash transaction of LTL 20000 thousand.

Bonds are listed on Vilnius Stock Exchange. At 31 December 2007 the fair value of bonds was LTL 20604 thousand (2006: LTL 20181 thousand).

26. TRADE AND OTHER PAYABLES

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Payables to subsidiaries	-	-	-	-
Payables to other related parties	221	210	221	210
Trade payables	16 401	13 033	7 907	9 264
Employee benefits and related payables	7 015	3 950	3 996	2 714
Advances received	771	459	485	342
Taxes payable	5 356	4 832	2 635	2 714
Accrued expenses and other payables	6 243	5 443	3 488	4 286
Total	**36 007**	**27 927**	**18 732**	**19 530**

27. RELATED PARTY TRANSACTIONS

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

	Accounts payable		Accounts receivable		Income received		Purchases	
Related parties	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
UAB Mineraliniai vandenys	-	-	-	-	-	-	29	169
UAB Troja	143	141	-	-	-	-	1 427	1 439
UAB MG Baltic Investment	49	31	-	1	-	-	473	461
UAB MG Valda	24	26	-	-	-	-	278	262
UAB Palangos Varūna	-	-	366	341	-	-		-
UAB Laisvas Nepriklausomas Kanalas	4	12	-	6	80	52	367	347
UAB Neopress	1	-	-	-	-	8	102	58
AB Stumbras	-	-	-	-	3	-		-
Stumbras Poland S.A.	-	-	-	-	5	-		-
Total	**221**	**210**	**366**	**348**	**88**	**60**	**2 676**	**2 736**

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

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

	Borrowings		Loans and accounts receivable		Income received		Purchases	
Subsidiaries	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
UAB Apranga LT	-	-	3 548	7 915	1 317	830	151	74
UAB Apranga BPB LT	-	-	2 095	827	829	141	36	7
UAB Apranga PLT	-	-	752	331	200	32	27	1
SIA Apranga	-	-	5 391	3 168	33 736	24 900	-	-
SIA Apranga LV	-	2 003	2 207	42	5 327	1 986	87	76
SIA Apranga BPB LV	-	-	1 664	-	142	-	3	-
SIA Apranga PLV	-	-	1 580	-	169	-	2	-
OÜ Apranga	-	-	4 277	4 519	4 154	2 992	-	5
OÜ Apranga Estonia	587	956	100	45	4 091	3 020	164	97
OÜ Apranga BEE	-	-	935	-	9	-	1	-
Total	**587**	**2 959**	**22 549**	**16 847**	**49 974**	**33 901**	**471**	**260**

Prevailing types of intra-group transactions are centralised supplies of goods for resale, management service fees, centralised purchasing of services (telecommunications, IT, utilities etc.), financing, distribution of earnings.

Guarantees provided on behalf of related parties

Guarantees provided on behalf of related parties are disclosed in Note 28.

Compensation of key management personnel

	Group		Company	
	2007	**2006**	**2007**	**2006**
Short-term employee benefits	3 523	2 579	2 459	2 459
	1 053	1 015	762	762
Average number of key managers	8	8	8	8

28. COMMITMENTS AND CONTINGENCIES

Legal proceedings

As of 31 December 2007 and 2006 the Company and the Group was not involved in any legal proceedings, which in the opinion of management, would have a material impact on the financial statements.

Guarantees

As of 31 December 2007 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totalled LTL 17868 thousand (2006: LTL 15480 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 31 December 2007 amounted to LTL 33729 thousand (2006: LTL 28352 thousand).

As of 31 December 2007 the Company's guarantees to the credit institutions issued to secure the obligations of subsidiaries totalled LTL 7931 thousand (2006: LTL 7926 thousand). As of 31 December 2007 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled LTL 893 thousand (2006: LTL 529 thousand)

Lease commitments

The Company and the Group has entered into 49 and 74 rental agreements of stores respectively (2006: 33 and 55). The agreements' termination period differs from 1 to 6 months.

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

	Group		Company	
	2007	2006	2007	2006
Lease payable within:				
One year	37 633	23 949	15 815	12 068
From second to fifth year	123 117	88 481	51 359	42 475
Thereafter	92 427	36 875	31 875	15 252
Total	**253 177**	**149 305**	**99 049**	**69 795**

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

Options granted

Options for shares of subsidiaries

The Company issued irrevocable call options to INDITEX Group granting the right to purchase up to 100% of shares of subsidiaries UAB Apranga BPB LT, UAB Apranga PLT, SIA Apranga BPB LV, SIA Apranga PLV and OÜ Apranga BEE operating brands of INDITEX Group (BERSHKA and PULL AND BEAR). The options are exercisable after 3 years after establishment of subsidiaries and are firmly and irrevocably granted so that the Company waived the right that it might have to revoke them. If the options had been exercised, no losses would be incurred by the Company or the Group.

Options for lease rights

Subsidiaries UAB Apranga LT, UAB Apranga BPB LT, UAB Apranga PLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, OÜ Apranga Estonia, OÜ Apranga BEE operating brands of INDITEX Group (ZARA, BERSHKA, PULL AND BEAR) granted irrevocable options, exercisable after 3 years after establishment of subsidiaries, by virtue of which INDITEX Group might acquire the lease rights and might become lessee in all or part of the lease agreement for the premises where ZARA, BERSHKA and PULL AND BEAR stores are located. If the options had been exercised, no losses would be incurred by the Group.

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

	Group	
	2007	2006
Lease payable within:		
One year	14 776	6 408
From second to fifth year	54 294	28 438
Thereafter	55 097	16 711
Total	**124 167**	**51 557**

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

29. POST BALANCE SHEET EVENTS

In January 2008 the Company has established a subsidiary UAB Apranga SLT with share capital of LTL 300 thousand comprised of 300 shares with par value LTL 1 thousand each. The Company has made first instalment to the share capital of LTL 75 thousand in cash. The Company controls 100% of the subsidiary's capital and voting rights.

On 31 January 2008, the Group and SIA DnB Nord Banka concluded an agreement for the change of the previously concluded agreement for credit line. According to the agreement the Group was granted credit line amounting LVL 1600 thousand for financing of working capital and issuance of guarantees and letters of credit. The credit line expires on 31 January 2009. Portion of EUR 900 thousand of the credit line was granted in EUR, and the rest portion in LVL. For the drawdown amount of LVL portion of the credit line a floating interest rate calculated as the 3-month RIGIBOR plus margin is being paid, and for the drawdown amount of EUR portion of the credit line a floating interest rate calculated as the 3-month EURIBOR plus margin is being paid. There is fixed interest rate set for amount used for the issuance of guarantees and letters of credit.

* * * * * *

APB APRANGA

Consolidated Annual Report

for the year ended 31 December 2007

1. GENERAL INFORMATION

Consolidated annual report is prepared for the year ended 31 December 2007.

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

At 31 December 2007 Apranga Group (hereinafter the Group) consisted of the parent company APB Apranga (hereinafter the Company) and its 100% owned subsidiaries listed below. The principal activity of the Company and its subsidiaries is retail trade of apparel.

Title	Legal form	Date and place of registration	Enterprise code	Registered office	Telephone, fax, e-mail
UAB Apranga LT	Private limited liability company	27 04 2004 State enterprise Centre of Registers of the Republic of Lithuania	300021271	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt
UAB Apranga BPB LT	Private limited liability company	29 11 2005 State enterprise Centre of Registers of the Republic of Lithuania	300509648	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt
UAB Apranga PLT	Private limited liability company	21 03 2006 State enterprise Centre of Registers of the Republic of Lithuania	300551572	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt
SIA Apranga	Private limited liability company	20 11 2002 Enterprise Register of the Republic of Latvia	40003610082	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt
SIA Apranga LV	Private limited liability company	30 03 2004 Enterprise Register of the Republic of Latvia	40003672631	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt
SIA Apranga BPB LV	Private limited liability company	10 01 2007 Enterprise Register of the Republic of Latvia	40003887840	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt
SIA Apranga PLV	Private limited liability company	10 01 2007 Enterprise Register of the Republic of Latvia	40003887747	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt
OÜ Apranga	Private limited liability company	19 07 2006 Tallinn City Court Register department	11274427	Ravala 4, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt
OÜ Apranga Estonia	Private limited liability company	12 04 2004 Tallinn City Court Register department	11026132	Viru 4, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt
OÜ Apranga BEE	Private limited liability company	04 09 2007 Tallinn City Court Register department	11419148	Ravala 4, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt

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

2. OPERATING HIGHLIGHTS

In 2007 Apranga Group persistently and purposeful strived to improve operational results, in order to sustain and strengthen the position of apparel retail market leader in Lithuania and Baltic States, to reach set plans, and to increase the value of the shareholders' equity. The year 2007 has left in memories of managers and specialists as the year of positive, strenuous, purposeful work, active chain development, continuous improvement of retailing technologies, and rapid growth. Group successfully fulfilled set plans, implemented biggest in the Group's history expansion and investment program, fourth year in a row demonstrated growth rate exceeding 40%, what enabled to strengthen Group's competitive advantage in the markets of Baltic States.

2.1 RETAIL MARKET OVERVIEW

The turnover of the retail chain operated by Apranga Group was LTL 437.4 million (incl. VAT), and was 46.1% higher than in 2006. There was the absolute record of yearly turnover increase of LTL 138 million set in 2007. The turnover growth rate exceeded 40% fourth year in a row: in 2004 it was 44.2%, in 2005 - 47.0%, in 2007 - 49.1%, and in 2008 - 46.1%.

The initial plans of turnover for 2007 were exceeded by 5.4%, and updated plans - by 0.5%.

The retail turnover in local Lithuanian market has made LTL 288.5 million, or by 45.6% more than in 2006. The increase of turnover by LTL 90.3 million exceeds yearly sales of any competitor in Lithuania. The yearly turnover of the Group has increased by 30.9% in Vilnius, 2 times in Kaunas, 35.8% in Klaipeda.

The retail turnover in Latvia and Estonia has made LTL 148.8 million in 2007, or 47% more, than in 2006. The foreign turnover share in total Group's turnover has increased from 33.8% to 43.0% during the year.

By management's assessment, the Group has increased retail clothing market share in Lithuania from 30.8% to 34.5% in 2007. The Group had 11.4% of Latvian market and less than 5% of Estonian market in 2007.

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

Country	2007	2006	Change
Lithuania	288 543	198 175	45.6%
Latvia	110 238	70 745	55.8%
Estonia	38 572	30 451	26.7%
Total:	**437 353**	**299 371**	**46.1%**

In 2007 the Group consistently developed 5 different store chains:

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

He Group also runs 4 outlets.

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

Chain	2007	2006	Change
Economy	88 694	70 810	25.3%
Youth	100 242	53 194	88.4%
Business	45 982	34 397	33.7%
Luxury	59 665	44 472	34.2%
Zara	135 905	92 062	47.6%
Outlets	6 865	4 436	54.8%
Total:	**437 353**	**299 371**	**46.1%**

Several big international companies have actively expanded in Baltic States markets during the 2006 and 2007: NewYorker (Germany), Pull and Bear (Spain), Berhska (Spain), Promod (France). Despite of increased competition all of systems developed by Apranga have reached growth rates above 25%. The highest turnover growth rates were in youth chain and Zara: 88.4% and 47.6%, respectively. The higher growth rates of these shop systems were also influenced by higher investments and bigger number of new stores. High growth rates under increasing competition of new trade marks obviously confirmed rightness of strategy of Apranga Group: collaboration with most commercial and growing international trade marks, and active chain development.

Quarter	2007	2006	Change
1st	91 758	57 882	58.5%
2nd	91 360	62 137	47.0%
3rd	123 329	83 076	48.5%
4th	130 906	96 276	36.0%
Total:	**437 353**	**299 371**	**46.1%**

The retail turnover grew most rapidly in 1st and 3rd quarters: 58.5% and 48.5%, respectively. Due to unusually warm winter and delayed openings of certain stores, the turnover growth rate in 4th quarter was a little slower, than planned.

2.2 RETAIL CHAIN EXPANSION AND INVESTMENTS

Apranga has implemented biggest in the Group's history retail chain expansion program during the 2007: Apranga Group has opened 25 new stores, closed 7, and reconstructed 6.

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

Country	2007	2006
Lithuania	55	47
Latvia	23	15
Estonia	5	3
Total:	**83**	**65**

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

Chain	2007	2006
Economy	14	15
Youth	31	18
Business	10	11
Luxury	15	14
Zara	9	5
Outlets	4	2
Total:	**83**	**65**

The number of stores managed by the Group has increased from 65 to 83 in 2007. There were 5 Bershka, 4 Zara, 3 Pull and Bear, 3 Mexx, 3 Aprangos Galerija, 3 Apranga and several other shops opened during the year. The Group has implemented all 25 planned projects, and o additional which were not foreseen in the yearly expansion plan.

By the end of he year the Company has opened a new format City department store in the Vilnius centre. It was the biggest (3100 thousand sq. m) and most expensive (LTL 12.7 million) project in Group's history.

The number of stores in Latvia and Estonia has increased by 50% during the year, what sets perfect preconditions for strengthening positions in foreign markets.

The sales area of the retail chain under Group's possession has increased by 15.5 thousand sq. m, or by 40% of what has been done during the last 10 years of expansion.

At 31 December the area of stores by countries was as follows (thousand sq. m):

Country	2007	2006	Change
Lithuania	36.2	28.1	28.8%
Latvia	13.6	7.8	74.4%
Estonia	4.2	2.6	61.5%
Total:	**54.0**	**38.5**	**40.3%**

There were LTL 39 million allocated by the Group to retail chain expansion in 2007. During the last 4 years of most aggressive chain expansion and rapid growth of turnover Group's investments exceeded LTL 100 million.

The Company has doubled the space of central warehouse in Vilnius.

For additional information on the investments of the Group refer to Note 13 to Consolidated financial statements.

2.3 MAIN INDICATORS

Main Group Indicators	2007	2006	Change
Net sales, LTL thousand	368 907	253 489	45.5%
Net sales in foreign markets, LTL thousand	126 621	85 843	47.5%
Like-to like sales (comparing to previous year)	9.4%	20.2%	
Gross profit, LTL thousand	167 948	114 178	47.1%
Gross margin	45.5%	45.0%	
EBT, LTL thousand	30 042	21 050	42.7%
EBT margin	8.1%	8.3%	
Net profit, LTL thousand	24 923	17 436	42.9%
Net margin	6.8%	6.9%	
EBITDA, LTL thousand	48 499	34 516	40.5%
EBITDA margin	13.1%	13.6%	
Return on equity (end of the period)	28.4%	26.2%	
Return on assets (end of the period)	12.3%	12.2%	
Net debt to equity	84.0%	67.5%	
Current ratio, times	1.0	1.0	0.4%

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

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

2.4 PERSONNEL

Number of employees and average salary by categories at 31 December 2007 were as follows:

	Number of employees		Average monthly salary, LTL	
Employee category	**Group**	**Company**	**Group**	**Company**
Administration	112	82	7427	8529
Stores' personnel	1451	641	2090	1993
Logistics	74	74	2013	2013
Total:	**1637**	**797**	**2451**	**2667**

The average monthly salary in the Group has increased by 17% during the year.

Number of employees by education level on 31 December 2007 was as follows:

Education level	Group	Company
High	263	161
Professional	338	239
Secondary	314	172
Basic	23	5
Student	699	220
Total:	**1637**	**797**

During the 2007 the number of employees in the Group and the Company has increased by 467 and 150 people, respectively. The main reason of such increase is new stores opened.

109 employees have made career inside the Group during 2007.

3. OPERATING PLANS

The Group plans to reach the retail turnover of LTL 580 million (incl. VAT) and to earn LTL 39.5 million profit before taxes in 2008.

In March 2007 the Group announced forecasts to reach a retail turnover of LTL 1 billion in 2010 and to operate about 110 thousand sq. m. of trading area.

Ambitious expansion plans of the Group are based on the following assumptions:

1) Efforts of Baltic countries to reach an average EU level of living lead to increase of disposable income and consumption of households;
2) Active expansion of shopping centres and increasing supply of trading areas;
3) Possibility of expansion beyond the Baltic States.

4. SECURITIES

All 35291960 ordinary shares of nominal value LTL 1 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Official list of Vilnius Stock Exchange. For more information on the share capital of the Company refer refer to Note 22 to Consolidated financial statements.

All Company's shares give equal rights to shareholders.

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

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

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

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

At 31 December 2007 the Company had 2837 shareholders. Company's shareholders which owned or had under management more than 5% of share capital were as follows:

Shareholder	Enterprise code	Address	Number of shares	% of total ownership
UAB MG Baltic Investment	123249022	Jasinskio 16B, Vilnius, Lithuania	18512896	52.5
AS Hansabank clients	10060701	Liivalaia 8, Tallinn, Estonia	4303103	12.2
Skandinaviska Enskilda Banken clients	SE502032908101	Sergels Torg 2, 10640 Stockholm, Sweden	1916443	5.4
JP Morgan Bank Luxembourg SA clients	B10958	6, route de Trèves, Senningerberg, Luxembourg	1895900	5.4

An issue of 200000 bonds of nominal value LTL 100 each with the maturity of 2 years (ISIN code LT0000402216) is listed on Bond list of Vilnius Stock Exchange. For more information on bonds issued refer to Note 25 to Consolidated financial statements.

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

The Company has concluded an agreement with FMI Finasta on supervision of securities accounts and an agreement on dividend payment.

The Company has concluded an agreement with AB SEB Bankas on underwritting of bonds (issue settlement).

The agreement on bond repurchase and interest payment between Company and AB DnB Nord Bankas has expired in June 2007.

5. CORPORATE GOVERNANCE

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

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

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

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

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

Company's Board activity is conducted by chairman of the Board. The Board elects its chairman from among its members.

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

Board of Company considers and approves:

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

The Board adopts the following resolutions:

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

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

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

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

The Board analyses and assesses the Company's draft annual financial statement and draft of profit/loss distribution and submits them to the General Shareholders' Meeting together with the annual report of the Company.

The Board is responsible for convening and arrangement of the General Shareholders' Meeting in due time.

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

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

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

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

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

The Manager of the Company is responsible for:

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

The Manager of the Company organises daily activities of the Company, hires and dismisses employees, concludes and terminates employment contracts with them, provides incentives and imposes penalties.
The Manager of the Company is responsible for preparation of the draft share subscription agreement and its data correctness.

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

Information about Members of the management bodies on 31 December 2007:

Name, Surname	Position	Number of shares owned and part in the share capital	Election date	End of term	Amounts received from the Company in 2007, LTL
Darius Juozas Mockus	Chairman of the Board	626768 1.78%	27 04 2006	27 04 2010	Dividends 68945
Rimantas Perveneckas	Member of the Board, General Director	796920 2.26%	27 04 2006	27 04 2010	Dividends 87661 Remuneration 930268
Ilona Šimkūnienė	Member of the Board, Purchasing Director	20860 0.06%	27 04 2006	27 04 2010	Dividends 2125 Remuneration 582313
Ramūnas Gaidamavičius	Member of the Board, Development Director	-	27 04 2006	27 04 2010	Remuneration 421397
Raimondas Kurlianskis	Member of the Board	244788 0.69%	27 04 2006	27 04 2010	Dividends 26928
Algimantas Variakojis	Member of the Board	8013 0.02%	27 04 2006	27 04 2010	Dividends 1761
Members of the board in total:					**Dividends 187419 Remuneration 1933978**
Members of the Board on average:					**Dividends 37485 Remuneration 644659**
Vaidas Savukynas	Chief Financial Officer	-	-	-	Remuneration 437098

6. COMPLIANCE WITH THE GOVERNANCE CODE

Essential changes related with APB Apranga report for year 2006 concerning the compliance with the Governance Code for the companies listed on the regulated market were as follows:

APB Apranga does not comply with 6.3 recommendation of Code. Company's general shareholders' meeting convened on 27 April 2007 approved the new version of Company's Articles of Association, wherein the demand for advanced shareholders' approval for transactions regarding transferring of the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated individually for every type of transaction) and offering surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the share capital of the Company was excluded. New version of Articles of Association was registered in Register of Legal Entities on 15 May 2007.

Resolutions regarding transferring, investment, pledge or any other type of encumbrance of the Company's tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company are carried by Company's Board pursuant to the Law on Companies and Company's Articles of Association.

For the full text of Compliance Report refer to Annex 1.

7. PUBLICLY ANNOUNCED INFORMATION

The Company publicly announced and broadcasted through NASDAQ OMX Client News Service and own webpage the following information:

Title	Category of announcement	Language	Date
Apranga Group results for the year 2006 exceeded the most optimistic expectations	Company Announcement	Lt, En	2007-01-03
On subsidiaries establishment in Latvia	Company Announcement	Lt, En	2007-01-11
Apranga Group sales in January, 2007 – excellent start of the year	Company Announcement	Lt, En	2007-02-01

Title	Category of announcement	Lang-uage	Date
On expansion plans 2007 - 2010	Company Announcement	Lt, En	2007-02-27
Apranga Group preliminary results of 2007	Company Announcement	Lt, En	2007-02-27
On presentation to investors' in conference in Tallinn	Investor News	Lt, En	2007-03-02
Apranga Group extends INDITEX chain in Latvia	Press release	Lt, En	2007-03-02
CORRECTION: On turnover of Apranga Group in February 2007	Company Announcement	Lt, En	2007-03-02
On turnover of Apranga Group in February 2007	Company Announcement	Lt, En	2007-03-02
Apranga Group expands in Siauliai	Press release	Lt, En	2007-03-14
Notice of the General Meeting	Notice to convene extr.general meeting	Lt, En	2007-03-20
Apranga Group expands in Latvia	Investor News	Lt, En	2007-03-23
Apranga Group turnover in January through March, 2007	Company Announcement	Lt, En	2007-04-03
On amendment of the general meeting agenda	Notice to convene annual general meeting	Lt, En	2007-04-04
Apranga Group launching 9 new stores in Kaunas	Investor News	Lt, En	2007-04-06
On proposals of resolutions of general meeting	Company Announcement	Lt, En	2007-04-16
On new edition of articles of association of Apranga APB	Investor News	Lt, En	2007-04-17
On audited financial statements and consolidated annual report for the 2006	Annual report/ annual accounts	Lt, En	2007-04-18
On preliminary results of 1st quarter 2007	Company Announcement	Lt, En	2007-04-25
Board resolution on bonds issue	Final Bond Terms	Lt, En	2007-04-27
Resolutions of Annual general meeting of shareholders	Minutes of annual general meeting	Lt, En	2007-04-27
Apranga Group expands the clothing chain City	Investor News	Lt, En	2007-04-27
On turnover of Apranga Group in April 2007	Company Announcement	Lt, En	2007-05-02
On events in Estonia	Investor News	Lt, En	2007-05-02
Notification on Apranga APB manager's transactions	Insiders' dealing	Lt, En	2007-05-03
„Apranga" expands the young fashion chain	Investor News	Lt, En	2007-05-04
On interim report for 1st quarter 2007	Quarterly report	Lt, En	2007-05-15
On new edition of articles of association of Apranga APB	Articles of association	Lt, En	2007-05-18
On prospectus for 2006 of Apranga APB	Annual report/ annual accounts	Lt, En	2007-05-22
On bonds issue prospectus of Apranga APB	Final Bond Terms	Lt, En	2007-06-01
On investor's calendar for the rest of 2007	Financial Calendar	Lt, En	2007-06-01
On turnover of Apranga Group in May 2007	Notification on material event	Lt, En	2007-06-04
Apranga awarded by Euromoney	Press release	Lt, En	2007-06-05
Apranga awarded by Euromoney	Investor News	Lt, En	2007-06-05
Notification on Apranga APB manager's transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2007-06-13
On completing of Apranga APB bonds issue subscription and real interest rate	Additional information	Lt, En	2007-06-18
On Apranga APB bonds listing on Baltic bond list	Notification on material event	Lt, En	2007-06-22
On corrected interim report for 1st quarter 2007	Interim information	Lt, En	2007-06-29
On corrected prospectus for 2006 of Apranga APB	Annual information	Lt, En	2007-06-29
On Apranga APB bonds listing on Baltic bond list	Notification on material event	Lt, En	2007-07-02
On turnover of Apranga Group in June 2007	Other information	Lt, En	2007-07-02
On Apranga Group yearly booklet 2006	Investor News	Lt, En	2007-07-19
CORRECTION: Notification on Apranga APB manager's transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2007-07-31
On turnover of Apranga Group in July 2007 and preliminary unaudited half-year profit	Notification on material event	Lt, En	2007-08-01
On turnover of Apranga Group in July 2007 and preliminary unaudited half-year profit	Notification on material event	Lt, En	2007-08-01
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2007-08-17
Apranga Group is opening 4 shops	Investor News	Lt, En	2007-08-17
On interim information for 1st half 2007	Interim information	Lt, En	2007-08-17

Title	Category of announcement	Language	Date
On interim information for 1st half 2007	Interim information	Lt, En	2007-08-17
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2007-08-21
On turnover of Apranga Group in August 2007 - new turnover records reached	Notification on material event	Lt, En	2007-09-03
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2007-09-10
On turnover of Apranga Group in September 2007	Other information	Lt, En	2007-10-01
On APB Apranga subsidiary establishment in Estonia	Notification on material event	Lt, En	2007-10-08
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2007-10-19
On corrected interim report for 6 months 2007	Interim information	Lt, En	2007-10-29
On Apranga Group preliminary unaudited profit for 9 months 2007	Notification on material event	Lt, En	2007-10-30
On turnover of Apranga Group in October 2007 and update of anticipated results for 2007	Notification on material event	Lt, En	2007-11-05
Apranga Group opens the largest in the Northern Europe HUGO BOSS store in Riga	Investor News	Lt, En	2007-11-08
Apranga Group opens the largest in the Northern Europe HUGO BOSS store in Riga	Press release	Lt, En	2007-11-15
Apranga Group opens the first Bershka store in Tallinn	Investor News	Lt, En	2007-11-15
On Apranga Group interim information for 9 months 2007	Interim information	Lt, En	2007-11-16
Apranga Group opens the largest clothing store in Lithuania	Investor News	Lt, En	2007-11-19
Notification on APB Apranga manager's transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2007-11-27
On Apranga Group preliminary profit in ten months of 2007	Notification on material event	Lt, En	2007-11-29
On turnover of Apranga Group in November 2007	Notification on material event	Lt, En	2007-12-03
Apranga Group develops Zara chain	Investor News	Lt, En	2007-12-07

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

Rimantas Perveneckas
General Director

17 April 2008

APB APRANGA report concerning the compliance with the Governance Code for the companies listed on the regulated market

The public trade company APRANGA (hereinafter Company), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 23.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange for the companies listed on the regulated market, and its specific provisions:

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

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.		recommendations.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	Company's management board consists of 6 (six) members, 3 (three) of whom are representatives of shareholders and the other 3 (three) are chief executive officer and senior managers. In Company's opinion, the number of the management board members is sufficient considering Company's activity extent and number of shareholders.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	Supervisory board is not constituted in the Company. See commentaries of 2.1. recommendation.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the management board and chief executive officer of the Company are different persons. The chairman of the management board has never been appointed as chief executive officer of the Company.
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	The mechanism of the formation of Company's management board ensures objective and fair supervision of the Company's single management body, chief executive officer, and senior management as well as representation of minority shareholder's interests.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided	No	The information about management board members and their potential conflicts of interest are disclosed in Company's annual and interim reports, however the information about candidates was not submitted to general shareholder's meeting before their election. There was no necessity in the Company to disclose factors affecting candidate's independence.

in this item on its members and disclose this in the company's annual report.		
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	No	See commentary of 3.2 recommendation
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the 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/No	Audit Committee is not established in Company (See commentary of 4.7. recommendation).
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	There was no such event in Company's practice that new management board member was not familiar with the Company's organization and activities, therefore no individual program was necessary. Annual review of management board members' knowledge is not conducted whereas the management board members, i.e. chief executive officer and senior managers, are professionals and improve their skills and knowledge by conducting their duties in the Company. The skills and knowledge of management board members representing shareholders is reviewed by shareholders themselves before proposing candidates to Company's board.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Within the meaning of this recommendation there are no independent members in Company's management board, whereas the issue of election of independent management board members never been topical and the "sufficient" number of independent management board members was never assessed either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become 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	Not applicable	See commentary of 3.6 recommendation

of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having 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. 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.		

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

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.		notify its shareholders about management board members attendance of the management board meetings.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Company's shareholders are properly informed about the Company's affairs, strategies, risk management and resolution of conflicts of interest. See commentaries of X principle's recommendations.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes/No	The transactions are concluded in standard terms in pursuance of regular Company's activities. There are no independent members in Company's management board, See commentary of 3.6 recommendation of III principle.
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	
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	Yes/No	Nomination, Remuneration and Audit commitees are not established in the Company, whereas, in Company's opinion, the management board by performing its functions partially performs functions of Nomination, Remuneration and Audti commitees. Company's management board selects a candidate for chief executive officer position and appoints chief executive officer, provides recommendations to chief executive officer regarding appointment of senior managers and their remunaration policy. Company's management board affirms Company's strategical plans and objectives and controls their implementation. Moreover, Company's management board affirms Company's budget plans and analyse and assess chief executive officer's and senior management's reports on budget plans' implementation and fund utilization.

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.		
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.	No	See commentary of 4.7. recommendation.
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	See commentary of 4.7. recommendation.
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	See commentary of 4.7. recommendation.
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	No	See commentary of 4.7. recommendation.

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.		
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	Nomination Committee is not established in Company. (See commentary of 4.7. recommendation).
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;	No	Remuneration Committee is not established in Company. (See commentary of 4.7. recommendation).

• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 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: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 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	No	Audit Committee is not established in Company. (See commentary of 4.7. recommendation).

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; 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	There is no practice in Company on internal assessments of management board activities and notification on it.
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	Company's management board is conducted by chairman of the management board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes/No	Company's management board meetings are convened depending on the necessity.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented	Yes	

during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.		
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.	No	The Company does not implement this recommendation whereas only management board is constituted in the Company.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary registered shares which grant equal rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	See commentaries of X principle's recommendations.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The management board of the Company adopts resolutions for transactions regarding transferring, investment, pledge or other type of the encumbrance of the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. 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	
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	Yes	Company's general shareholders' meeting draft resolutions are published not later than 10 (ten) days before shareholders' meeting. General shareholders' meeting draft resolutions and its adopted resolutions are published throughout Vilnius Stock Exchange information disclosure system and are placed on publicly accessible Company's website, in Lithuanian and English. General shareholders' meeting draft resolutions are also placed in Central Storage Facility.

revealed.		
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders are furnished with the opportunity to vote in general shareholders' meeting both personally and throughout duly authorized representatives. On demand of shareholders, the Company may furnish the opportunity to vote in general shareholders' meeting in writing in advance, pursuant to the Article 30 of the Law on Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies 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	In Company's opinion, thus far there was no necessity to use modern technologies in general shareholders' meeting voting process.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy		

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). 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 does not prepare and publish remuneration statement. In Company's opinion, such information commercially is not published. Pursuant to law requirements, the Company publishes in Company's annual and interim reports information regarding sums counted to management board members, chief executive officer and chief financial officer during reporting period.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See commentary of 8.1. recommendation.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See commentary of 8.1. recommendation.
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	See commentary of 8.1. recommendation.
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	See commentary of 8.1. recommendation.
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	See commentary of 8.1. recommendation.
8.7. Remuneration statement should also contain	No	See commentary of 8.1. recommendation.

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

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

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.		

Rimantas Perveneckas
General Director

17 April 2008