CONFIRMATION OF RESPONSIBLE PERSONS

2012-04-27

Following Article 21 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Gintautas Bareika , General Director of Utenos trikotazas, AB, Finance Director Saulius Rakauskis, and Chief Account Reda Kučinskienė, hereby confirm that, to the best of our knowledge, the consolidated and Company's Financial Statements, annual and independent auditor's reports for the year ended 31 December of 2011 of Utenos trikotazas AB, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Utenos trikotazas AB and the Group of undertakings.

ENCLOSURE: Utenos trikotazas AB consolidated and Company's Financial Statements, annual and independent auditor's reports for the year ended 31 December of 2011.

General Director **Gintautas Bareika**

Finance Director **Saulius Rakauskis**

Chief Account **Reda Kučinskienė**

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

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

Report on Financial Statements

We have audited the accompanying financial statements of AB Utenos trikotažas, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Utenos trikotažas and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2011, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

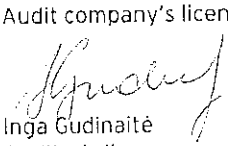
Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2011, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2011 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2011.

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



Inga Gudinaitė
Auditor's licence
No. 000366

The audit was completed on 4 April 2012.

UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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Statements of financial position

		Group			Company		
		31 December		1 January	31 December		1 January
	Notes	2011	2010 Adjusted	2010 Adjusted	2011	2010 Adjusted	2010 Adjusted
ASSETS							
Non-current assets							
Intangible assets	6	3 820	4 075	4 084	365	643	827
Property, plant and equipment	7	24 971	25 404	27 579	17 032	19 079	21 035
Investment property	8	2 969	2 906	3 173	2 969	2 906	3 173
Investments into subsidiaries	9	-	-	-	5 175	11 396	11 396
Trade and other receivables		79	90	25	-	-	-
Receivables from subsidiaries	29	-	-	-	13 131	4 178	3 971
Deferred income tax asset	27	438	134	-	-	55	-
		32 277	**32 609**	**34 861**	**38 672**	**38 257**	**40 402**
Current assets							
Inventories	10	8 031	8 831	7 367	7 011	8 252	6 678
Trade receivables	11	4 259	7 438	7 642	3 193	5 792	6 269
Receivables from and prepayments to subsidiaries	29	-	-	-	-	8 999	8 859
Receivables from other related parties	29	68	3	4	9	-	-
Prepaid income tax		-	-	48	-	-	-
Other receivables	12	799	1 808	1 479	105	910	528
Deposits	14	1 646	-	-	-	-	-
Cash and cash equivalents	15	1 084	1 727	2 161	512	712	1 492
		15 887	**19 807**	**18 701**	**10 830**	**24 665**	**23 826**
Non-current assets held for resale	13	-	2 956	3 106	-	-	-
		15 887	**22 763**	**21 807**	**10 830**	**24 665**	**23 826**
Total assets		**48 164**	**55 372**	**56 668**	**49 502**	**62 922**	**64 228**

Statements of financial position (cont'd)

	Notes	Group			Company		
		31 December		1 January	31 December		1 January
		2011	2010 Adjusted	2010 Adjusted	2011	2010 Adjusted	2010 Adjusted
EQUITY							
Equity attributable to the equity holders of the Company							
Share capital	16	19 834	19 834	19 834	19 834	19 834	19 834
Foreign currency translation reserve		1 548	1 720	2 666	-	-	-
Other reserves	17	1 983	1 983	1 983	1 983	1 983	1 983
Accumulated retained earnings/ (losses)		(13 440)	(15 058)	(18 647)	(6 754)	900	(446)
		9 925	**8 479**	**5 836**	**15 063**	**22 717**	**21 371**
Non-controlling interest		**895**	**737**	**643**	**-**	**-**	**-**
Total equity		**10 820**	**9 216**	**6 479**	**15 063**	**22 717**	**21 371**
LIABILITIES							
Non-current liabilities							
Borrowings	18	9 138	18 786	5 316	9 138	14 368	5 316
Borrowings from subsidiaries	29	-	-	-	3 134	-	-
Convertible bonds issued	19	9 599	8 268	-	9 599	8 268	-
Defered income tax liabilities	27	152	-	442	152	-	405
Provisions for employee benefits	20	312	351	-	277	351	-
		19 201	**27 405**	**5 758**	**22 300**	**22 987**	**5 721**
Current liabilities							
Borrowings	18	8 741	6 571	30 628	5 240	5 240	23 712
Trade payables		2 635	4 892	6 356	2 335	4 615	5 933
Payables to subsidiaries	29	-	-	-	30	2 322	1 830
Payables to other related parties	29	2 613	1 510	2 073	1 906	1 043	1 855
Income tax payable		-	4	-	-	-	-
Accrued expenses and other current liabilities	21	4 154	5 774	5 374	2 628	3 998	3 806
		18 143	**18 751**	**44 431**	**12 139**	**17 218**	**37 136**
Total liabilities		**37 344**	**46 156**	**50 189**	**34 439**	**40 205**	**42 857**
Total equity and liabilities		**48 164**	**55 372**	**56 668**	**49 502**	**62 922**	**64 228**

The notes on pages 10 to 70 form an integral part of these financial statements.
These financial statements were approved by General Manager and Chief Accountant on 4 of April 2012.

General Manager	Gintautas Bareika	
Chief Accountant	Reda Kučinskienė	

Statements of comprehensive income

	Notes	Group Year ended 31 December 2011	Group Year ended 31 December 2010 Adjusted	Company Year ended 31 December 2011	Company Year ended 31 December 2010 Adjusted
Revenue	5	61 172	70 711	51 396	60 443
Cost of sales	22	(50 289)	(58 353)	(43 242)	(51 300)
Gross profit		**10 883**	**12 358**	**8 154**	**9 143**
Selling expenses	23	(2 337)	(2 276)	(1 981)	(1 885)
General and administrative expenses	23	(5 846)	(6 790)	(11 862)	(4 518)
Other income	24	1 713	1 041	663	519
Other expenses	24	(407)	(359)	(265)	(238)
Operating profit (loss)		**4 006**	**3 974**	**(5 291)**	**3 021**
Finance income		3 192	4 764	274	253
Finance cost	25	(5 567)	(5 627)	(2 429)	(2 388)
Profit (loss) before tax		**1 631**	**3 111**	**(7 446)**	**886**
Income tax	27	145	572	(208)	460
Profit (loss) for the year		**1 776**	**3 683**	**(7 654)**	**1 346**
Profit (loss) attributable to:					
Equity holders of the Company	28	1 618	3 589	(7 654)	1 346
Non-controlling interest		158	94	-	-
		1 776	**3 683**	**(7 654)**	**1 346**
Other comprehensive income (loss)					
Foreign currency translation gain (losses)		(172)	(946)	-	-
Other comprehensive income (loss)		**(172)**	**(946)**	**-**	**-**
Total comprehensive income (loss) for the year		**1 604**	**2 737**	**(7 654)**	**1 346**
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		1 446	2 643	(7 654)	1 346
Non-controlling interest		158	94	-	-
		1 604	**2 737**	**(7 654)**	**1 346**
Basic/dilutive earnings per share	28	0.08	0.18		

The notes on pages 10 to 70 form an integral part of these financial statements.

Statements of changes in equity

		Equity attributable to the equity holders of the Company						
Group	**Notes**	**Share capital**	**Foreign currency translation reserve**	**Other reserves**	**Accumulated (losses)**	**Total**	**Non-controlling interest**	**Total equity**
Balance as of 31 December 2009 (originally reported)		**19 834**	**2 675**	**1 983**	**(21 180)**	**3 312**	**619**	**3 931**
Correction of errors	31	-	(9)	-	2 533	2 524	24	2 548
Balance as of 31 December 2009 (adjusted)		**19 834**	**2 666**	**1 983**	**(18 647)**	**5 836**	**643**	**6 479**
Total comprehensive income (loss) (adjusted)	31	-	(946)	-	3 589	2 643	94	2 737
Balance as of 31 December 2010 (adjusted)		**19 834**	**1 720**	**1 983**	**(15 058)**	**8 479**	**737**	**9 216**
Total comprehensive income (loss)		-	(172)	-	1 618	1 446	158	1 604
Balance as of 31 December 2011		**19 834**	**1 548**	**1 983**	**(13 440)**	**9 925**	**895**	**10 820**

Company	**Notes**	**Share capital**	**Other reserves**	**Accumulated retained earnings/ (losses)**	**Total**
Balance as of 31 December 2009 (originally reported)		**19 834**	**19 83**	**(2 539)**	**19 278**
Correction of errors	31	**-**	-	2 093	2 093
Balance as of 31 December 2009 (adjusted)		**19 834**	**1 983**	**(446)**	**21 371**
Total comprehensive income (loss) (adjusted)	31	-	-	1 346	1 346
Balance as of 31 December 2010 (adjusted)		**19 834**	**1 983**	**900**	**22 717**
Total comprehensive income (loss)		-	-	(7 654)	(7 654)
Balance as of 31 December 2011		**19 834**	**1 983**	**(6 754)**	**15 063**

The notes on pages 10 to 70 form an integral part of these financial statements.

Statements of cash flows

	Notes	Group Year ended 31 December 2011	Group Year ended 31 December 2010 Adjusted	Company Year ended 31 December 2011	Company Year ended 31 December 2010 Adjusted
Cash flows from operating activities					
Profit (loss) for the year		1 776	3 683	(7 654)	1 346
Adjustments for non-cash items:					
Depreciation and amortization		3 179	3 203	2 376	2 568
Impairment of investments into subsidiaries		-	-	6 222	-
Impairment of accounts receivable from subsidiaries		-	-	1 478	-
Impairment (reversal) of non-current assets held for sale		(289)	-	-	-
Impairment (reversal) of investment property		(166)	555	(166)	164
Gain on disposal of property, plant and equipment and investment property	24	(196)	(310)	(3)	(58)
Impairment and write-off (reversal) of inventories		288	(26)	311	(33)
Impairment and write-off (reversal) of accounts receivable		(158)	24	(158)	(22)
Provisions for employees benefits	20	59	351	4	351
Interest expense (income)	25	2 595	2 663	2 138	2 134
Foreign currency differences		-	(1 727)	-	-
Income tax expense	27	(134)	(572)	208	(460)
Changes in working capital:					
Decrease (increase) in inventories		830	(1 387)	1 081	(1 502)
Decrease (increase) in trade receivables		3 337	180	2 757	498
Decrease (increase) in receivables from subsidiaries		-	-	(1 235)	(139)
Decrease (increase) in other receivables and other current assets		955	(345)	805	(381)
Increase (decrease) in trade and other accounts payable		(1 596)	(351)	(4 522)	(530)
Increase (decrease) in taxes payable and other current liabilities		(1 707)	423	1 684	211
Cash generated from operating activities		**8 773**	**6 364**	**5 326**	**4 147**
Income tax (paid)		-	(22)	-	-
Net cash flows from operating activities		**8 773**	**6 342**	**5 326**	**4 147**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(130)	(367)	(89)	(298)
Acquisition of intangible assets		(11)	(87)	(11)	(87)
Proceeds from sale of property, plant and equipment		1 059	441	4	59
Investments in term deposits	14	(1 646)	-	-	-
Interest received		13	3	-	-
Net cash flows generated from investing activities		**(715)**	**(10)**	**(96)**	**(326)**

Statements of cash flows (cont'd)

	Notes	Group Year ended 31 December 2011	Group Year ended 31 December 2010 Adjusted	Company Year ended 31 December 2011	Company Year ended 31 December 2010 Adjusted
Cash flows from financing activities					
Proceeds from borrowings from subsidiaries		-	-	813	1 071
Repayment of borrowings		(7 426)	(5 227)	(5 230)	(4 475)
Interest paid		(1 275)	(1 547)	1 013	(1 197)
Net cash flows to financing activities		**(8 701)**	**(6 774)**	**(5 430)**	**(4 601)**
Net (decrease) in cash and cash equivalents		**(643)**	**(442)**	**(200)**	**(780)**
Cash and cash equivalents at the beginning of the year	15	**1 727**	**2 161**	**712**	**1 492**
Foreign exchange effect on the balance of cash and cash equivalents		**-**	**8**	**-**	**-**
Cash and cash equivalents at the end of the year	15	**1 084**	**1 727**	**512**	**712**

The notes on pages 10 to 70 form an integral part of these financial statements.

Notes to the financial statements

1. General information

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

Basanavičiaus Str. 122,
Utena,
Lithuania

The Company is engaged in production of knitted articles.

The shares of Utenos Trikotažas AB are listed on the Official List of the NASDAQ OMX Vilnius Stock Exchange.

As of 31 December 2011 and 2010 the shareholders of the Company were as follows:

	2011		2010	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB Koncernas SBA	10 140	51.12	10 140	51.12
Investment Fund Amber Trust	2 700	13.61	2 700	13.61
Investment Fund East Capital Asset	2 091	10.54	2 091	10.54
Other shareholders	4 903	24.73	4 903	24.73
	19 834	100.00	19 834	100.00

In 2011 the average number of employees of the Company was 706 (2010: 727).

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

		Group's share (%) as of 31 December		
	Registered address	2011	2010	Activity
Šatrija AB	Vilniaus Str. 5, Raseiniai	89.78	89.78	Sewing of clothes
Gotija UAB	Laisvės Str. 33, Kaunas	90.50	90.50	Retail trade
OAO MTF Mrija	Motroso Str. 13, Mukačiov, Ukraine	98.95	98.95	Production of knitted articles

In 2011 the average number of employees of the Group was 1 204 (2010: 1 269).

The Company's management authorised these financial statements on 4 April 2012. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

These financial statements have been prepared under the historical cost convention except for assets are classified as held for sale.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and/or changed IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretation

The Group and the Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- IFRIC 14 Prepayments of a Minimum Funding Requirement (Revised)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 24 Related Party Disclosures (Revised)
- IAS 32 Classification on Rights Issues (Revised)
- Improvements to IFRSs (May 2010)

Except for what is written below, new and/ or changed standards and their interpretations did not have any impact on the Group and the Company.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group and the Company:

- *IAS 1 Presentation of Financial Statements:* The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. In the future the Group and the Company will amend the accounting policy when the component of other comprehensive income will appear.

Other amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group and the Company:

2.1. Basis of preparation (cont'd)

- IFRS 3 Business Combinations;
- IFRS 7 Financial Instruments – Disclosures;
- IAS 27 Consolidated and Separate Financial Statements;
- IFRIC 13 Customer Loyalty Programmes.

Standards issued but not yet effective

The Group and the Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

- **IAS 1 Financial Statement Presentation (Revised) – Presentation of Items of Other Comprehensive Income**
  The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's and the Company's financial position or performance. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

- **IAS 12 Income Taxes (Revised) – Recovery of Underlying Assets**
  The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment provides a practical solution to the problem of determining whether an entity that is measuring deferred tax related to investment property, measured using the fair value model, expects to recover the carrying amount of the investment property through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

- **IAS 19 Employee Benefits (Revised)**
  The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

- **IAS 27 Separate Financial Statements (Revised)**
  The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
  The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in

2.1. Basis of preparation (cont'd)

addition to associates. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The standard will not affect the Group's and the Company's financial statements because the Group and the Company has no such investments.

- **IAS 32 Financial Instruments: Presentation (Revised) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the amendment on the financial position or performance of the Group and the Company.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements**
  The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. The Group and the Company is in the process of assessing the impact of the amendment on the financial position or performance of the Group and the Company.

- **IFRS 7 Financial Instruments: Disclosures (Revised) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the amendment on the financial position or performance of the Group and the Company.

- **IFRS 9 Financial Instruments - Classification and Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities at fair value through profit or loss. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. This standard has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the new standard on the financial position or performance of the Group and the Company.

- **IFRS 10 Consolidated Financial Statements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the

2.1. Basis of preparation (cont'd)

accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the new standard on the financial position or performance of the Group and the Company.

- **IFRS 11 Joint Arrangements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard has not yet been endorsed by the EU. The standard will not affect the Group's and the Company's financial statements because the Group and the Company has no share in joint arrangement entities.

- **IFRS 12 Disclosures of Involvement with Other Entities**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard has not yet been endorsed by the EU. The standard will not affect the Group's and the Company's financial statements because the Group and the Company are not involved with other entities.

- **IFRS 13 Fair Value Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. This standard has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the new standard on the financial position or performance of the Group and the Company.

- **IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine**
  The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. IFRIC 20 has not yet been endorsed by the EU. Interpretation will have no impact on the Group and the Company financial statements, as the Group and the Company are not involved in the mining activity.

  All the above mentioned news IFRSs and IFRICs and their amendments will be adopted on the date they become effective and adopted by the EU.

2.2 Consolidation

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

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

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

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

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

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

Business combinations from 1 January 2010

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair

value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the Group's internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

With effect from 2 February 2002, the litas has been pegged to the euro at an exchange rate of LTL 3.4528 = EUR 1.

(b) Transactions and balances

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

(c) Group companies

The functional currency of the Group is LTL, except for OAO MTF Mrija, which operates in Ukraine and its functional currency is UAH.

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

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

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

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

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

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

2.5 Intangible assets

(a) Goodwill

After initial recognition (Note 2.2), goodwill is measured at cost less any accumulated impairment losses. Goodwill is included in intangible assets in the statement of financial position. Goodwill is tested annually for impairment (Note 2.8). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software

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

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

2.6 Property, plant and equipment

Property, plant and equipment is carried at historical cost, less subsequent accumulated depreciation. The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	10 – 80 years
Structures	15 – 25 years
Motor vehicles	4 – 7 years
Machinery	5 – 15 years
Other property, plant and equipment	2 – 20 years

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date, ensuring that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.
In 2011 the Group's and the Company's management revised useful lives rates of machinery as described in Note 31.

2.6 Property, plant and equipment (cont'd)

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

Borrowing costs incurred since 1 January 2009 in relation to acquisition of qualifying assets are capitalized. Other borrowing costs are expensed in profit and loss.

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

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

2.7 Investment property

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

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

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

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

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

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

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

2.9 Financial assets

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

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

(b) Investments in subsidiaries

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

2.10 Inventories

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

2.11 Trade and other amounts receivable

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

2.12 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

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

2.13 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

2.14 Reserves

(a) Foreign currency translation reserve

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

(b) Other reserves

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

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

(c) Reserve for acquisition of treasury shares

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

2.15 Trade and other payables

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

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

2.17 Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

2.18 Convertible bonds

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

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

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

2.19 Income tax

(a) Current tax

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

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

Profit for the year 2011 of the Group's subsidiaries that operate in Lithuania is taxable at a rate of 15 per cent (2010: 15 per cent), corporate income tax rate in Ukraine is 25 per cent.

In accordance with tax legislation of the Republic of Lithuania, starting from 1 January 2008 taxable losses, except for losses related to transfer of securities and/ or financial instruments may be brought forward for an unlimited period. The losses from disposal of securities and / or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature.

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

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2.20 Leases

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

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

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

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

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease.

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

2.21 Employee benefits

(a) Social security contributions

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

2.21 Employee benefits (cont'd)

(b) Termination benefits

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

(c) Bonus plans

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

(d) Non-current employee benefits

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

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

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

2.22 Provisions

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

2.23 Revenue recognition

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

(a) Sales of goods

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

(b) Sewing services

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

(c) Interest income

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

(d) Dividend income

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

(e) Rental income

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

2.24 Dividend distribution

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

2.25 Earnings (losses) per share

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

2.26 Non-current assets held for sale

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

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

3. Financial risk management

3.1 Financial risk factors

The Group's and the Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group and the Company. Risk management is carried out by the Group's Board and management. Overall risk management principles have not been prepared in writing.

Financial instruments by category

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

	Group		Company	
Assets reported in the statements of financial position	**2011**	**2010**	**2011**	**2010**
Non-current amounts receivable from subsidiaries	-	-	9 961	4 178
Non-current trade and other receivables	79	90	-	-
Trade receivables	4 259	7 438	3 193	5 792
Amounts receivable from subsidiaries (Note 29)	-	-	-	6 756
Amounts receivable from other related parties	68	3	9	-
Cash and cash equivalents	1 084	1 727	512	712
	5 490	9 258	13 675	17 438

	Group		Company	
Liabilities reported in the statements of financial position	**2011**	**2010**	**2011**	**2010**
Borrowings	17 879	25 357	14 378	19 608
Borrowings from subsidiaries	-	-	3 134	-
Convertible bonds issued	9 599	8 268	9 599	8 268
Trade payables	2 635	4 892	2 335	4 615
Amounts payable to subsidiaries	-	-	30	2 322
Amounts payable to other related parties	2 613	1 510	1 906	1 043
Accrued expenses and other current liabilities and other payables (Note 20)	869	1 725	612	1 324
	33 595	41 752	31 994	37 180

3.1 Financial risk factors (cont'd)

(a) Market risk

(i) Foreign exchange risk

Group	**2011**		**2010**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	987	7 766	1 240	8 681
USD	-	-	10	8
UAH	870	338	861	459
EUR	6 401	29 150	8 647	36 853
	8 258	37 254	10 758	46 001

Company	**2011**		**2010**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	328	5 667	868	7 983
USD	-	-	10	8
UAH	9	-	7	-
EUR	16 550	28 706	19 314	32 189
	16 887	34 373	20 199	40 180

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

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

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

The Ukrainian subsidiary gained a foreign exchange profit amounting to LTL 224 thousand during the year ended 31 December 2011 (2010: gained foreign exchange profit of LTL 1 429 thousand) due to fluctuations in the official exchange rate of Ukrainian gryvnia (UAH) to EUR settled by the National Bank of Ukraine.

UAH weakening/ strengthening by 10 per cent against EUR (with all other variables remaining stable) as of 31 December 2011 would increase/reduce the Group's net profit by LTL 1 885 thousand (2010: 1 956 LTL thousand) due to borrowings and accounts payable of its Ukrainian operations denominated in euros.

3.1 Financial risk factors (cont'd)

(ii) Cash flow interest rate risk

Borrowings with variable interest rates expose the Company and the Group to cash flow interest rate risk. Borrowings with variable interest rates of the Company and the Group in 2011 were denominated in LTL and EUR (2010: LTL and EUR) (Note 18).

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

Based on the simulations performed, the impact of a 0.5 per cent increase/decrease in interest rates on the Company's and the Group's net result would be an increase/decrease at maximum of LTL 208 thousand (2010: LTL 84 thousand) and LTL 225 thousand (2010: LTL 106 thousand), respectively, mainly as a result of higher/lower interest expense/income on borrowings and loans granted.

(b) Credit risk

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

i) Concentration risk

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

The table below shows the credit risk concentration.

	Group		Company	
	2011	**2010**	**2011**	**2010**
Trade receivables from related parties (Note 29)	68	3	7 080	6 756
Loans granted to related parties including receivable interests (Note 29)	-	-	2 890	4 178
Trade receivables from other parties (Note 11)	4 259	7 438	3 193	5 792
Total loans and trade receivables	**4 327**	**7 441**	**13 163**	**16 726**

3.1 Financial risk factors (cont'd)

ii) Maximum exposure to credit risk

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Cash and cash equivalents at bank (Note 15)	1 071	1 682	504	675
Current loans and trade receivables (Notes 29 and 11)	4 327	7 441	3 202	12 548
Non-current loans granted and amounts receivable	79	90	13 131	4 178
Total	**5 477**	**9 213**	**16 837**	**17 401**

iii) Credit quality of financial assets

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

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

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

a) Trade receivables – trade customers with no independent rating

	Group		Company	
	2011	**2010**	**2011**	**2010**
New trade customers (up to 12 months)	75	885	23	742
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	3 078	5 165	2 101	3 668
Total accounts receivable	**3 153**	**6 050**	**2 124**	**4 410**

b) Cash and cash equivalents, excluding cash on hand

	Group		Company	
	2011	**2010**	**2011**	**2010**
A and above *	1 044	1 658	493	654
No rating	27	24	11	21
Total	**1 071**	**1 682**	**504**	**675**

* Independent ratings established by Fitch agency.

3.1 Financial risk factors (cont'd)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Not past due	**3 153**	**6 050**	**2 124**	**4 410**
Past due not impaired				
Past due up to 30 days	1 147	1 371	1 067	1 389
Past due 31-60 days	14	6	3	4
Past due 61-180 days	11	11	6	29
Past due more than 181 days	2	3	2	-
Total past due not impaired	**1 174**	**1 391**	**1 078**	**1 422**
Overdue and provided for				
Past due more than 181 days	780	893	707	8 211
Impairment allowance for trade receivables	(780)	(893)	(707)	(1 496)
Total accounts receivable	**4 327**	**7 441**	**3 202**	**12 547**

The Company's non-current accounts receivable consist of amounts receivable and loans from subsidiary OAO MTF Mrija, which accounted for LTL 13 131 thousand on 31 of December 2011 (2010: LTL 4 178 thousand). As of 31 of December 2011 these receivable amounts from subsidiary were past due for more than 236 days (not overdue as of 31 December 2010), and there were impairment allowances made of LTL 1 478 thousand (in 2010 none).

The Group did not have material non-current receivables and loans granted as of 31 December 2011 and 2010.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
LTL	251	321	194	295
EUR	3 797	7 026	12 969	16 430
GBP	-	-	-	-
UAH	285	184	-	-
	4 333	7 531	13 163	16 725

3.1 Financial risk factors (cont'd)

(c) Liquidity risk

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

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

Group

31 December 2011	**Up to 3 months**	**3-12 months**	**1-5 years**	**Total**
Borrowings from banks	389	3 313	-	3 702
Finance lease liabilities	1 477	4 432	9 642	15 552
Convertible bonds issued	-	-	15 011	15 011
Trade payables and other financial liabilities	6 281	-	-	6 281
	8 148	**7 745**	**24 653**	**40 546**

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

Company

31 December 2011	**Up to 3 months**	**3-12 months**	**1-5 years**	**Total**
Finance lease liabilities	1 477	4 432	9 642	15 552
Convertible bonds issued	-	-	15 011	15 011
Trade payables and other financial liabilities	4 992	-	-	4 992
	6 469	**4 432**	**24 653**	**35 555**

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

3.2 Capital management

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

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

	Group		Company	
	2011	2010 Adjusted	2011	2010 Adjusted
Total borrowings and convertible bonds issued	27 478	33 625	23 977	27 876
Less: cash and cash equivalents	(1 084)	(1 727)	(512)	(712)
Net debt	26 394	31 898	23 465	27 164
Total equity	10 820	9 216	15 063	22 717
Total capital	37 214	41 114	38 528	49 881

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 150 thousand (LTL 10 thousand for a private company) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As of 31 December 2011 and 31 December 2010, the Company and its subsidiaries, registered in Lithuania, except for Šatrija AB, as its equity was less than 50 percent of the authorised share capital, complied with these requirements.

The shareholders' equity of the subsidiary registered in Ukraine was negative as of 31 December 2011 and 31 December 2010. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies on the moment of the company's registration. As of 31 December 2011 and 31 December 2010, the shareholders' equity of this subsidiary was less than the statutory minimal amount of authorised share capital. On the date of these financial statements there were no decisions made or actions taken concerning OAO "MTF Mrija" negative shareholders' equity.

3.3 Fair value estimation of financial assets and liabilities

Trade payables and receivables, except for receivables from subsidiaries, accounted for in the Group's and the Company's statement of financial position should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals their carrying amount.

The fair value of receivables from subsidiaries and loans granted to the subsidiary by the Company is estimated discounting expected cash flows at market interest rates (Note 4).

Interest rate on the loans received by the Group and the Company, as well as on finance lease payables, is subject to repricing at least every six months, therefore, it is deemed that their fair value equals their carrying amount. Fair value of convertible bonds issued equals their carrying amount.

4. Critical accounting estimates and judgments

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

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

(a) Going concern assumptions

During the reporting year, the Group earned net profit of LTL 1 776 thousand and the Company incurred a net loss of LTL 7 654 thousand (2010: the Group and the Company earned net profit of LTL 3 683 thousand and LTL 1 346 thousand, respectively).

At the end of the reporting financial year, the Group's and the Company's current liabilities exceeded current assets by LTL 2 256 thousand and LTL 1 309 thousand, respectively (as of 31 December 2010 the Group's and the Company's current assets exceeded current liabilities by LTL 4 012 thousand and LTL 7 447 thousand, respectively).

As of 31 December 2011, the Company and the Group complied with all covenants stipulated in loan and lease agreements, except the debt service coverage ratio (DSCR) (Note 18). In December 2011 the Company had received the waiver for non-compliance with DSCR from the bank and the lease company (document from Swedbank Lizingas 2011-12-27 Nr. SL-SR 19412 and from SEB Bank, PJSC 30-12-2011 Nr. 3-1-1/8238).

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

- In 2011, the Group and the Company generated positive EBITDA (excluding allowances made for intercompany investments and receivables). The Group posted LTL 1 776 thousand net profit. The main reason behind negative Company results were additional write-offs of LTL 7.7 million made for investments and receivables from subsidiary OAO MTF Mrija. It is important to note, that it virtually had no effect on the Group and the Company cash flows in 2011.

- In 2011, the Group's and the Company's liquidity ratios (current assets/current liabilities) deteriorated. As of 31 December 2011, the Group's and the Company's liquidity ratios were 0.88 and 0.89, respectively (1.21 and 1.43, respectively, as of 31 December 2010).

Critical accounting estimates and judgments (cont'd)

Liquidity was impaired, as LTL 3 501 thousand of the debt to SEB bank was accounted in current liabilities in the end of 2011, because the final settlement term is in November 2012. However, in February 2012 the Company has received a proposal from SEB bank to refinance the loan by relocating the debt from OAO "MTF Mrija" to the Company. Proposal included the final settlement date of September 2014. The current liabilities would be approximately LTL 2.8 million lower, if the agreement was signed at 31 December 2011.
In addition, on 4 January 2012 the Company and Swedbank Lizingas UAB agreed on new amendmends to the agreements concerning the lease contracts. The parties revised the instalment schedules and a new annual interest rate was agreed which was set at 6 month EURIBOR plus 3.24 per cent margin. The final settlement term of the finance lease liabilities was not changed of September 2014. The current liabilities would be approximately LTL 2.4 million lower, if the agreement was signed at 31 December 2011.
The Group and the Company liquidity improves significantly when the above described re-financing agreements and proposals are taken into account.

- In the next financial year the Company and the Group will continue implementing costs and working capital management controlling measures as well as put efforts to pursue sale growth.

- The Group and the Company will continue to seek opportunities to sell idle assets, which are not used in the main activities.

-

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

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

Investment in the subsidiary Šatrija AB and related goodwill

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

Investment in the subsidiary OAO MTF Mrija and related goodwill

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

Amounts receivable from subsidiary OAO MTF Mrija were tested for impairment jointly with investments into the subsidiary. Receivables from OAO MTF Mrija before impairment allowances accounted to LTL 15 285 thousand, after allowances LTL 13 131 thousand (impairment allowances of LTL 676 thousand were made before 2011, and additional amount of LTL 1 478 thousand was impaired in 2011).

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

Based on current industry situation and past experience, the Group's management included the following inputs in the impairment test: increase in revenue from manufacturing activities of OAO MTF Mrija by 15.4 per cent in 2012 comparing with 2011 and increase by 7.5 - 17.5 per cent starting from 2013, maintaining a gross profit of 25 per cent.

Revenue from resale of the Company's production in Ukraine will amount to LTL 3.3 million in 2012 (as in 2011 it accounted for LTL 212 thousand) and will increase by 7.5 - 17.5 per cent for further periods, maintaining gross margin of 15 per cent.

The discount rate applied to cash flow projections is 19.3 per cent (16.1 per cent in 2010) and cash flows beyond 5-year period are extrapolated using a 4 per cent growth rate that reflects the best estimate of the management based on current industry situation. Cash flows also included the amount of LTL 4.6 million expected to be received by the Group on the disposal of equipment and buildings that are not used in the activities of OAO MTF Mrija.

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

Increase of discount rate applied to the discounted cash-flows by 1 percentage point (i.e. from 19.3 per cent to 20.3 per cent, with all other inputs remaining stable) would result in an additional impairment loss of amount receivables from subsidiary amounting to LTL 969 thousand as of 31 December 2011 (investment would not change as it is impaired to zero).

Reduction in revenue growth from manufacturing activities during 2012 by 15.4 percentage point (i.e. from 15.4 per cent to 0 per cent, with all other inputs remaining stable) would result in an additional impairment loss of amounts receivables from subsidiary amounting to LTL 1.3 million as of 31 December 2011.

Reduction in revenue from resale of the Company production level in Ukraine during 2012 by LTL 2.3 million (i.e. from LTL 3.3 million to LTL 1 million, with all other inputs remaining stable) would result in an additional impairment loss of amounts receivables from subsidiary amounting to LTL 2.0 million as of 31 December 2011.

Decrease in growth rate used for extrapolation of cash flows beyond 5-year period by 4 percentage point (i.e. from 4 per cent to nil, with all other inputs remaining stable) would result in an additional impairment loss of amount receivables from subsidiary amounting to LTL 2.2 million as of 31 December 2011.

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

(c) Related-party transactions

In the normal course of business the Company and the Group enter into transactions with their related parties. These transactions are priced predominantly at market rates. 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, when such information is known to the Group/Company.

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

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

Due to a limited number of transactions related to disposals of used machinery and equipment in the market, determination of fair value less cost to sell of machinery and equipment held for sale requires judgement. In 2010 and 2009, the basis for this judgment was valuation performed by the independent valuator. In 2011 the note had been received from Užkarpatė trade chamber Mukačiovo department, which confirmed, that market value of the assets had not changed significantly in 2011 compared to the past period (2009 - 2010).

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

As further described in Note 31, in year 2011 the Group's and the Company's management determined that the property, plant and equipment useful life period has not been regularly reviewed, as required by IFRS, therefore taking into account lower manufacturing volumes since 1 January 2009 and estimated equipment useful life period, the Group and the Company retrospectively corrected the estimation of equipment useful lives and accordingly recalculated the depreciation of the equipment since 1 January 2009. The correction of error influence for the Group's and the Company's financial statements for the year ended 31 December 2010 and 2009 is disclosed in Note 31. As a result of the correction of error the Group's and the Company's net result for the year 2011 increased by LTL 2 422 thousand and LTL 1 496 thousand, respectively.

Furthermore, the Company and the Group have buildings with useful lives exceeding 50 years (Notes 2.6 and 2.7). Management believe that based on the past experience and present condition of the buildings such useful lives are justifiable.

5. Segment information

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

In assessing operational performance of segments the Group's Board takes into account the sales revenue, gross profit, EBITDA (earnings before financial activity result, tax, depreciation and amortization), profit (loss) ratios, therefore the report on the Group's segments discloses these items in respect of each segment. As the Board also assesses other items of the statement of comprehensive income by each segment, these items are presented in the report on the Group's segments. Inter-segment transactions are eliminated on consolidation.

5. Segment information (cont'd)

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

5. Segment information (cont'd)

Adjusted 2010	**Production of knitted articles**	**Production of working clothes**	**Retail of knitted articles**	**Eliminations**	**Total**
External sales	61 296	8 829	587	-	70 711
Internal sales	316	7	-	(324)	-
Total revenue	**61 612**	**8 836**	**587**	**(324)**	**70 711**
Gross profit	**10 353**	**1 781**	**224**	**-**	**12 358**
EBITDA	**6 552**	**623**	**2**	**-**	**7 177**
Profit (loss) for the year	**2 873**	**786**	**24**	**-**	**3 683**
Depreciation and amortisation	2 887	308	8	-	3 203
Impairment of investment property	166	-	-	-	166
Impairment of non-current assets held for sale	389				389
Impairment and write-off (reversal) of accounts receivable	(22)	46	-	-	24
Impairment and write-off (reversal) of inventories	(11)	(15)	-	-	(26)
Interest expenses	2 723	-	-	(57)	2 666
Income tax	(460)	(116)	4	-	(572)
Total segment assets	**48 233**	**8 099**	**1 386**	**(2 346)**	**55 372**
Total segment liabilities	**46 381**	**2 033**	**74**	**(2 332)**	**46 156**

5. Segment information (cont'd)

Adjusted 2009	Production of knitted articles	Production of working clothes	Retail of knitted articles	Eliminations	Total
External sales	60 533	9 190	613	-	70 336
Internal sales	375	5	-	(380)	-
Total revenue	**60 908**	**9 195**	**613**	**(380)**	**70 336**
Gross profit	**12 476**	**1 243**	**216**	**-**	**13 935**
EBITDA	**9 764**	**193**	**(49)**	**-**	**9 908**
Profit (loss) for the year	**2 710**	**(253)**	**(3)**	**-**	**2 454**
Depreciation and amortisation	3 500	433	9	-	3 942
Impairment (reversal) of investment property	(1 656)	-	-	-	(1 656)
Impairment and write-off (reversal) of accounts receivable	(39)	(14)	-	-	(53)
Impairment and write-off (reversal) of inventories	(105)	124	-	-	19
Interest expenses	1 848	-	-	(54)	1 794
Income tax	(405)	(37)	-	-	(442)
Total segment assets	**50 149**	**7 016**	**1 454**	**(1 951)**	**56 668**
Total segment liabilities	**50 222**	**1 772**	**131**	**(1 935)**	**50 190**

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

	2011	2010 Adjusted	2009 Adjusted
EBITDA	**7 185**	**7 177**	**9 908**
Depreciation and amortisation	(3 179)	(3 203)	(3 942)
Interest expenses	(2 608)	(2 666)	(1 794)
Other finance cost, net	233	1 803	(1 276)
Profit (loss) for the year before income tax	**1 631**	**3 111**	**2 896**

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

The Group's and the Company's revenue from one customer exceeding 10 per cent of total sales in 2011 and 2010 was as follows:

5. Segment information (cont'd)

Customer	Region	Group		Company	
		Percentage of total sales (%)		Percentage of total sales (%)	
		2011	2010	2011	2010
Customer 1	Western Europe	14	12	17	14
Customer 2	Western Europe	13	10	16	12
Customer 3	Western Europe	13	7	15	8
Customer 4	Western Europe	8	17	9	20

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

2011	Western Europe	Lithuania	Other regions	Total
Sales of the Group	53 249	6 051	1 871	61 172

2010	Western Europe	Lithuania	Other regions	Total
Sales of the Group	61 753	7 365	1 593	70 711

The majority of Group sales were performed to Western Europe customers. In 2011 26% of total production was sold to Swedish customers (2010: 36%) and 23% - to German customers (2010: 22%).

The Group's assets (except for the assets of subsidiary OAO MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. The carrying amount of property, plant and equipment located in Ukraine was LTL 5 690 thousand as of 31 December 2011 (LTL 3 373 thousand as of 31 December 2010; LTL 3 668 thousand as of 31 December 2009). Assets held for sale as of 31 December 2010 amounted to LTL 2 956 thousand. Capital expenditure relating to property, plant and equipment in Ukraine amounted to LTL 19 thousand in 2011 (2010: LTL 29 thousand).

6. Intangible assets

	Group				Company
	Goodwill, related to OAO MTF Mrija	**Goodwill, related to Justima UAB**	**Other intangible assets**	**Total**	**Other intangible assets**
Cost:					
Balance as of 1 January 2009	1 994	1 522	3 642	7 158	3 136
Additions	-	-	29	29	17
Foreign currency translation differences	(144)	-	(12)	(156)	-
Balance as of 31 December 2009	1 850	1 522	3 659	7 031	3 153
Additions	-	-	87	87	87
Disposals and write-offs	-	-	(40)	(40)	(40)
Foreign currency translation differences	183	-	19	202	-
Balance as of 31 December 2010	2 033	1 522	3 725	7 280	3 200
Additions	-	-	11	11	11
Disposals and write-offs	-	-	-	-	-
Foreign currency translation differences	28	-	2	30	-
Balance as of 31 December 2011	2 061	1 522	3 738	7 321	3 211
Amortisation and impairment:					
Balance as of 1 January 2009	-	129	2 482	2 611	2 034
Charge for the year	-	-	346	346	292
Foreign currency translation differences	-	-	(10)	(10)	-
Balance as of 31 December 2009	-	129	2 818	2 947	2 326
Charge for the year	-	-	279	279	271
Disposals and write-offs	-	-	(40)	(40)	(40)
Foreign currency translation differences	-	-	19	19	-
Balance as of 31 December 2010	-	129	3 076	3 205	2 557
Charge for the year	-	-	294	294	289
Disposals and write-offs	-	-	-	-	-
Foreign currency translation differences	-	-	2	2	-
Balance as of 31 December 2011	-	129	3 372	3 501	2 846
Net book value as of 1 January 2009	**1 994**	**1 393**	**1 160**	**4 547**	**1 102**
Net book value as of 31 December 2009	**1 850**	**1 393**	**841**	**4 084**	**827**
Net book value as of 31 December 2010	**2 033**	**1 393**	**649**	**4 075**	**643**
Net book value as of 31 December 2011	**2 061**	**1 393**	**366**	**3 820**	**365**

The Company and the Group have no internally generated intangible assets. Amortisation expenses of intangible assets are included within general and administrative expenses in profit and loss.
As of 31 December 2011, the acquisition cost of intangible assets of the Group and the Company that were fully amortised but still in use amounted to LTL 2 152 thousand and LTL 1 832 thousand, respectively (LTL 2 149 thousand and LTL 1 832 thousand, respectively as of 31 December 2010).

6. Intangible assets (cont'd)

Goodwill

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

As Šatrija AB (segment of production of working clothes) was profitable, generated solid operating cash flows and its results are stable, based on management's estimations the goodwill is not impaired (Note 4).

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

Based on the impairment test performed, no impairment needed to be recognized on the goodwill arising from investment in OAO MTF Mrija.

7. Property, plant and equipment

Group	Land and buildings	Structures	Vehicles and other property, plant and equipment Adjusted	Construction in progress	Total
Cost:					
Balance as of 1 January 2009	14 018	1 051	81 894	12	96 975
Additions	-	-	13	25	38
Disposals and write-offs	-	-	(991)	-	(991)
Foreign currency translation differences	(225)	(33)	(391)	(1)	(650)
Balance as of 31 December 2009	13 793	1 018	80 525	36	95 372
Additions	67	34	249	17	367
Reclassification	23	-	2	(25)	-
Disposals and write-offs	-	(32)	(2 457)	(1)	(2 490)
Foreign currency translation differences	280	43	496	-	819
Balance as of 31 December 2010	14 163	1 063	78 815	27	94 068
Additions	49	-	81	-	130
Reclassification (Note 13)	-	-	3 212	(17)	3 195
Disposals and write-offs	(5)	(34)	(1 660)	28	(1 671)
Foreign currency translation differences	47	5	54	1	107
Balance as of 31 December 2011	14 254	1 034	80 502	39	95 829
Accumulated depreciation:					
Balance as of 1 January 2009	5 916	602	59 283	-	65 801
Charge for the year	178	43	3 009	-	3 230
Disposals and write-offs	-	-	(956)	-	(956)
Foreign currency translation differences	(64)	(22)	(226)	-	(312)
Balance as of 31 December 2009	6 030	623	61 110	-	67 763
Charge for the year	208	47	2 617	-	2 872
Disposals and write-offs	-	(32)	(2 396)	-	(2 428)
Foreign currency translation differences	81	32	310	-	423
Balance as of 31 December 2010	6 319	670	61 641	-	68 630
Charge for the year	165	47	2 891	-	3 103
Disposals and write-offs	-	-	(817)	-	(817)
Foreign currency translation differences	19	1	(108)	-	(88)
Balance as of 31 December 2011	6 503	718	63 607	-	70 828
Impairment:					
Balance as of 1 January 2009	30	-	-	-	30
Balance as of 31 December 2009	30	-	-	-	30
Balance as of 31 December 2010	30	-	-	-	30
Balance as of 31 December 2011	30	-	-	-	30
Net book value as of 1 January 2009	**8 072**	**449**	**22 611**	**12**	**31 144**
Net book value as of 31 December 2009	**7 733**	**395**	**19 415**	**36**	**27 579**
Net book value as of 31 December 2010	**7 814**	**393**	**17 174**	**27**	**25 408**
Net book value as of 31 December 2011	**7 721**	**316**	**16 895**	**39**	**24 971**

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

Company	**Land and buildings**	**Structures**	**Vehicles and other property, plant and equipment Adjusted**	**Construction in progress**	**Total**
Cost:					
Balance as of 1 January 2009	7 370	571	66 915	1	74 857
Additions	-	-	16	25	41
Disposals and write-offs	-	-	(407)	-	(407)
Balance as of 31 December 2009	7 370	571	66 524	26	74 491
Additions	39	-	242	17	298
Reclassification	23	-	2	(25)	-
Disposals and write-offs	-	-	(697)	(1)	(698)
Balance as of 31 December 2010	7 432	571	66 071	17	74 091
Additions	40	-	21	28	89
Reclassification	-	-	17	(17)	-
Disposals and write-offs	-	-	(284)	-	(284)
Balance as of 31 December 2011	7 472	571	65 825	28	73 896
Accumulated depreciation:					
Balance as of 1 January 2009	2 870	330	48 103	-	51 303
Charge for the year	89	32	2 372	-	2 493
Disposals and write-offs	-	-	(371)	-	(371)
Balance as of 31 December 2009	2 959	362	50 104	-	53 425
Charge for the year	91	31	2 132	-	2 254
Disposals and write-offs	-	-	(697)	-	(697)
Balance as of 31 December 2010	3 050	393	51 539	-	54 982
Charge for the year	91	31	2 014	-	2 136
Disposals and write-offs	-	-	(284)	-	(284)
Balance as of 31 December 2011	3 141	424	53 269	-	56 834
Impairment:					
Balance as of 1 January 2009	30	-	-	-	30
Balance as of 31 December 2009	30	-	-	-	30
Balance as of 31 December 2010	30	-	-	-	30
Balance as of 31 December 2011	30	-	-	-	30
Net book value as of 1 January 2009	**4 470**	**241**	**18 812**	**1**	**23 524**
Net book value as of 31 December 2009	**4 381**	**209**	**16 420**	**26**	**21 036**
Net book value as of 31 December 2010	**4 352**	**178**	**14 532**	**17**	**19 079**
Net book value as of 31 December 2011	**4 301**	**147**	**12 556**	**28**	**17 032**

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

Total depreciation charges of the Group's and the Company's property, plant and equipment amounted to LTL 3 103 thousand and LTL 2 136 thousand, respectively in 2011 (2010: LTL 2 872 thousand and LTL 2 254 thousand, respectively). The respective amounts of LTL 2 673 thousand and LTL 1 959 thousand in 2011 (2010: LTL 2 656 thousand and LTL 2 136 thousand, respectively) were included in the Group's and the Company's cost of sales. The remaining amounts were included in general and administrative expenses and inventories in the statement of financial position.

Property, plant and equipment of the Group and the Company with the acquisition cost of LTL 30 652 thousand and LTL 25 632 thousand, respectively, were fully depreciated as of 31 December 2011 (2010: LTL 30 688 thousand and LTL 25 577 thousand, respectively), but were still in use.

Property, plant and equipment of the Group and the Company with the net book values of LTL 25 806 thousand and LTL 19 814 thousand, respectively, as of 31 December 2011 (2010: LTL 26 596 thousand and LTL 21 278 thousand, respectively) were pledged to the banks as a collateral for the borrowings (Note 18).
The Company's lease rights of state-owned land plots located at Basanavičiaus St. 122, in Utena and Taikos Ave. 76B, in Visaginas, have also been pledged to the bank.

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

	Group		Company	
	2011	2010 Adjusted	2011	2010 Adjusted
Cost – capitalised finance lease				
Buildings	7 324	7 284	7 324	7 284
Vehicles and other property, plant and equipment	43 809	43 960	43 809	43 960
	51 133	51 244	51 133	51 244
Accumulated depreciation				
Buildings	(3 108)	(3 019)	(3 108)	(3 019)
Vehicles and other property, plant and equipment	(33 212)	(31 751)	(33 212)	(31 751)
	(36 320)	(34 770)	(36 320)	(34 770)
Net book value	14 813	16 474	14 813	16 474

8. Investment property

	Group	Company
Cost:		
Balance as of 1 January 2009	4 549	4 549
Disposals	(211)	(211)
Balance as of 31 December 2009	4 338	4 338
Balance as of 31 December 2010	4 338	4 338
Balance as of 31 December 2011	4 338	4 338
Accumulated depreciation:		
Balance as of 1 January 2009	1 103	1 103
Charge for the year	104	104
Disposals	(42)	(42)
Balance as of 31 December 2009	1 165	1 165
Charge for the year	102	102
Balance as of 31 December 2010	1 267	1 267
Charge for the year	102	102
Balance as of 31 December 2011	1 369	1 369
Impairment		
Balance as of 1 January 2009	-	-
Reversal of impairment	-	-
Balance as of 31 December 2009	-	-
Impairment	165	165
Balance as of 31 December 2010	165	165
Reversal of impairment	(165)	(165)
Balance as of 31 December 2011	-	-
Net book value as of 1 January 2009	**3 446**	**3 446**
Net book value as of 31 December 2009	**3 173**	**3 173**
Net book value as of 31 December 2010	**2 906**	**2 906**
Net book value as of 31 December 2011	**2 969**	**2 969**

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

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

8. Investment property (cont'd)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Cost – capitalised finance lease				
Investment property	4 212	4 212	4 212	4 212
Accumulated depreciation				
Investment property	(1 243)	(1 152)	(1 243)	(1 152)
Impairment loss for investment property	165	(165)	165	(165)
Investment property reversal of impairment	(165)	-	(165)	-
Net book value	2 969	2 895	2 969	2 895

The fair value of the investment property approximates its net book value as of 31 December 2011 and as of 31 December 2010. The fair value of investment property as of 31 December 2011 and as of 31 December 2010 was estimated by management using market price per square meter of similar premises in similar locations identified by independent property valuators.

Investment property rental income

	Grup		Company	
	2011	**2010**	**2011**	**2010**
During 1 year	241	282	241	282
After 1 year but not later than 5 years	505	972	505	972
After 5 years	-	691	-	691
	746	1 945	746	1 945

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

9. Investments in subsidiaries

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

	2011	2010
Cost of investments:		
Balance as of 1 January	12 753	12 753
Balance as of 31 December	12 753	12 753
Impairment:		
Balance as of 1 January	1 357	1 357
Impairment	6 221	-
Balance as of 31 December	7 578	1 357
Carrying amount of investments in subsidiaries as of 31 December	**5 175**	**11 396**

As of 31 December 2011, investment into the subsidiary Šatrija AB amounting to LTL 4 935 thousand was pledged to the lease company as collateral for the finance lease (as of 31 December 2010: LTL 4 935 thousand) (Note 18).
As described in Note 4, the investment into the subsidiary OAO MTF Mrija was impaired to zero.

10. Inventories

	Group			Company		
	2011	2010 Adjusted	2009 Adjusted	2011	2010 Adjusted	2009 Adjusted
Raw materials	3 376	3 465	3 081	2 034	2 179	1 647
Work in progress	2 133	4 091	2 530	2 000	4 026	2 440
Finished goods	4 108	2 752	3 313	3 773	2 541	3 165
Goods for resale	289	123	138	-	-	-
	9 906	10 431	9 062	7 807	8 746	7 252
Write-down to net realisable value:						
Opening balance	(1 600)	(1 695)	(1 926)	(494)	(574)	(855)
Change	(275)	95	231	(302)	80	281
Closing balance	(1 875)	(1 600)	(1 695)	(796)	(494)	(574)
	8 031	8 831	7 367	7 011	8 252	6 678

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as of 31 December 2011 amounted to LTL 2 540 thousand and LTL 1 461 thousand respectively (2010: LTL 2 739 thousand and LTL 1 633 thousand, respectively). Changes in impairment allowance for inventories during 2011 and 2010 were recorded within the Group's and the Company's general and administrative expenses.

All inventories of the Company as of 31 December 2011 and 2010 were pledged to the lease company as collateral for the finance lease.

11. Trade receivables

	Group		Company	
	2011	2010	2011	2010
Trade receivables, gross	5 039	8 331	3 900	6 612
Allowance for trade receivables:	-	-	-	-
Opening balance	(893)	(859)	(820)	(832)
Change	113	(34)	113	12
Closing balance	(780)	(893)	(707)	(820)
	4 259	7 438	3 193	5 792

Changes in impairment allowance for doubtful trade receivables during 2011 and 2010 were recorded within the Group's and the Company's general and administrative expenses.

12. Other accounts receivable

	Group		Company	
	2011	2010	2011	2010
Taxes receivable, except for prepaid income tax	660	1 313	18	438
Prepayments	139	495	87	472
	799	1 808	105	910

13. Non current assets held for resale

In 2008, the subsidiary OAO MTF Mrija signed the contract with the agent for disposal of equipment not used in the subsidiary's activity with net book value of LTL 2 956 thousand as of 31 December 2010. During 2010 certain equipment was sold and for the remaining equipment active search was taking place. As the management planned to dispose this equipment within a year after the date of the statement of financial position, it was classified as non-current assets held for sale as of 31 December 2010. As of 31 December 2010, impairment charge for the equipment amounting to LTL 389 thousand was recorded. In 2011 the equipment was not sold and was reclassified back to property, plant and equipment as planned disposal date is uncertain. The carrying value of this equipment after depreciation and impairment amounted to LTL 1 872 thousand as of 31 December 2011.

14. Deposits

The Group company Šatrija AB had total amount of LTL 1 646 thousand of term deposits, with maturity dates of March-June 2012, with the annual interest rate of 1.1 per cent – 1.3 per cent.

15. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
Cash on hand	13	45	8	37
Cash at bank	871	1 682	504	675
Deposits with maturity term of 3 months or less	200	-	-	-
	1 084	1 727	512	712

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

In 2011 and 2010, all cash inflows into the Company's accounts in the bank were pledged to the lease company as collateral for the finance lease (Note 18). As of 31 December 2011 and 2010, the Group and the Company had no restrictions on the use of cash and cash equivalents.

16. Share capital

As of 31 December 2011 and 2010, the share capital comprised 19 834 442 ordinary registered shares with par value of LTL 1 each. As of 31 December 2011 and 2010, all the shares were fully paid.

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

17. Reserves

Other reserves

The balance of the Company's reserves as of 31 December 2011 and 2010 comprised a legal reserve, which is fully composed.

Retained earnings (deficit)

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

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

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

18. Borrowings

	Group		Company	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Current				
Current portion of non-current bank borrowings	3 501	1 331	-	-
Finance lease liabilities	5 240	5 240	5 240	5 240
	8 741	6 571	5 240	5 240
Non–current				
Non-current borrowings	-	4 418	-	-
Borrowings from subsidiaries	-	-	3 134	-
Finance lease liabilities	9 138	14 368	9 138	14 368
	9 138	18 786	12 272	14 368
Total borrowings	17 879	25 357	17 512	19 608

In 2011 and 2010, the bank borrowings are secured by property plant and equipment (Note 7).

The fulfillment of finance lease liabilities is substantially secured since the title to assets acquired under finance lease automatically reverts to the lessor in the event of default. Furthermore, investment to subsidiary (Note 9), future cash inflows into certain bank accounts (Note 15) and inventories (Note 10) were pledged as an additional collateral for the finance lease.

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

	Group		Company	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
EUR	17 879	25 357	17 512	19 608

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

	Group		Company	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Long-term bank borrowings	6.72	6.10	-	-
Finance lease liabilities	5.62	5.16	5.62	5.16

18. Borrowings (cont'd)

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

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

	Group		Company	
Interest changes	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Every 6 months or more	17 880	25 357	14 378	19 608
Every 12 months			3 134	
	17 879	25 357	17 512	19 608

Starting from 1 June 2010 the Company committed to comply with the following financial ratios during the entire validity period of the contracts:
1) Group's financial ratios:
a) DSCR (debt service coverage ratio) not lower than 1.2;
b) debt to EBITDA ratio not higher than 4;
2) Company's financial ratios:
a) equity-to-total assets ratio not lower than 0.3;
b) debt to EBITDA ratio not higher than 3.5;
Upon the approval from the bank:
- the calculation of the Group's financial ratios included EBITDA adjusted by recognised impairment charge on investment property and non-current assets held for sale and provisions for employee benefits;
- the calculation of the Company's financial ratios included borrowings that were exclusive of loans received from subsidiaries.
After making adjustments agreed with the bank the Group and the Company complied with established ratios as at 31 December 2010.

As of 31 December 2011, the Company and the Group was not in compliance with one ratio:
a) DSCR (debt service coverage ratio) not lower than 1.2.

In December 2011 the Company had received the waivers for non-compliance with DSCR from the bank and the lease company (document from "Swedbank Lizingas" 2011-12-27 Nr. SL-SR 19412 and from "SEB Bank", PJSC 30-12-2011 Nr. 3-1-1/8238), which confirms the bank will not apply forfeit or/and will not terminate the agreement.

As at 31 December 2009, the Company's subsidiary OAO MTF Mrija did not comply with ratios established for (1) capital; (2) cash; (3) general profitability in certain transactions between group companies. As at 31 December 2009, the Company did not comply with (1) capital and reserves to equity and liabilities and (2) non-current and current borrowings to capital and reserves ratios which are presented as restrictive covenants in certain finance lease agreements. As at 31 December 2009, the Group's borrowings according to these agreements with maturities over one year totalling to LTL 5 933 thousand were reclassified to current portion of non-current bank borrowings.

18. Borrowings (cont'd)

Finance lease liabilities – minimum lease payments:

	Group		Company	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Not later than 1 year	5 910	6 175	5 910	6 175
After 1 year but not later than 5 years	9 642	16 894	9 642	16 894
After 5 years	-	-	-	-
	15 552	23 069	15 552	23 069
Future finance lease charges	(1 174)	(3 461)	(1 174)	(3 461)
Present value of finance lease liabilities	14 378	19 608	14 378	19 608
Present value of finance lease liabilities:				
Not later than 1 year	5 240	5 240	5 240	5 240
After 1 year but not later than 5 years	9 138	14 368	9 138	14 368
After 5 years	-	-	-	-
	14 378	19 608	14 378	19 608

19. Convertible bonds issued

	Group		Company	
	2011	2010	2011	2010
Convertible bonds issued to the bank	7 578	6 527	7 578	6 527
Convertible bonds issued to UAB Koncernas „SBA“	2 021	1 741	2 021	1 741
	9 599	8 268	9 599	8 268

On 11 January 2010, an agreement on convertible bonds was entered into by the Company and Swedbank AB. Based on the 3 December 2009 decision of the extraordinary general shareholder meeting it was resolved to issue 50 units of convertible bonds with the nominal value in total of LTL 11 850 thousand (equivalent in EUR 3 432 thousand) by restructuring a part of the Company's finance lease liabilities to the finance lease company.

Based on the convertible bond agreement the Company is obliged to redeem bonds or exchange them for the shares of the Company under the terms and conditions established in the agreement. A nominal value of one bond is LTL 237 thousand (equivalent in EUR 69 thousand); a discounted value of one bond issued is LTL 112 thousand (equivalent in EUR 36 thousand); the bond bears interest at 15%. The maturity term of bonds is 5 years; the maturity date is 12 January 2015. If Swedbank AB chooses to convert the bonds into the shares, it has to submit a written request to the Company as from 12 January 2010 till 11 December 2014 inclusive and the convertible bonds shall be exchanged into the shares of the Company on the redemption day. The maximum number of the shares for which the issued convertible bonds might be converted at the end of the conversion period – 11 850 thousand shares with the nominal value LTL 1.

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

19. Convertible bonds issued (cont'd)

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

Based on the convertible bond agreement the Company is obliged to redeem bonds or exchange them for the shares of the Company under the terms and conditions established in the agreement. A nominal value of one bond is LTL 198 thousand (equivalent in EUR 57 thousand); a discounted value of one bond issue is LTL 94 thousand (equivalent in EUR 27 thousand); yield of the bond is 15 per cent of annual interest. The maturity term of bonds is 5 years; the maturity date is 12 January 2015. If Koncernas SBA UAB chooses to convert the bonds into the shares, it has to submit a written request to the Company as from 12 January 2010 till 11 December 2014 inclusive and the convertible bonds shall be exchanged into the shares of the Company on the redemption day. The maximum number of the shares for which the issued convertible bonds might be converted at the end of the conversion period – 3 168 thousand shares with the nominal value LTL 1.

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

20. Provisions for employee benefits

	Group		Company	
	2011	**2010**	**2011**	**2010**
Provisions for employee benefits	410	351	355	351
	410	351	355	351

Provisions for pension and jubilee benefits represent amounts calculated according to the collective agreement in force in the Group and the Company. Each employee is entitled to a jubilee benefit and a 2 months salary payment when leaving the job at or after the start of pension period.
For 2011 provisions were calculated with the discount rate of 5.71 % and employee turnover rate of 11.3 % (in 2010: 4.67% and 6.7%, respectively).

21. Accrued expenses and other current liabilities

	Group		Company	
	2011	**2010**	**2011**	**2010**
Amounts payable for services and non-current assets	822	1 475	644	1 207
Wages, salaries and social security	1 292	1 484	923	1 052
Accrual for vacation reserve	1 613	1 962	832	1 352
Bonuses for employees	-	273	-	153
Taxes payable, except for profit tax	216	330	149	117
Other liabilities	211	250	80	117
	4 154	5 774	2 628	3 998

22. Cost of sales

	Group		Company	
	2011	2010 Adjusted	2011	2010 Adjusted
Materials	18 255	21 531	17 690	20 631
Wages and salaries and social security	20 567	22 527	14 530	16 107
Other overhead expenses	8 761	11 446	9 040	12 380
Depreciation and amortisation	2 673	2 656	1 959	2 136
Cost of materials sold	33	193	23	46
	50 289	58 353	43 242	51 300

23. Selling general and administrative expenses

	Group		Company	
	2011	2010	2011	2010
Selling expenses				
Maintenance costs of retail outlets	100	137	-	-
Wages salaries and social security	1 016	959	804	750
Other selling expenses	1 221	1 180	1 177	1 135
Total selling expenses	2 337	2 276	1 981	1 885
General and administrative expenses				
Wages salaries and social security	2 445	2 227	1 704	1 493
Communications and consulting services	1 187	1 190	904	892
Taxes other than income tax	532	658	494	604
Impairment and write-off (reversal) of inventories	288	(26)	311	(33)
Impairment and write-off (reversal) of accounts receivable	(158)	24	(158)	(22)
Provisions for employee benefits (Note 20)	59	351	4	351
Impairment (reversal) of non-current assets	(289)	389	-	-
Impairment of financial assets	-	-	7 700	-
Impairment (reversal) of investment property	(166)	165	(166)	165
Depreciation and amortisation	382	389	305	315
Vehicles exploitation expenses	201	159	113	86
Premises exploitation expenses	109	110	77	68
Security	229	234	41	19
Services of financial institutions	110	102	89	77
Representation expenses	243	202	175	140
Other	720	616	269	363
Total general and administrative expenses	5 846	6 790	11 862	4 518
	8 183	9 066	13 843	6 403

24. Other income and expenses

	Group		Company	
	2011	**2010**	**2011**	**2010**
Rent income	308	371	302	304
Other income	1 209	360	358	58
Gain from disposal of non-current assets	196	310	3	157
Other income	**1 713**	**1 041**	**663**	**519**
Rent costs	(121)	(124)	(121)	(124)
Other expenses	(286)	(235)	(144)	(114)
Other expenses	**(407)**	**(359)**	**(265)**	**(238)**

25. Finance costs, net

	Group		Company	
	2011	**2010**	**2011**	**2010**
Net foreign exchange gain (loss)	215	1 796	(22)	(6)
Interest expenses	(2 608)	(2 666)	(2 346)	(2 341)
Interest income	13	3	208	207
Interest on late payment received / paid	5	4	5	5
	(2 375)	(863)	(2 155)	(2 135)

26. Employee benefits

	Group		Company	
	2011	**2010**	**2011**	**2010**
Wages and salaries	18 277	19 557	13 014	14 009
Social security	5 751	6 156	4 024	4 342
	24 028	25 713	17 038	18 351

27. Income tax

Income tax expense comprised as follows:

	Group			Company		
	2011	**2010 Adjusted**	**2009 Adjusted**	**2011**	**2010 Adjusted**	**2009 Adjusted**
Current tax	(7)	(4)	-	-	-	-
Change in deferred tax	152	576	442	(208)	460	405
Income tax expense recognized in the statement of comprehensive income	145	572	442	(208)	460	405

27 Income tax (cont'd)

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

	Group		Company	
	2011	2010 Adjusted	2011	2010 Adjusted
Income tax at a rate of 15% in 2011 (15% in 2010)	(245)	(467)	1 117	(133)
Effect of different tax rates applicable to subsidiary in Ukraine	37	(126)	-	-
Unrecognized deferred tax assets	529	1 467	(1 155)	643
Effect of change in income tax rate	-	-	-	-
Expenses not deductible for tax purposes	(188)	(392)	(171)	(50)
Non taxable income	12	90	1	-
Income tax expenses reported in income statement	**145**	**572**	**(208)**	**(460)**

In 2011, deferred income tax asset and liability relating to the entities operating in Lithuania were estimated using the tax rate of 15 per cent (15 per cent tax rates in 2010). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 25 per cent.

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

Group	2009 (adjusted)	Recognised in income statement	2010 (adjusted)	Recognised in income statement	2011
Deferred tax assets					
Tax loss carry forward	-	601	601	549	1 150
Inventories	-	84	84	35	119
Receivables	-	69	69	(22)	47
Impairment of property, plant and equipment and investment property	-	29	29	(25)	4
Provisions for employee benefits	-	63	63	(2)	61
Goodwill	-	131	131	(16)	115
Accrued charges	-	48	48	62	110
	-	1 025	1 025	581	1 606
Deferred tax liabilities					
Depreciation of property, plant and equipment	(442)	(449)	(891)	(429)	(1 320)
	(442)	(449)	(891)	(429)	(1 320)
Deferred tax assets, net	(442)	576	134	152	286

27. Income tax (cont'd)

Company	2009 (adjusted)	Recognised in income statement	2010 (adjusted)	Recognised in income statement	2011
Deferred tax assets					
Tax loss carry forward	-	601	601	225	826
Inventories	-	74	74	45	119
Receivables	-	69	69	(22)	47
Impairment of property, plant and equipment and investment property	-	29	29	(25)	4
Provisions for employee benefits	-	53	53	-	53
Accrued charges	-	48	48	(18)	30
	-	874	874	205	1 079
Deferred tax liabilities					
Depreciation of property, plant and equipment	(405)	(414)	(819)	(413)	(1 231)
	(405)	(414)	(819)	(413)	(1 231)
Deferred tax assets, net	(405)	460	55	(208)	(152)

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

As at 31 December 2011 the Group's and the Company's tax losses to be carried forward against future taxable income amounted to LTL 13 902 thousand and LTL 5 510 thousand, respectively (2010: LTL 12 679 thousand and LTL 4 010 thousand, respectively). All tax losses of the Company and the Group may be carried forward for the unlimited term.

As at 31 December 2011 the Group had tax losses of LTL 6 229 thousand (2010: LTL 8 669 thousand) on which no deferred tax assets were recognised due to uncertainties related to their realisation. In year 2011 Group used part of tax losses for which deferred tax was not recognized.

28. Basic/dilutive earnings per share

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

	Group	
	2011	**2010 Adjusted**
Profit attributable to the equity holders of the Group	1 618	3 589
Weighted average number of shares in issue (thousand)	19 834	19 834
Basic/dilutive earnings per share (in LTL)	0.08	0.18

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

29. Related party transactions

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

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

The Company issued convertible bonds (Note 19). If the convertible bond holders exercise the conversion option, UAB Koncernas SBA would own less than 51 per cent of the share capital of the Company. The conversion option was not exercised as at 31 December 2011.

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

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

As at 31 December 2011 and 31 December 2010, the management of the Group and the Company had 0.002 per cent of shares of OAO MTF Mrija.

The Group's and the Company's related-party transactions in 2011 and 2010 were as follows:

29. Related-party transactions (cont'd)

	Group		Company	
	2011	**2010**	**2011**	**2010**
Sales of goods and services				
Subsidiaries of the Company	-	-	640	393
SBA group companies	138	645	46	449
Ultimate parent company	13	8	13	8
	151	653	699	850

	Group		Company	
	2011	**2010**	**2011**	**2010**
Interest income				
Subsidiaries of the Company	-	-	207	207
	-	-	207	207

	Group		Company	
	2011	**2010**	**2011**	**2010**
Interest expenses				
Ultimate parent company	280	241	280	241
Subsidiaries of the Company	-	-	27	59
	280	241	307	300

	Group		Company	
	2011	**2010**	**2011**	**2010**
Purchases of goods and services				
Subsidiaries of the Company	-	-	2 342	2 884
SBA group companies	142	59	123	59
Other related parties	5	6	5	6
Ultimate parent company	1 021	914	766	708
	1 168	979	3 236	3 657

	Group		Company	
	2011	**2010**	**2011**	**2010**
Acquisition of property, plant and equipment				
Subsidiaries of the Company	-	-	-	19
	-	-	-	19

29. Related-party transactions (cont'd)

	Group		Company	
	2011	**2010**	**2011**	**2010**
Amounts receivable (including prepayments and loans)				
Accounts receivable from subsidiaries, gross	-	-	7 777	*7 432*
Impairment allowances made	-	-	(2 154)	*(676)*
Prepayments to subsidiaries	-	-	3 170	2 243
Loans granted including interests receivable from subsidiaries	-	-	4 338	4 178
SBA group companies	68	3	9	-
	68	3	13 140	13 177

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

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

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

	2011	**2010**
Loans granted to related parties	6%	6 %

	Group		Company	
	2011	**2010**	**2011**	**2010**
Amounts payable within one year				
Subsidiaries of the Company	-	-	3 164	2 322
SBA group companies	12	58	12	58
Other related parties	130	128	130	128
Ultimate parent company	2 471	1 324	1 763	857
	2 613	1 510	5 069	3 365

	Group		Company	
	2011	**2010**	**2011**	**2010**
Convertible bonds issued				
Ultimate parent company	2 021	1 741	2 021	1 741
	2 021	1 741	2 021	1 741

29. Related-party transactions (cont'd)

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

In 2010, Šatrija AB transferred to the Company LTL 1 072 thousand. The loan agreement had not been concluded, therefore the repayment term and interest rate was not defined. The bank has imposed restrictions on the repayment of these amounts valid until 30 September 2014 that are not completely agreed between the bank and the Company.

On the 23 December 2011, the Company and subsidiary Šatrija, AB entered in to the loan agreement for EUR 550 thousand, with the interest rate equal to 12 month EURIBOR, for the agreement day it was 1.988 %, plus 3.24% margin. The total interest rate, which is settled for the whole loan period, is 5.288%. The settlement date is 15 January 2013.

The Company has the borrowing of EUR 362 thousand from the subsidiary Gotija, UAB. The repayment term of the loan was 30 June 2010. On 1 July 2010, the repayment term of the loan was extended for the additional period of one year expiring on 30 June 2011. On 27 September 2011 the repayment term of the loan was extended to the 31 December 2012.
Interest rate is established at 12 month EURIBOR plus 1.3 margin making a total 3.364 per cent interest rate.

	Group		Company	
	2011	**2010**	**2011**	**2010**
Key management compensation including social security costs				
Remuneration of management	1 327	1 259	704	704
	1 327	1 259	704	704

Key management includes general director, functional directors and chief accountant.
In 2011 and 2010 the management of the Group and the Company did not receive any loans, guarantees; any other payments or property transfers were not made or accrued. Renumeration of management comprise base salary and related social security costs.

Guarantees issued

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

30. Contingent liabilities and commitments

Guarantees issued

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

The Company has an agreement with bank, based on which the Company issued a guarantee for the amount of LTL 3 500 thousand (LTL 5 726 thousand as of 31 December 2010) on behalf of its subsidiary OAO MTF Mrija to secure the repayment of borrowings.

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

Commitments

As of 31 December 2011 and 2010 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

31. Correction of errors

The Group and the Company has determined that a large part of equipment being and planned to be used in the main activities is fully depreciated or will depreciate over the next year. The Company's management conducted the analysis of this property and determined, that preparing prior periods' financial statements the property, plant and equipment useful life period has not been regularly reviewed, as required by IFRS. The management has determined that since the end of 2008, when significantly declined planned company's manufacturing volumes and equipment workload, equipment depreciation rates should had been revised. Because of this reason, Company's financial statements for prior periods have been significantly distorted. The Company's management, taking into account lower manufacturing volumes since 1 January 2009 and estimated equipment useful life period, retrospectively corrected the estimation of equipment useful lives and accordingly recalculated the depreciation of the equipment since 1 January 2009.

31. Correction of errors (cont'd)

Effect of the correction of error:

Group financial statements

1 January 2010	Financial statements (before adjustment)	Correction of errors	Financial statements (adjusted)
ASSETS			
Property, plant and equipment	24 381	3 198	27 579
Other non-current assets	7 282	-	7 282
Inventories	7 575	(208)	7 367
Other current assets	14 440	-	14 440
Total assets	**53 678**	**2 990**	**56 668**
EQUITY AND LIABILITIES			
Total equity	3 931	2 548	6 479
Deferred income tax liabilities	-	442	442
Other non-current liabilities	5 316	-	5 316
Current liabilities	44 431	-	44 431
Total equity and liabilities	**53 678**	**2 990**	**56 668**

Company financial statements 1 January 2010	Financial statements (before adjustment)	Correction of errors	Financial statements (adjusted)
ASSETS			
Property, plant and equipment	18 336	2 699	21 035
Other non-current assets	19 367	-	19 367
Inventories	6 879	(201)	6 678
Other current assets	17 148	-	17 148
Total assets	**61 730**	**2 498**	**64 228**
EQUITY AND LIABILITIES			
Total equity	19 278	2 093	21 371
Deferred income tax liabilities	-	405	405
Other non-current liabilities	5 316	-	5 316
Current liabilities	37 136	-	37 136
Total equity and liabilities	**61 730**	**2 498**	**64 228**

31. Correction of errors (cont'd)

Group financial statements 31 December 2010	**Financial statements (before adjustment)**	**Correction of errors**	**Financial statements (adjusted)**
ASSETS			
Property, plant and equipment	19 253	6 151	25 404
Deferred income tax asset	978	(844)	134
Other non-current assets	7 071	-	7 071
Inventories	9 023	(192)	8 831
Other current assets	13 932	-	13 932
Total assets	**50 257**	**5 115**	**55 372**
EQUITY AND LIABILITIES			
Total equity	4 101	5 115	9 216
Non-current and current liabilities	46 156	-	46 156
Total equity and liabilities	**50 257**	**5 115**	**55 372**

Company financial statement 31 December 2010	**Financial statements (before adjustment)**	**Correction of errors**	**Financial statements (adjusted)**
ASSETS			
Property, plant and equipment	13 914	5 165	19 079
Deferred income tax asset	830	(775)	55
Other non-current assets	19 123	-	19 123
Inventories	8 432	(180)	8 253
Other current assets	16 413	-	16 413
Total assets	**58 712**	**4 210**	**62 922**
EQUITY AND LIABILITIES			
Total equity	18 507	4 210	22 717
Non-current and current liabilities	40 205	-	40 205
Total equity and liabilities	**58 712**	**4 210**	**62 922**

31. Correction of errors (cont'd)

Group financial statements

Correction of errors

2010	**Financial statements (before adjustment)**	**Correction of errors**	**Financial statements (adjusted)**
Revenue	70 711		70 711
Cost of sales	(61 322)	2 969	(58 353)
Gross profit	**9 389**	**2 969**	**12 358**
Selling expenses, general and administrative expenses, other income and expenses	(8 384)	-	(8 384)
Operating profit (loss)	**1 005**	**2 969**	**3 974**
Finance activity result	(863)	-	(863)
Profit (loss) before income tax	**142**	**2 969**	**3 111**
Income tax expense	974	(402)	572
Profit (loss) for the year	**1 116**	**2 567**	**3 683**
Profit (loss) attributable to:			
Equity holders of the Company	1 040	2 549	3 589
Minority interest	76	18	94
	1 116	**2 567**	**3 683**
Other comprehensive income (loss)			
Foreign currency translation income (expense)	**(946)**		**(946)**
Other comprehensive income (loss)	**(946)**		**(946)**
Total comprehensive income (loss)	**170**	**2 567**	**2 737**

Company financial statements

Correction of errors

2010	**Financial statements (before adjustment)**	**Correction of errors**	**Financial statements (adjusted)**
Revenue	60 443		60 443
Cost of sales	(53 787)	2 487	(51 300)
Gross profit	**6 656**	**2 487**	**9 143**
Selling expenses, general and administrative expenses, other income and expenses	(6 122)	-	(6 122)
Operating profit	**534**	**2 487**	**3 021**
Finance activity result	(2 135)	-	(2 135)
Profit (loss) before income tax	**(1 601)**	**2 487**	**886**
Income tax expense	830	(370)	460
Profit (loss) for the year	**(771)**	**2 117**	**1 346**
Other comprehensive income (loss)	**-**	**-**	**-**
Total comprehensive income (loss)	**(771)**	**2 117**	**1 346**

31. Correction of errors (cont'd)

2010 m.

	Financial statements (before adjustment)	Correction of errors	Financial statements (adjusted)
Profit (loss) attributable to equity holders of the Group	1 040	2 549	3 589
Weighted average number of shares in issue (thousand)	19 834	-	19 834
Basic profit per share (LTL)	0.05	-	0.18

32. Post balance sheet events

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

Moreover the financial ratios, to which the Company committed to comply with during the entire validity period of the contracts, were changed:

1) Group's financial ratios:

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

2) Company's financial ratios:

a) equity (excluding revaluation reserve) to total assets ratio not lower than 0.3;
b) debt (excluding convertible bonds) to EBITDA ratio not higher than 4.

UTENOS TRIKOTAŽAS AB

CONSOLIDATED ANNUAL REPORT

For 12 months period

ENDED 31 DECEMBER 2011

1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2011 to 31 December 2011.
All amounts in the Annual Report presented as at 31 December 2011, unless otherwise stated. Further in this report Utenos Trikotažas AB can be referred to as the Company or the Issuer.

2. Issuer and its contact data

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

3. Nature of the Issuer's operations

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

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

4. Agreements with intermediaries of securities' public turnover

On 25 September 2005, the Issuer concluded a service agreement with the Department of Safe Custody Services of SEB Vilniaus Bankas AB, address Gedimino pr. 12, LT-01103 Vilnius. Under this agreement the accounting of the Issuer's securities is handled.
On 25 April 2007, the Issuer concluded an agreement with OMX Exchanges Ltd. on the system of service provision, disclosure and communication of information.

5. Key performance indicators of the Group

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

	2011	2010 adjusted	2009 adjusted	2008	2007
Revenue (LTL'000)	61,172	70,711	70,336	109,954	137,541
Profit for the year (LTL'000)	1,776	3,683	2,463	-17,553	-8,023
Price per share	0.777	1.309	1.140	1.390	4.941
Dividend per share	-	-	-	-	-

Financial ratios

	Group			Company		
	2011	2010 adjusted	2009 adjusted	2011	2010 adjusted	2009 adjusted
Revenue (LTL'000)	61 172	70 711	70 336	51 396	60 443	60 085
Operating profit(loss) (LTL'000)	4 006	3 974	5 951	-5 291	3 021	6 916
Operating profit (loss) margin (%)	6.5	5.6	8.5	-10.3	5.0	11.5
Profit (loss) before tax (LTL'000)	1 631	3 111	2 896	-7 446	886	5 711
Profit (loss) before tax, margin (%)	2.7	4.4	4.1	-14.5	1.5	9.5
Profit (loss) for the year (LTL'000)	1 776	3 683	2 463	-7 654	1 346	5 311
Profit (loss) for the year margin (%)	2.9	5.2	3.5	-14.9	2.2	8.8
Number of shares, (thousand)	19 834	19 834	19 834	19 834	19 834	19 834

Relative ratios

	Group			Company		
	2011. 12.31	2010. 12.31 adjusted	2009. 12.31 adjusted	2011. 12.31	2010. 12.31 adjusted	2009. 12.31 adjusted
Return on capital employed (%)	9.0	18.6	12.4	-38.6	6.8	26.8
Return on assets (%)	3.7	6,7	4.3	-15.5	2.1	8.3
Return on shareholders' equity (%)	16.4	40.0	38.0	-50.8	5.9	24.9
Debt ratio	77.5	83.4	88.6	69.6	63.9	66.7
Debt-to-equity ratio	345.1	500.8	774.6	228.6	177.0	200.5
Liquidity ratio (%)	87.6	105.6	42.1	89.2	143.3	64.2
Equity to assets ratio (%)	22.5	16.6	11.4	30.4	36.1	33.3

Operating figures

	Group			Company		
	2011	2010	2009	2011	2010	2009
Manufactured items	3 376	5 073	5 568	1 985	3 079	3 555
Number of employees at the end of period	1 204	1 320	1 335	719	778	758

Ratios related with the share price

	2011	2010	2009
P/E	9.52	7.23	9.30
EPS	0.08	0.18	0.12
EV/EBITDA	5.82	8.06	5.69
EV/EBIT	9.86	10.01	14.82

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

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

7. Information regarding the price of shares and their dynamics

AB ,,Utenos trikotažas" share price dynamics, 2009-2011 (LTL):

Price ratios	2011	2010	2009
Open price, LTL	1.309	1.140	1.390
High price, LTL	1.274	2.072	1.360
Low price, LTL	0.552	0.860	0.430
Last price, LTL	0.777	1.309	1.140
Traded volume	781 069	837 139	447 256
Turnover, million LTL	0.81	0.98	0.46
Capitalisation, million LTL	15.41	25.96	22.61

AB „Utenos trikotažas“, OMX BalticBenchmark GI and OMX Vilnius Index dynamics, 2009-2011

Index/ Equity	31.12.2011	01.01.2011	01.0□.2010	31.12.2011/ 01.01.2010, %
OMX BalticBenchmark GI	431,94	533,99	314,42	37,38
OMX Vilnius	298,78	409,65	261,77	14,14
UTR1L	0,23 EUR	0,38 EUR	0,33 EUR	-31,85

8. Dividend policy

Dividends are not been planned for the year 2011.

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

The sharp decrease in sales of basic products to retail clients focused on middle – lower market segments was the key driver behind weak sales in the second half of 2011 and the fourth quarter in particular. We believe the fears of economy slowdown and lower consumer consumption in Europe was the main reason.

Sales to clients demanding ecological, high quality and value added products for the IV quarter of 2011 accounted for 70-80 % of total sales while three years ago this figure stood at about 20-30 %. The increase of high value added products sales is Group continuous priority. Marketing efforts are concentrated on “Rokas”, “Gunda” and “Eko” product lines development in Lithuania and abroad. Last December “ThermoActive” underwear collection, which was designed to evaporate body sweat and keep the body warm for winter sports and outdoor enthusiasts, had been launched. At the end of 2011 Company products were introduced in Kiev and St. Petersburg exhibitions.

As commented above, a smaller group operating profit compared with 2010 had been resulted due to decreased sales volumes in the second half of the year. It should be noted that 2011 had been successful for our subsidiary “Šatrija” whose operating profit amounted to 1.2 million LTL, while in 2010 operating profit had been 0.6 million LTL. AB Šatrija achieved good results because of the orientation to the exceptional sophisticated technology assortment, such as firemen protective clothes, climbing expeditions clothing, and military uniforms production.

Revenue (LTL '000)

	2011	2010	Change	2009
AB ,,Utenos trikotažas“	51 396	60 443	-15.0%	60 085
AB ,,Šatrija“	8 642	8 843	-2.3%	9 195
OAO ,,MTF Mrija“	3 517	4 095	-14.1%	3 469
UAB ,,Gotija“	585	587	-0.3%	614
Elimination of intercompany transactions	-2 968	-3 257		-3 027
	61 172	**70 711**	**-13.5%**	**70 336**

EBITDA (LTL '000)

	2011	2010	Change	2009
AB ,,Utenos trikotažas“	4 785	5 589	-14,4%	9 111
AB ,,Šatrija“	1 395	963	44,9%	193
OAO ,,MTF Mrija“	984	623	57,9%	653
UAB ,,Goti□a“	21	2	950,0%	-49
	7 185	**7 177**	**0,11%**	**9 908**

Trade

	Group			Company		
Revenue (LTL '000)	2011	2010	Change	2011	2010	Change
Western Europe	53 249	61 753	-13.8%	45 218	53 335	-15.2%
Lithuania	6 052	7 365	-17,8%	5 645	6 603	-14,5%
Other regions	1 871	1 593	17,5%	533	505	5,5%
	61 172	**70 711**	**-13.5%**	**51 396**	**60 443**	**-15.0%**

In 2011, total sales of goods and services of the Company amounted to LTL 51.4 million. Trade volume decreased by LTL 9 million or by 15 per cent as compared to 2010. The Company's exports to Western Europe and other countries accounted for 89 per cent, whereas sales in Lithuania accounted for 11 per cent of total production.

In 2011, total sales of goods and services of Utenos Trikotažas AB group (hereinafter “the Group”) amounted to LTL 61.2 million. The Group‘s exports accounted for 90.1 per cent, whereas sales in Lithuania accounted for 9.9 per cent of total production.

Lithuania

In 2011, the Company sold 494.5 thousand knit-wear items in Lithuania totalling to LTL 5.6 million. The sales in Lithuania decreased by LTL 1 million or 14.5 per cent.

In 2011, the Group‘s sales in Lithuania amounted to LTL 6.1 million, which is less by LTL 1.3 million as compared to 2010.

Export

In 2011, the Company exported 2.5 million knit-wear items totalling to LTL 45.8 million. The Company’s exports decreased by LTL 8.1 million or 15 per cent comparing to 2010. Large retail chains from Western Europe remained as the major customers of the Company.

In 2011, the Group‘s exports to Western Europe and other regions amounted to LTL 55.1 million, which is less by LTL 8.2 thousand as compared to 2010.

Production

In 2011, the Company produced 2 million knit-wear items. The Company‘s subcontractors (including the company in Ukraine) produced 1.8 million knit-wear items or 56.1 per cent of total production volume.
In 2011, Šatrija AB produced 0.12 million sewn items. In 2011, OAO MTF Mrija produced 1.3 million items.

Production (LTL '000)

	2011	2010	Change
AB ,,Utenos trikotažas“	1 985	3 079	-35.5%
AB ,,Šatrija“	121	122	-0.8%
OAO ,,MTF Mrija“	1 270	1 872	-32.1%
UAB ,,Gotija“	-	-	-
	3 376	**5 073**	**-33.4%**

Investments

In 2011, the Group‘s investments in new equipment and new technologies amounted to LTL 141 thousand including transactions within the Group.
In 2011, the Company‘s investments in new equipment and technologies amounted to LTL 100 thousand.
In 2011, Šatrija AB invested LTL 21.6 thousand.
In 2011, OAO MTF Mrija invested LTL 19.4 thousand.
In 2011, Gotija UAB had made no investments.

Risk factors related to the Issuer’s operations

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

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

Economic factors. The Company’s operations are dependent on state politics, political and economic developments in Lithuania and in the World (which effect Lithuania). The Company and the Group use instruments ensuring that production is sold to reliable customers. The Company’s and the Group’s policy focuses on maintaining adequate amount of cash and cash equivalents or maintaining funding by keeping adequate credit lines available with the purpose of implementing commitments provided for in their strategic plans.

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

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

Technical and technological risk factors. The condition of the Company's major facilities is good and does not pose any risk to operations. Utenos Trikotažas AB regularly invests in renovation of facilities and introduction of the latest technologies.

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

- Reduction of environmental pollution through efficient and economical use of raw materials and energy resources;

- Reduction in waste volume, improvement of management of waste and chemical materials, reduction of use of dangerous chemical substances in the production process.

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

All 2011 and 2010 financial data presented in this Annual Report is calculated based on the financial information presented in the Group's financial statements for the year 2011, prepared in accordance with the International Financial Reporting Standards as adopted by the EU. These financial statements were approved by the auditor assigned under established procedure.

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

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

Internal controls in Utenos Trikotažas AB includes control procedures over processes related to sales and manufacturing of production, supply, financial reports preparation.

12.Social responsibility

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

SA 8000 standard objectives:

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

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

Social responsibility (SA 8000) standard demands:

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

13. Information about the Company's own share acquisitions

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

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

On 24 January 2011, announcement of unaudited performance results for fourth quarter of 2010.
On 24 January 2011, announcement of publishing terms of the interim reports and audited consolidated report in 2011.
On 28 February 2011, announcement of unaudited interim consolidated financial statements of 2010 .

On 6 April 2011, the general meeting of shareholders of Utenos Trikotažas AB was convened.
On 28 April 2011, decisions of the General shareholder meeting were approved.
On 29 April 2011, announcement of the sales figures for the first quarter of 2011.
On 13 May 2011, announcement, that Group sold idle assets.
On 31 May 2011, announcement of the performance results for the first quarter of 2011.
On 29 July 2011, announcement of the sales figures for the second quarter of 2011.
On 11 August 2011, announcement of change of managing director of Utenos trikotažas AB.
On 31 August 2011, announcement of the consolidated interim report and the financial statements for a six-month period of 2011.
On 28 October 2011, announcement of the sales figures of the third quarter of 2011.
On 25 November 2011, announcement, that AB Utenos trikotažas has no any deposits or other assets in AB SNORAS bank.
On 30 November 2011, announcement of the financial statements for the 9-month period.
On 16 December 2011, notification about the disposal of convertible bonds.
On 19 January 2011, announcement of publishing terms of the interim reports and audited consolidated report in 2012.
On 31 January 2012, announcement of the sales figures for the fourth quarter of 2011.
On 29 February 2012, announcement of unaudited interim consolidated financial statements of 2011.

15. The Company's operating plans and objectives

In 2012, the Company plans to actively expand sales of ecological products and to develop the co-operation with customers demanding higher quality and sophisticated technology, to maintain close relationship with longstanding business customers.
Note: the Company's operating plan for 2012 was approved at the Board's meeting held on 8 February 2012, Minutes No. 1.

Key objectives for 2012 :

- Development of sales to clients demanding ecological, high quality and value added products.
- Development of Branded product lines sales in Lithuania and East markets (Russia, Ukraine).

16. Structure of the Issuer's authorised share capital

As at 31 December 2011, the Company's authorised share capital was comprised of 19 834 442 ordinary registered shares with a nominal value of LTL 1 each.

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

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

All shares of Utenos Trikotažas AB are fully paid.

All shares of the Company are ordinary registered shares of one class granting equal rights to their holders (shareholders). An ordinary registered share grants the following property rights to its holder (shareholder):

1. to receive a part of the Company's profit (dividend);
2. to receive a part of assets of the Company in liquidation;
3. to receive shares without payment if the authorised capital is increased out of the Company's funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting of Shareholders decides to withdraw the pre-emption right in the manner prescribed by the Lithuanian Law on Companies in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;

5. to lend to the Company in the manner prescribed by law; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;
6. to transfer all or part of the shares into the ownership of other persons;
7. to force other shareholders to sell their shares to them or to force other shareholders to buy their shares from them in cases and manner prescribed by the Law on the Law on Securities Market;
8. other property rights established by laws.

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

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

17. Restrictions on disposal of securities

There are no restrictions.

18. Shareholders

As at 31 December 2011, the total number of shareholders of Utenos Trikotažas AB was 1 305.

The table below indicates shareholders owning or holding more than 5 per cent of the Issuer's authorised share capital as at 31 December 2011.

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

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

There are no such shareholders.

20. All restrictions regarding voting rights

There are no restrictions.

21. All mutual agreements between shareholders of which the Issuer is aware and due to which restrictions on transfer of securities and/or voting rights may be imposed

There are no such agreements.

22. Personnel

Number of employees of the Group, by companies:

	2011.12.31	2010.12.31	Change, +/-
AB ,,Utenos trikotažas“	719	778	-59
AB ,,Šatrija“	225	219	6
OAO ,,MTF Mrija“	256	319	-63
UAB ,,Gotija“	4	4	-
	1 204	1 320	-116

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

	2011	**2010**	**Change (%)**
AB ,,Utenos trikotažas“	17 038	18 351	-7,1
AB ,,Šatrija“	4 804	4 976	-3,5
OAO ,,MTF Mrija“	2 064	2 272	-9,3
UAB ,,Gotija“	122	114	7,0
	24 028	25 713	-6,6

The employee distribution by education (according to 31 December, 2011):

Group of employees	Total	Employee distribution by education					
		Higher education	Non-higher professional education	Vocational education	Secondary	Basic	Higher non-university
Managers	4	4	-	-	-	-	-
Specialists	96	72	14	-	-	-	10
Workers	619	12	188	150	197	48	24
	719	88	202	150	197	48	34

23. Management of the Group companies

Company name	Managers
AB ,,Utenos trikotažas“	Gintautas Bareika
AB ,,Šatrija“	Giedrius Grondskis
OAO ,,MTF Mrija“	Roma Kupinienė
UAB ,,Gotija“	Zita Davtartienė

24. Management incentives

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

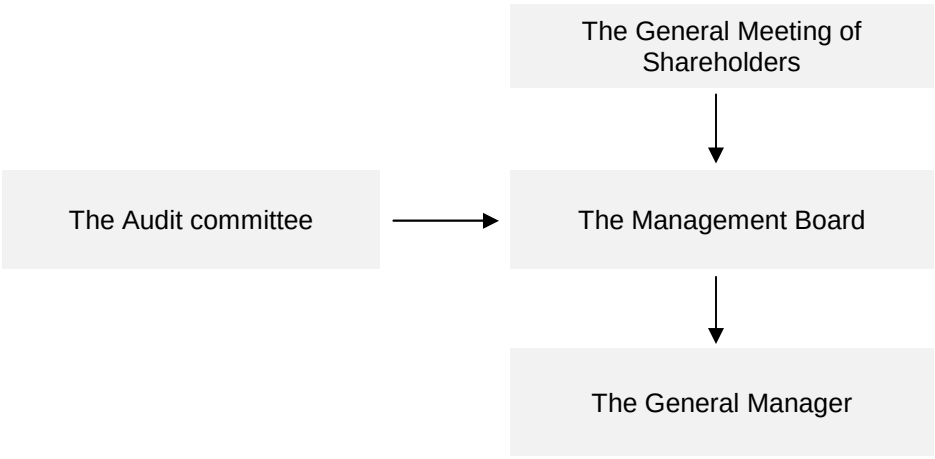
25. Amendment procedure of the Issuer’s Articles of Association

The Articles of Association of the Company shall be amended by the decision of the General Meeting of Shareholders adopted in the manner prescribed by laws, except in cases specified in the Lithuanian Law on

Companies. Following the decision by the General Meeting of Shareholders to amend the Company's Articles of Association, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Meeting of Shareholders. Amendments to the Articles of Association were made on 17 December 2009.

26. Issuer's management bodies

The management bodies of the Company are listed below:



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

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

The Board shall deliberate and approve the Company's operating strategy, management structure and job descriptions of employees. The Board shall elect and remove from office the Company Manager, fix his salary and set other terms of the employment contract. The Board shall specify information classified as the Company's commercial secret. The Board shall analyse and assess the Company's draft annual and consolidated financial statements and proposed profit (loss) appropriation and shall submit them to the General Meeting of Shareholders. The Board shall pass other decisions assigned within its powers by legal acts, by the Company's Articles of Association and by the decisions of the General Meeting of Shareholders. The Board shall have a responsibility of convening and arranging the General Meetings of Shareholders in due time. The Board of Utenos Trikotažas AB shall be composed of 4 members elected for the period of 4 years.

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

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

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

The Duties of the Audit Committee:

1. To observe the process of preparation of the Company's financial reports;
2. To review the systems of internal control, risk management and internal audit, if it exists in the Company;

3. To observe the process of external audit;
4. To observe how the external auditor or audit company follows the principles of independence and objectivity;
5. To provide the Board of the Company with written recommendations regarding the selection, appointment and recall of an external audit company.
6. To immediately inform the Managing Director of the company about information provided by the audit company to audit committee about audit related problematic issues especially when significant control defects related to financial statements occur.

Audit committee rights:

- To get complete information and (or) documents (their copies) needed for the audit committee to perform their duties. On the audit committee request Administration of the Company must provide the information and (or) documents (their copies) to the Audit committee per 3 working days.
- To get complete information on details of accounting, financial and other operations of the company. On the audit committee request Administration of the Company as well as on its own initiative must inform the audit committee of the methods used to account for significant and (or) unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshores and (or) activities carried out through special purpose vehicles (organizations), for the purpose to clarify the justification of such operations.

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

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

As at 31 December 2011:

Position	Name, surname	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
Board				
Chairman of the Board	Algirdas Šabūnas	**-**	2009.04.29	2013.04.29
Member of the Board	Gintautas Rudis	111	2009.04.29	2013.04.29
Member of the Board	Robertas Beržinskas	-	2009.04.29	2013.04.29
Member of the Board	Vytautas Vaškys	10	2009.04.29	2013.04.29
Head of Administration and the Chief Financial Officer				
General Manager	Nerijus Vilūnas	**-**	2008.09.17	2011.08.12
General Manager	Gintautas Bareika	**-**	2011.08.16	-
Finance Director	Saulius Rakauskis	**-**	2011.03.28	-

Information about board members:

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

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

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

Participation in the management of other companies:

UAB „Klaipėdos baldų prekyba“, the chairman of the board
AB „Šatrija“, the chairman of the board
UAB Koncernas „SBA“, the board member
UAB „PIĮ Grupė“, the board member

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

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

Working place: UAB „Enteco Baltic“, CEO.

Participation in the management of other companies:

UAB Koncernas „SBA“, the board member
UAB „PIĮ Grupė“, the board member
AB „Šatrija“, the board member
AB „Kauno baldai“, the chairman of supervisory board
AB „Šilutės baldai“, the chairman of supervisory board

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

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

Working place: private capital AmberTrust and AmberTrust II advisor.

Participation in the management of other companies: AB „Snaigė“, the board member

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

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

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

Participation in the management of other companies:

UAB „Enteco Baltic“, the chairman of the board
UAB „PIĮ Grupė“, the board member
UAB „SBA Baldų Kompanija“, the board member
ZAO „Novo Mebel“, the board member
UAB „Klaipėdos baldų prekyba“, the board member
AB „Šatrija“, the board member
OAO „Mrija“, the supervisory board member

In 2011, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2011, the aggregate remuneration of the Company General Manager and the Finance Director amounted to LTL 266.6 thousand.

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

28. Information about significant agreements

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

29. Information about the compliance with the Governance Code

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

30. Information about transactions with related parties

Results of transactions with related parties performed in 2011 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2011.

31. Data on publicly announced information

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

32. Company's auditor

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

To elect the audit company UAB "Ernst & Young Baltic" (company code 110878442) as the Company's audit enterprise for the period of two years: 2011 and 2012. To approve the annual remuneration for the audit services LTL 56 200 excl. VAT.
To conclude the agreement with UAB "Ernst & Young Baltic" for the audit services for the years 2011 -2012, with the provided possibility in the agreement, upon the decision of AB "Utenos trikotažas" general shareholder meeting, to extend the agreement for the year 2013.

33. General information on the Group of companies

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

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

Company name	**OAO Mukačevska Trikotažnaja Fabrika Mrija**
Legal form	Open public company
Date and place of incorporation	1971m. Matrosova 13, 89600 Mukačevo, Ukraine
Company code	00307253
Address	Matrosova 13, 89600 Mukačevo, Ukraine
Telephone	+ 380 (3131) 52780
Fax	+380 (3131) 52780
E-mail	mriya@mk.ukrtel.net
Website	www.mriyamukachevo.com
Principal activities	Production of knit-wear articles

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

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

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

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

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

34. Post balance sheet events

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

Moreover the financial ratios, to which the Company committed to comply with during the entire validity period of the contracts, were changed:

1) Group’s financial ratios:

a) DSCR (debt service coverage ratio) not lower than 1.2;

b) debt (excluding convertible bonds) to EBITDA ratio not higher than 4;

2) Company’s financial ratios:

a) equity (excluding revaluation reserve) to total assets ratio not lower than 0.3;

b) debt (excluding convertible bonds) to EBITDA ratio not higher than 4.

General Manager Gintautas Bareika 4 April 2012

APPENDIX TO THE ANNUAL REPORT

UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2011

Utenos Trikotažas AB (hereinafter "the Company") following paragraph 3 of Article 21 of the Law of the Republic of Lithuania on Public Trading in Securities and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Relevant matters are made public in the Company's internet site www.utenostrikotazas.lt and on the website of the Stock Exchange.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Every year the Company's board approves the plans of operation containing the description of the Company's development strategy for 2-3 upcoming years. All bodies of the Company are familiarised with the strategic objectives and the ways of their implementation as set forth in the plans of operation. The Company has implemented a motivation system, which ensures direct link between the strategic objectives and personal performance of individual employees.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the board, audit committee and chief executive officer (the supervisory board has not been set up).
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company has a collective employment contract in place. The board every quarter review employee related social questions.

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The supervisory board has not been set up, however, the general meeting of shareholders has elected the board. The Company's chief executive officer and the chairman of the board is not one and the same person.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions described in the recommendation are fulfilled at the Company by a collegial management body – the board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	Only one collegial body has been set up.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	No comments.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Company's board is composed of 4 members. The Company's chief executive officer and the chairman of the board is not one and the same person.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	There are no non-executive directors and the supervisory board.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company is in compliance with this recommendation. The Company has not set up the supervisory board, and the chairman of the board has never been in the past and currently is not the Company's chief executive officer.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	A collegial management body is set up in accordance with the requirements of the Lithuanian Law on Companies, and the shareholders are notified of candidates to become members of the Company's collegial management body.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	This information on candidates to the board was disclosed to the shareholders together with the notification on convening the general meeting of shareholders (in accordance with the requirements of the Lithuanian Law on Companies), which involved the election of members to the board, and the agenda of the general meeting of shareholders.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information published about the board members in the annual report: education, occupation, participation in the management of the other companies
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The members of the Company's management bodies are actively involved in a wide range of areas in other companies, which enables them to ensure an adequate competence in respect of their current functions.

3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Newly appointed members by collegial body are acquainted with their duties, the company's organization and operations.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1Part 1);	No	3 out of 4 members of the Management Board work in the companies related with the controlling shareholder.
5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant		

payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.	No	
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

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

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

4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Company's employees are not a members of the board.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far. The rights and duties of the audit committee are provided in the audit committee's regulations, confirmed during shareholder meeting 29 April 2009.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	The Audit Committee acts in accordance with the approved regulations of the Audit Committee.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The Audit committee is composed of 3 members (one of them is independent).
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	Yes. The Audit Committee acts in accordance with the approved regulations of the Audit Committee. The annual report does not include committee's reports.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	Yes. The audit committee has the right to invite the Company's Manager, members of the Board, the Chief Financier, other employees responsible for finances, as well as external auditors to attend its meetings.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	There is no Nomination Committee.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective	No	There is no Remuneration Committee.

information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made	Yes	The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.

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

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	A collegial body – the board – does not carry out any assessment of its activities. The board assesses the Company's annual performance.

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	No comments.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The board meetings are held at least once in a quarter or more often, if necessary.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	No comments.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	Not applicable, since only the board has been set up.

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

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company has no technical possibilities to use modern technologies in voting process during the general meetings of shareholders, and the shareholders have never requested so far to use modern technologies in voting process during the general meetings of shareholders.

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

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

8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.

financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	

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

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

Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	All information, except for certain items (see the note below), is disclosed in the Company's annual prospectus-reports, and posted on the websites of the Company and the Vilnius Stock Exchange. Note: The following information mentioned in paragraph 4 of recommendation item 10.1 is disclosed: members of the Company's supervisory and management bodies, chief executive officer of the Company (remuneration is not disclosed). Information mentioned in recommendation item 10.3 is not disclosed.

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

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Company is in compliance with this recommendation, where the Company's board proposes a candidate firm of auditors to the general meeting of shareholders.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	