

## **ARTICLES OF ASSOCIATION OF PUBLIC LIMITED COMPANY “UTENOS TRIKOTAŽAS”**

### **Article 1. General Part**

- 1.1. Public Limited Liability Company “Utenos trikotažas” (hereinafter referred to as “the Company”) is a legal entity whose authorised capital is divided into shares.
- 1.2. The Company possesses commercial, economic, financial and organisational independence. The Company has its own seal bearing the name of the Company.
- 1.3. The Company operates in compliance with the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania as well as other legal acts of the Republic of Lithuania, the present Articles of Association and the Company’s records.
- 1.4. The legal form of the Company is public limited liability company. The Company is a legal entity with a limited civil liability. The Company shall be liable for its obligations only to the extent of its assets. The shareholders shall be liable for the obligations of the Company only by the amounts which they must pay for their shares.
- 1.5. Address of the Company’s head office: J. Basanavičiaus str. 122, Utena, Republic of Lithuania.
- 1.6. The Company’s financial year shall be the calendar year.
- 1.7. The Company was incorporated for unlimited period.

### **Article 2. Purpose and Object of Business Activities**

- 2.1. The Company may carry out any legal business-commercial activities, including (without limitations) the following principle lines of activities (object of activities):
  - cotton-type weaving (17.21),
  - other textile weaving (17.25),
  - finishing of textiles (17.30),
  - manufacture of other textiles n.e.c. (17.54),
  - manufacture of knitted (hosiery) and crocheted articles (17.70),
  - manufacture of other outerwear (18.22),
  - manufacture of underwear (18.23),
  - manufacture of other wearing apparel and accessories n.e.c. (18.24),
  - collection, purification and distribution of water (41.00),
  - general construction of buildings and civil engineering works (45.21),
  - installation of electrical wiring and fittings (45.31),
  - insulation work activities (45.32),
  - plumbing and other facilities (45.33),
  - other building installation (45.34),
  - plastering (45.41),
  - joinery installation (45.42),
  - floor and wall covering (45.43),
  - painting and glazing (45.44),
  - other building completion (45.45),
  - wholesale of textiles (51.41),
  - wholesale of clothing and footwear (41.42),
  - other wholesale (51.90),

- retail sale of textiles (52.41),
  - retail sale of clothing (52.42),
  - other retail sale in specialized stores (52.48),
  - other non-store retail sale (52.63),
  - hotels (55.10),
  - freight transport by road (60.24),
  - cargo handling (63.11),
  - storage and warehousing (63.12),
  - other supporting land transport activities (63.21),
  - financial leasing (65.21),
  - other financial intermediation n.e.c. (65.23),
  - development and selling of real estate (70.11),
  - buying and selling of own real estate (70.12),
  - letting of property belonging by ownership or other right (70.20),
  - advertising (74.40),
  - miscellaneous business activities n.e.c. (74.80),
  - other human health care activities (85.14),
  - other lawful business activities.
- 2.2. The purpose of the Company's operations is to carry out commercial activities related to the above listed lines, to develop business and to ensure the efficient functioning of the Company, as well as to seek profit and to protect the interests of the Company and its shareholders.
- 2.3. The Company may be also engaged in other activities if it does not contravene to the purpose of the Company's activities and laws. The Company is entitled to carry out the licensed activities only after having obtained corresponding licenses and (or) permits in compliance with the established procedure.

### **Article 3. Authorised Capital and Shares of the Company**

- 3.1. **The authorized capital of the Company is LTL 5 000 000 (five million litas).** The authorised capital of the Company is divided into 5 000 000 (five million) ordinary registered shares with a nominal value of LTL 1 (one litas) each.
- 3.2. All shares issued by the Company shall be uncertificated ordinary registered shares. The shares shall be recorded as entries in personal securities accounts of shareholders which shall be operated according to the procedure laid down in the legal acts regulating the securities market.
- 3.3. The reserves of the Company shall be formed and used in compliance with the Law on Companies and Business Accounting Standards.

### **Article 4. Rights of Shareholders**

- 4.1. Each ordinary registered share entitles its holder to one vote at the general meeting of the Company's shareholders (hereinafter referred to as "the General Meeting"), except in cases provided for by law.
- 4.2. The shareholders shall have the following property rights:
- 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 funds, except in cases provided for by law;

- 4) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders in compliance with the procedure established for by these Articles of Association;
  - 5) to lend to the Company in the manner prescribed by law;
  - 6) to receive funds of the Company if the authorised capital is reduced for the purpose of paying out funds of the Company to the shareholders;
  - 7) other property rights established by laws.
- 4.3. The shareholders shall have the following non-property rights:
- 1) to attend the General Meetings with a decisive vote if otherwise is not provided by laws or the Articles of the Company;
  - 2) to raise questions to the Company in advance on the issues of the agenda of the General Meeting;
  - 3) to vote at the General Meeting according to the rights granted by the shares;
  - 4) to receive information on the Company provided for by laws;
  - 5) to appeal to the court against resolutions or acts of the Company's Board (hereinafter referred to as "the Board") and the Managing Director;
  - 6) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company's Managing Director and the Board's members of their obligations as well as in other cases laid down by laws;
  - 7) to transfer the right to vote at the General Meeting to any third person. The Managing Director of the Company must be informed about such transfer of the rights by submitting copies of a respective agreement and (or) power of attorney within 7 (seven) calendar days from the subscription of corresponding documents;
  - 8) other non-property rights established by laws or the Articles of Association of the Company.

### **Article 5. Company Organs**

- 5.1. The management organs of the Company shall include: the General Meeting, the Board and a single-person management organ - head of the Company - the Managing Director.
- 5.2. The General Meeting is the supreme management organ of the Company.
- 5.3. The Supervisory Board shall not be formed in the Company.
- 5.4. A member of the Company's management organ may enter into agreement with the Company. The member of the Company's management organ shall inform the shareholders of the Company in writing or orally (including it to the minutes) about such transaction and its circumstances if his/her interests contradict to the interests of the Company no later than in the next General Meeting.

### **Article 6. The General Meeting**

- 6.1. Only the General Meeting may:
  - 1) amend the Articles of the Company, except for the cases provided for by laws;
  - 2) elect single members of the Board or the Board as a whole;
  - 3) dismiss single members of the Board or the Board as a whole;
  - 4) elect and dismiss the firm of auditors and fix the conditions of payment for auditing services;

- 5) determine the type, class, number and set the minimum issue price of the shares issued by the Company;
- 6) adopt a resolution to exchange the Company's shares of one type or class for those of another type or class, approve the procedure of exchange of shares;
- 7) approve the annual financial statement;
- 8) adopt a resolution on the appropriation of the profit (loss);
- 9) adopt a resolution to build up, use, reduce and liquidate reserves;
- 10) adopt a resolution to issue convertible debentures;
- 11) adopt a resolution to withdraw for all the shareholders the pre-emptive right to acquire the shares or convertible debentures of the specific issue of shares or convertible debentures issued by the Company;
- 12) adopt a resolution to increase the authorised capital of the Company;
- 13) adopt a resolution to reduce the authorised capital of the Company, with the exception of cases provided for by laws;
- 14) adopt a resolution for the Company to purchase its own shares;
- 15) adopt a resolution on reorganisation or division of the Company and approve the terms and project of reorganisation or division;
- 16) adopt a resolution to rearrange the Company;
- 17) adopt a resolution to restructure the Company;
- 18) adopt a resolution to liquidate the Company or to cancel the liquidation of the Company, with the exception of the cases provided for by laws;
- 19) elect and dismiss the liquidator of the Company, with the exception of the cases provided for by laws.

6.2. The General Meeting of the Company shall be convened in the manner prescribed by laws.

6.3. A General Meeting may take decisions and shall be held valid if attended by shareholders who hold shares carrying not less than 1/2 (half) of all votes.

6.4. A decision of the General Meeting shall be considered taken if more votes of the shareholders have been cast "for" it than "against" it, with the exception of undermentioned issues. The decisions of the General Meeting related to the election of the Company's Board shall be adopted in compliance with the procedure provided for by laws. The decisions to amend the Articles of the Company, to determine the type, class, number and set the minimum issue price of the shares issued by the Company, to exchange the Company's shares of one type or class for those of another type or class, approve the procedure of exchange of shares, on the appropriation of the profit (loss), to build up, use, reduce and liquidate reserves, to issue convertible debentures, to increase and to reduce the authorised capital of the Company as well as the decisions on reorganisation or division of the Company and approval of the terms of reorganisation or division, on rearrangement of the Company, restructuring of the Company, liquidation of the Company or cancelation of the liquidation of the Company shall be adopted by not less than 2/3 (two thirds) of all the votes carried by the shares held by the shareholders attending the General Meeting. The decision to withdraw for all shareholders the pre-emption right in acquiring the Company's newly issued shares or convertible debentures of a specific issue shall require a qualified majority vote that shall be not less than 3/4 (three fourths) of all votes conferred by the shares of the shareholders present at the General Meeting and entitled to decide on the issue.

6.5. A shareholder of the Company shall be entitled to authorise other person to vote on his/her behalf in the General Meeting. A shareholder may vote in writing by filling in the ballot papers. Voting by telecommunication terminal equipment shall be equivalent to voting in

writing provided that confidentiality of communications is guaranteed and there are means for verifying the signature.

- 6.6. Minutes shall be taken of all General Meetings in compliance with the procedure provided for by laws. The minutes shall be signed by the chairman and secretary of the General Meeting and may also be signed by the persons authorised by the General Meeting. Where the secretary of the Meeting is not elected, the minutes shall be signed by the chairman of the General Meeting. In case all shareholders attending the Meeting voted in writing, the Managing Director of the Company shall draw up and sign the minutes recording the votes cast. The minutes shall be drawn up and signed not later than within 7 (seven) days after the date of the General Meeting. Persons who attended the General Meeting shall be entitled to have access to the minutes and submit their comments or opinion in writing on the facts presented in the minutes and the drawing up thereof within 3 (three) days from the moment of access but not later than within 10 (ten) days after the General Meeting. The following documents shall be attached to the minutes: the list of registration of the shareholders who attended the meeting; the proxies and other documents certifying the persons' voting right; the general ballot papers of the shareholders who voted in advance in writing; documentary proof that the shareholders having been notified of the General Meeting; comments on the minutes and conclusion on the comments given by the persons who signed the minutes.
- 6.7. The General Meeting in the decision to issue a convertible bonds, may decide to adopt the following decisions only if the prior consent of the convertible bonds holder(s) is received:
- 1) to increase the authorised capital of the Company;
  - 2) to issue convertible bonds;
  - 3) to issue new shares or to determine the type, class, number and set the nominal value and the minimum issue price of the shares issued by the Company;
  - 4) to exchange the Company's shares of one class for those of another class, approve the procedure of exchange of shares;
  - 5) to payout dividends or to appropriate the profit (part of the profit) of the Company to the shareholders of the Company;
  - 6) to adopt a resolution on reorganisation or division of the Company and to approve the terms of reorganisation or division;
  - 7) to rearrange, restructure or to liquidate the Company;
  - 8) to delist ordinary registered shares of the Company;
  - 9) to amend the By-laws of the Company if the amendments have an influence on the rights of the convertible bonds holders indicated in the decision of the General Meeting.

## **Article 7. The Board**

- 7.1. The Board shall be formed by 4 (four) members. The Board shall be elected by the General Meeting in compliance with the procedure provided for by laws.
- 7.2. The Board shall be elected for the term of 4 (four) years.
- 7.3. The Board shall start its work after the completion of the General Meeting which elected the Board if the decision of the General Meeting does not provide otherwise. The Board shall continue in office for the period laid down in the Articles of Association or until a new Board is elected and assumes the office but for not longer than the Annual General Meeting during the final year of its term of office.
- 7.4. The Board shall elect its chairman from among its members.
- 7.5. The General Meeting may remove from office the entire Board or its individual members before the expiry of their term of office.
- 7.6. The Board shall consider and approve:

- 1) the operating strategy of the Company;
  - 2) the annual report of the Company;
  - 3) the management structure of the Company and the positions of the employees;
  - 4) the positions to which employees are recruited by holding competitions;
  - 5) regulations of branches and representative offices of the Company.
- 7.7. The Board shall elect and remove from office the Managing Director of the Company, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for him and impose penalties.
- 7.8. The Board shall determine which information shall be considered to be the Company's commercial (industrial) secret and confidential information.
- 7.9. The Board shall analyse and evaluate the documents submitted by the Managing Director of the Company on:
- 1) the implementation of the operating strategy of the Company;
  - 2) the organisation of the activities of the Company;
  - 3) the financial status of the Company;
  - 4) the results of business activities, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.
- 7.10. The Board shall analyse and assess the Company's draft annual accounts and draft of profit/loss appropriation and shall submit them to the General Meeting together with the annual report of the Company.
- 7.11. The Board shall determine the methods used by the Company to calculate the depreciation of tangible assets and the amortisation of intangible assets.
- 7.12. The Board shall take the following decisions:
- 1) decisions to incorporate other legal entities or to acquire their shares (units), to reorganise or liquidate other legal entities, to transfer shares (units) or a substantial share of the assets of other legal entities, to increase or to reduce authorised capital of other legal entities and to acquire their newly issued shares (units), to elect and to dismiss heads of branches of the Company (including the Board members, managers and other members appointed by the shareholders to such company organs) as well as to fix their salary;
  - 2) decisions to open or liquidate branches and representative offices of the Company, to approve their regulations, to elect and to dismiss their heads and to fix their salary;
  - 3) decisions to approve and to amend work regulations of the Board;
  - 4) decisions to approve and to amend operating plan and annual budget of the Company (or legal entities controlled by the Company);
  - 5) decisions on performance of joint activities (according to agreement or otherwise) with any third persons;
  - 6) decisions to invest, dispose of or lease the tangible long-term assets the book value whereof exceeds 1/20 (one twentieth) of the authorised capital of the Company (calculated individually for every type of transaction; values shall be established individually for every type of transaction or as the total amount of all transactions made within financial year, if the total amount of the lesser transactions made within such year exceeds the established amount);
  - 7) decisions to pledge or mortgage the tangible long-term assets Company;
  - 8) decisions to offer surety or guarantee for the discharge of obligations of third persons;
  - 9) decisions to acquire the tangible long-term assets the price whereof exceeds 1/20 (one twentieth) of the authorised capital of the Company (values shall be established individually for every type of transaction or as the total amount of all transactions made

- within financial year, if the total amount of the lesser transactions made within such year exceeds the established amount);
- 10) decisions to take out or give loans and to conclude, amend or terminate loan agreements, except of provision of trade credit to customers which amount is established by the Board;
  - 11) decisions to conclude, amend or terminate contracts between the Company, on the one hand, and the Managing Director or related to him persons (a related person shall be understood as (a) company which is directly or indirectly controlled by such person or his family members, (b) family members of such person), on the other hand;
  - 12) decisions to establish or to alter the rights and the limits of powers of the Managing Director;
  - 13) decisions to start judicial proceedings or arbitration proceedings on behalf of the Company or to represent the Company in the already started proceedings, in cases when the Board considers it necessary and the Managing Director fails to do so;
  - 14) decisions to issue debentures;
  - 15) decisions to restructure the Company in the cases laid down in laws;
  - 16) other decisions within the powers of the Board as prescribed by the Articles of Association or the decisions of the General Meeting and to take the decisions on issues which fall outside the competence of other organs of the Company according to laws or these Article of Association.
- 7.13. It shall be the duty of the Board to convene and organise General Meetings in due time.
- 7.14. The procedure of work of the Board shall be laid down in the rules of procedure of the Board. The Board may adopt decisions and its meeting shall be considered to be held if more than 2/3 (two thirds) of the Board members are present at the Meeting. A member of the Board shall be entitled to one vote during voting. The decision of the Board shall be taken if the number of votes cast “for” it is greater that the number of votes cast “against”. Should the number “for” and “against” is equal, the Chairman will have a casting vote.
- 7.15. The Board shall invite the Managing Director to every meeting and give him access to information on the issues on the agenda.
- 7.16. Members of the Board shall be under duty not to divulge any commercial (industrial) secrets of the Company which they learned serving on the Board.
- 7.17. The members of the Board shall be liable for their actions according to the procedure provided for by laws.

## **Article 8. Head of the Company**

- 8.1. Head of the Company – the Managing Director shall organise and manage everyday business activities of the Company.
- 8.2. The Managing Director shall be entitled to the following within the limits of competence approved by the Board and (or) the General Meeting:
- 1) to organise the activities of the Company and to implement its objectives;
  - 2) to issue orders regulating the work of the administration;
  - 3) to employ and dismiss employees of the Company, to conclude and terminate employment contracts, to give bonuses and fines as well as to fix salaries to the employees of the Company;
  - 4) to open and to close bank accounts and to dispose funds of the Company held in such accounts;
  - 5) to represent the Company in court, arbitration, other institutions and in relations with third persons;

- 6) to issue a procuration to act in compliance with the procedure provided for by laws;
  - 7) to guarantee the protection of the Company's assets, creation of normal work conditions to the employees of the Company, keeping of commercial (industrial) secrets and confidential information of the Company;
  - 8) to be responsible for the drawing up of the annual financial statements and the drafting of the annual report of the Company;
  - 9) to submit information and documents to the General Meeting and the Board in cases laid down in laws or at their request;
  - 10) to publicize information referred to in laws in the daily indicated in the Articles of Association;
  - 11) to submit the established information to shareholders;
  - 12) to fulfil other duties laid down in laws as well as in the Articles of Association and the decisions of the General Meeting and (or) the Board.
- 8.3. The Managing Director shall be elected and removed from office by the Board. A person may not be the Managing Director of the Company if under the legal acts he is not entitled to hold the position. A person authorised by the Board of the Company must within 5 days notify the manager of the Register of Legal Entities of the election or removal from office of the Managing Director of the Company as well as the expiry of his contract for other reasons.
- 8.4. The Managing Director, following the Articles of Association, decisions of the Board and work regulations of the Managing Director, shall be entitled to enter into (to sign) the transactions of the Company. The Managing Director may conclude the transactions referred to in subparagraphs 5-11 of paragraph 7.12 of the Articles of Association provided that there is a decision of the Board to enter into these transactions. Following the procedure provided for by laws, the Managing Director may issue a procuration and to entitle other persons to enter into (to sign) the transactions of the Company.
- 8.5. The Managing Director shall be responsible for his actions according to laws.

### **Article 9. Audit of the Company**

- 9.1. Only the audited consolidated annual financial statements of the Company shall be approved. The General Meeting shall elect the firm of auditors (auditor) to exercise control over the Company's activities for the term set by the General Meeting.
- 9.2. At the end of financial year until the ordinary General Meeting, the firm of auditors (auditor) elected by the General Meeting shall audit the consolidated annual financial statements and annual report of the Company.
- 9.3. The firm of auditors (auditor) elected by the General Meeting must keep the Company's commercial secrets divulged to him in the exercise of control over the Company's financial activities confidential.
- 9.4. The firm of auditors (auditor) elected by the General Meeting shall be liable for unsatisfactory control of the Company's activities and concealing of shortcomings in the activities according to laws. The Managing Director of the Company must ensure that all documents of the Company specified in the contract with the firm of auditors and necessary for the indicated audit should be submitted to the auditor.

### **Article 10. Affiliates and Representative Offices of the Company**

- 10.1. Affiliates and (or) representative offices of the Company shall be incorporated and their activity shall be terminated by the decision of the Board. The number of affiliates and (or) representative offices of the Company shall be unlimited.



- 10.2. Affiliates and (or) representative offices of the Company shall act according to the regulations of affiliates and (or) representative offices which shall be approved by the Board.
- 10.3. Heads of affiliates and (or) representative offices of the Company shall be appointed and removed from office by the decision of the Board and following the regulations of affiliates and (or) representative offices approved by the Board.

### **Article 11. Procedure of Publication of the Company's Notices**

- 11.1. Notices of the Company, including information and other documents, related to convening of the General Meeting, as well as notices and information about the reorganisation and liquidation of the Company, decisions of the General Meeting and other notices and documents that must be given for familiarisation of the shareholders and (or) other persons according to laws, shall be published in the daily "Lietuvos rytas" or shall be sent by registered mail or handed in to a person against by his/her signature. If necessary, the notices may be sent by fax and later on by registered mail and handed in to a person against by his/her signature.
- 11.2. The notices of the Company shall be sent within the established time limits and in case such limits are not established, the notices shall be published and (or) sent no later than within 15 (fifteen) days from the adoption of a respective decision or other document or producing of the information to the Managing Director.
- 11.3. The Managing Director shall be responsible for the timely publication and (or) dispatch of the notices.
- 11.4. The notices to the shareholders and other persons shall be sent to the last addresses indicated by them. A shareholder must inform the Company in advance about the change of the address (registered office).
- 11.5. If a shareholder's address (registered office) is unknown and reasonable attempts to know it gave no results or it is impossible to send a notice to the shareholder by registered mail or to hand it under signature due to reasons beyond the Company's control, such notice as well as other notices of the Company that must be public according to laws, shall be published in the daily "Lietuvos rytas".

### **Article 12. Procedure for Presentation of the Company's Records and Other Information to the Shareholders**

- 12.1. At the shareholder's written request the Company must within 7 working days from the receipt of the request present to him for inspection and/or copying the records as follows: Articles of the Company, annual financial statements, annual reports of the Company, auditor's findings and reports, minutes of the General Meetings or other records where resolutions of the General Meeting of Shareholders have been entered, the register of shareholders and the Board members as well as other records of the Company that must be public according to laws. The Company shall also present minutes of the Board meetings or other records where resolutions of the Board of the Company have been entered, provided that such records contain no commercial (industrial) secret or confidential information. The register of the shareholders of the Company submitted to the shareholders must contain, according to the recent data hold by the Company, names, surnames of natural persons and names of legal entities, number of registered shares hold by the shareholders of the Company by ownership right as well as addresses of the shareholders for correspondence. Having given a written pledge not to disclose the commercial (industrial) secret, the

shareholder or the group of shareholders who owns shares the total nominal value whereof accounts for more than 1/2 of the Company's authorised capital shall have the right of access to records of the Company. The Company shall present other information and documents to the shareholders if it is required according to laws. The Company may refuse to provide shareholders access to the documents and (or) to provide the copies thereof, if it is impossible to identify the shareholder who requested the documents. At the shareholder's request, refusal to present the requested documents must be executed in writing. Disputes relating to the shareholder's right to the information shall be settled in court.

12.2. Documents of the Company, their copies and other information shall be given to the shareholders in the head office of the Company. The Managing Director shall be liable for presentation of the Company's documents and other information to the shareholders and other persons.

12.3. Documents of the Company and other information shall be presented to the shareholders for the charge which may not exceed the costs of furnishing of such documents and other information. The actual charge shall be fixed by the Managing Director. On the decision of the Managing Director, the information and other documents may be issued to the shareholders free of charge.

Date: \_\_\_\_\_

Gintautas Bareika \_\_\_\_\_  
(signature)

Managing Director of AB "Utenos trikotažas"