

APB APRANGA

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

for the year ended 31 December 2006

APB APRANGA

Company's code 121933274, Kirtimų 51, Vilnius

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Independent auditor's report

To the Shareholders of Apranga APB

Report on the financial statements

We have audited the accompanying consolidated financial statements of Apranga APB and its subsidiaries ('the Group') and the financial statements of Apranga APB ('the Company') set out in pages 5 - 37 which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As discussed in Note 16 to the accompanying financial statements, the balance of non-current assets held for sale as at 31 December 2006 and 2005 comprises cost of investments in subsidiaries amounting to LTL 1,118 thousand and LTL 9,078 thousand respectively. In our opinion, such presentation of investments in subsidiaries is not in line with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as the criteria to be classified as held for sale were not met and consequently, these investments in subsidiaries should be reclassified from current to non-current assets in the financial statements of the Company as of 31 December 2006 and 2005 and should be consolidated in the financial statements of the Group as of 31 December 2006 and 2005 in accordance with IAS 27 Consolidated and Separate Financial Statements.

Qualified Opinion

In our opinion, except for the effect of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2006 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.


Other Matters

The financial statements of the Group and the Company as of 31 December 2005 were audited by other auditors whose report, dated 31 March 2006, expressed an unqualified opinion on those statements.

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2006 set out on pages 38 – 68 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2006.

On behalf of PricewaterhouseCoopers UAB



Christopher C. Butler
Partner

Vilnius, Republic of Lithuania
18 April 2007



Rasa Radzevičienė
Auditor's Certificate No.000377


APB APRANGA, company's code 121933274, Kirtimų 51, Vilnius
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006
(all amounts are in LTL thousands unless otherwise stated)

INCOME STATEMENTS

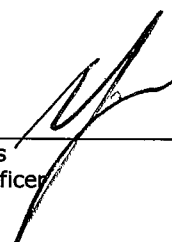
	Note	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2006	2005 restated	2006	2005 restated
Revenue	4	253,489	170,058	151,055	110,255
Cost of sales	5	(139,311)	(94,883)	(98,212)	(71,544)
Gross profit		114,178	75,175	52,843	38,711
Selling costs	5	(80,921)	(56,461)	(41,998)	(30,704)
General and administrative expenses	5	(11,856)	(6,995)	(8,994)	(5,955)
Other income	6	1,071	1,160	9,837	4,353
Net foreign exchange gain (loss)		292	212	(12)	(27)
Operating profit		22,764	13,091	11,676	6,378
Finance costs	7	(1,714)	(1,998)	(1,544)	(1,540)
Profit before income tax		21,050	11,093	10,132	4,838
Income tax expense	8	(3,614)	(2,194)	(759)	(858)
PROFIT FOR THE YEAR	11	17,436	8,899	9,373	3,980
Basic and diluted earnings per share (in LTL)	11	0.49	0.25	0.27	0.11

The notes on pages 5 to 37 are an integral part of these financial statements.

These financial statements were approved by Management Board on 18 April 2007 and signed by:



Rimantas Perveneckas
General Director



Vaidas Savukynas
Chief Financial Officer

APB APRANGA, company's code 121933274, Kirtimų 51, Vilnius
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006


(all amounts are in LTL thousands unless otherwise stated)

BALANCE SHEETS

	Note	Group		Company	
		As at 31 December 2006	2005 restated	As at 31 December 2006	2005 restated
ASSETS					
Non-current assets					
Property, plant and equipment	12	84,598	61,430	54,315	39,231
Intangible assets	13	721	515	509	425
Investments in subsidiaries	14	-	-	8,453	6,608
Receivables and prepayments	17	894	481	551	332
		86,213	62,426	63,828	46,596
Current assets					
Inventories	15	48,626	38,366	31,179	25,586
Non-current assets held for sale	16	1,118	9,078	1,118	9,078
Trade and other receivables	17	2,436	5,379	18,495	13,510
Cash and cash equivalents	18	4,770	2,516	2,312	1,352
		56,950	55,339	53,104	49,526
TOTAL ASSETS		143,163	117,765	116,932	96,122
EQUITY AND LIABILITIES					
Equity					
Ordinary shares	19	35,292	35,292	35,292	35,292
Legal reserve		1,081	882	1,081	882
Translation difference		(178)	(167)	-	-
Retained earnings	20	30,293	15,190	16,909	9,853
		66,488	51,197	53,282	46,027
Non-current liabilities					
Borrowings	21	16,567	-	16,567	-
Bonds issued	23	-	20,000	-	20,000
Deferred tax liabilities	9	2,091	1,965	525	724
Obligations under finance leases	22	37	301	37	301
Other liabilities		87	85	86	85
		18,782	22,351	17,215	21,110
Current liabilities					
Borrowings	21	7,844	22,463	6,273	16,026
Bonds issued	23	20,436	436	20,436	436
Obligations under finance leases	22	18	625	18	625
Current income tax liability		1,668	129	178	-
Trade and other payables	24	27,927	20,564	19,530	11,898
		57,893	44,217	46,435	28,985
Total liabilities		76,675	66,568	63,650	50,095
TOTAL EQUITY AND LIABILITIES		143,163	117,765	116,932	96,122

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CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(all amounts are in LTL thousands unless otherwise stated)

STATEMENTS OF CHANGES IN EQUITY

GROUP

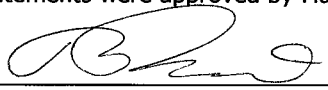
	Notes	Share capital	Legal reserve	Share premium	Translation reserve	Retained earnings	Total
Balance at 1 January 2005		8,823	748	441	(212)	34,482	44,282
Currency translation differences – recognised directly in equity		-	-	-	45	-	45
Net profit for the year (restated)	27	-	-	-	-	8,899	8,899
Total recognised income and expenses for 2005		-	-	-	45	8,899	8,944
Transfer to legal reserve		-	134	-	-	(134)	-
Shares issue	19	26,469	-	(441)	-	(26,028)	-
Dividends paid	10	-	-	-	-	(2,029)	(2,029)
Balance at 31 December 2005 (restated)		35,292	882	-	(167)	15,190	51,197
Currency translation differences – recognised directly in equity		-	-	-	(11)	(16)	(27)
Net profit for the year		-	-	-	-	17,436	17,436
Total recognised income and expenses for 2006		-	-	-	(11)	17,420	17,409
Transfer to legal reserve		-	199	-	-	(199)	-
Dividends paid	10	-	-	-	-	(2,118)	(2,118)
Balance at 31 December 2006		35,292	1,081	-	(178)	30,293	66,488

COMPANY

	Notes	Share capital	Legal reserve	Share premium	Retained earnings	Total
Balance at 1 January 2005		8,823	748	441	34,064	44,076
Transfer to legal reserve		-	134	-	(134)	-
Shares issue	19	26,469	-	(441)	(26,028)	-
Dividends paid	10	-	-	-	(2,029)	(2,029)
Net profit for the year		-	-	-	3,980	3,980
Balance at 31 December 2005		35,292	882	-	9,853	46,027
Transfer to legal reserve		-	199	-	(199)	-
Dividends paid	10	-	-	-	(2,118)	(2,118)
Net profit for the year		-	-	-	9,373	9,373
Balance at 31 December 2006		35,292	1,081	-	16,909	53,282

The notes on pages 5 to 37 are an integral part of these financial statements.

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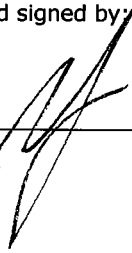
STATEMENTS OF CASH FLOW

	Notes	Group		Company	
		Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2006	Year ended 31 December 2005
OPERATING ACTIVITIES					
Profit before income taxes		21,050	11,093	10,132	4,838
Adjustments for:					
Depreciation and amortization	5	11,752	9,060	5,352	4,115
Change in allowances for doubtful receivables	17	-	17	-	(8)
Change in allowances for slow-moving inventories	5	1,493	717	1,493	717
Gain on disposal of property, plant and equipment	6	(37)	(13)	(37)	(13)
Write-off of property, plant and equipment		167	-	131	-
Dividends income	6	-	-	(4,031)	-
Interest expenses, net	6,7	1,711	1,996	1,251	1,135
		36,136	22,870	14,291	10,784
Changes in operating assets and liabilities:					
(Increase) in inventories		(11,753)	(7,883)	(7,086)	(2,700)
Decrease (increase) in receivables		2,122	(1,889)	(1,836)	(1,073)
Unrealized foreign exchange loss		(28)	61	-	-
Increase in payables		7,354	5,932	7,997	3,672
Cash generated from operations		33,831	19,091	13,366	10,683
Income taxes paid		(1,226)	(1,293)	(57)	(868)
Interest paid		(1,714)	(1,718)	(1,544)	(1,260)
Net cash from operating activities		30,891	16,080	11,765	8,555
INVESTING ACTIVITIES					
Interest received		3	2	293	405
Dividends received	6	-	-	1,525	-
Loans granted to subsidiaries		-	-	(3,479)	-
Loans repayments received from subsidiaries		-	-	-	6,805
Purchases of property, plant and equipment and intangible assets		(32,618)	(12,618)	(13,048)	(9,462)
Proceeds on disposal of property, plant and equipment		5,019	467	90	467
Investment in subsidiaries	14	-	-	(2,517)	(2,125)
Net cash used in investing activities		(27,596)	(12,149)	(17,136)	(3,910)
FINANCING ACTIVITIES					
Dividends paid	10,19	(2,118)	(2,029)	(2,118)	(2,029)
Proceeds from borrowings		16,977	7,178	46,710	125
Repayments of borrowings		(10,561)	(19,430)	(34,954)	(12,251)
Repayments of obligations under finance leases		(871)	(601)	(871)	(601)
Bonds redemption		-	(7,000)	-	(7,000)
Proceeds from issue of bonds		-	20,000	-	20,000
Net cash (used in) / generated from financing activities		3,427	(1,882)	8,767	(1,756)
NET INCREASE IN CASH AND BANK OVERDRAFTS		6,722	2,049	3,396	2,889
CASH AND BANK OVERDRAFTS:					
AT THE BEGINNING OF THE YEAR	18	(9,796)	(11,845)	(4,398)	(7,287)
AT THE END OF THE YEAR	18	(3,074)	(9,796)	(1,002)	(4,398)

The notes on pages 5 to 36 are an integral part of these financial statements.

These financial statements were approved by Management Board on 18 April 2007 and signed by:


Rimantas Perveneckas
General Director


Vaidas Savukynas
Chief Financial Officer

APB APRANGA, company's code 121933274, Kirtimų 51, Vilnius
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(all amounts are in LTL thousands unless otherwise stated)

1. GENERAL INFORMATION

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

At 31 December the Company's shareholders were:

	2006		2005	
	Number of shares	% of total ownership	Number of shares	% of total ownership
UAB MG Baltic investment	18,512,896	52.5	18,296,168	51.8
Other	16,779,064	47.5	16,995,792	48.2
Total	35,291,960	100.0	35,291,960	100.0

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

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

The Company is listed on Vilnius Stock Exchange.

At 31 December 2006 the Group consisted of the Company and the following its wholly owned subsidiaries:

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

* established during the year ended 31 December 2006. (Note 14)

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

Country	Total number of shops		Shops, owned by Group	
	2006	2005	2006	2005
Lithuania	47	38	7	7
Latvia	15	12	-	-
Estonia	3	1	-	-
Total	65	51	7	7

At 31 December 2006 the Group and the Company employed 1,170 and 647 people respectively (2005: 870 and 521 people respectively).

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NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
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(all amounts are in LTL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE PRINCIPLE ACCOUNTING POLICIES APPLIED IN THE PREPARATION OF THESE FINANCIAL STATEMENTS ARE SET OUT BELOW. THESE POLICIES HAVE BEEN CONSISTENTLY APPLIED TO ALL THE YEARS PRESENTED, UNLESS OTHERWISE STATED.

2.1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with in with International Financial Reporting Standards as adopted by the EU.

All International Financial Reporting Standards issued by the IASB and effective at the time of preparing these statements have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following the Accounting Regulatory Committee decision of October 2004, the Commission adopted the Regulation 2086/2004 and 1864/2005 requiring the use of IAS 39, excluding certain provisions on portfolio hedging of core deposits, by all listed companies. The Group and the Company are not affected by the provisions regarding portfolio hedging that are not required by the EU-endorsed version of IAS 39.

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

2.2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Consolidation of subsidiaries

Subsidiaries UAB Apranga BPB LT, UAB Apranga PLT operating brands of INDITEX Group (BERSHKA, PULL & BEAR) are consolidated although the Company issued irrevocable call options to INDITEX Group granting the right to purchase up to 100% of shares of those subsidiaries after 3 years from establishment of subsidiaries (Note 26). The options are firmly and irrevocably granted so that the Company waived the right that it might have to revoke them. Management of the Company believes that it is appropriate to consolidate these subsidiaries considering that (1) the control over subsidiaries is exercised, i.e. the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities is retained by the Company, (2) the options are not currently exercisable, and (3) there are no indications that INDITEX Group would intend to exercise its call options after they become exercisable. The fair value of those call options is not material and they have not been recognised in these financial statements.

(b) Income taxes

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

(c) Related party transactions

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

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

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2.2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(d) Revenue recognition

Management judgment is needed to determine whether revenue for certain sales transactions should be recorded on a gross basis or on a net basis. Revenue is recognised on a gross basis where the role is that of principal in a transaction. The gross basis represents the sales price after discounts, with any related costs charged to expenses. Where the Company or the Group would act as an agent in a transaction, revenue would be recognised on the net basis.

The contract with one of apparel suppliers has an element of consignment arrangement. The supplier is bearing obsolescence risk, i.e. the Company and the Group is required to return stock after the end of the season in order only new fashion goods are sold to customers. However, considering that (1) the sales prices and gross margin levels are determined by the agreement of the parties and (2) the title of the goods is passed to the Company and the Group upon delivery, management of the Company considers that it is appropriate to record the revenue on these sales on a gross rather than net basis. Respective amounts of revenue, costs of sales and inventories included into financial statements of the Company and the Group as of 31 December 2006 and 2005 and for the years then ended are as follows:

	<u>2006</u>	<u>2005</u>
Revenue	10,638	9,973
Cost of sales	6,159	5,817
Inventory balance	<u>2,553</u>	<u>1,351</u>

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

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

2.3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company and the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006.

(a) Standards, amendments and interpretations adopted in 2006

Amendments to IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 4 Insurance Contracts - Financial Guarantee Contracts are mandatory for Company's and Group's accounting periods beginning on or after 1 January 2006. These amendments are intended to ensure that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet. As the estimated fair value of financial guarantee contracts issued by the Company and the Group was not material as at 1 January 2005 and 31 December 2005, adoption of this standard did not have any material impact on the Company's and the Group's accounts.

(b) Standards, amendments to standards and interpretations effective in 2006 but not relevant

Amendment to IAS 19, 'Actuarial gains and losses, group plans and disclosures'. This amendment is not relevant to the Group and the Company;

Amendment to IAS 39, Amendment to 'The fair value option'. This amendment is not relevant to the Group and the Company;

Amendment to IAS 21, Amendment 'Net investment in a foreign operation'. This amendment is not relevant to the Group and the Company;

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NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
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(all amounts are in LTL thousands unless otherwise stated)

2.3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendment to IAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions'. This amendment is not relevant to the Group and the Company;

IFRS 6, 'Exploration for and evaluation of mineral resources'. This standard is not relevant to the Group and the Company;

IFRIC 4, 'Determining whether an arrangement contains a lease'. The Group and the Company have reviewed its contracts. No impact was identified;

IFRIC 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds'. This interpretation is not relevant to the Group and the Company;

IFRIC 6, 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment'. This standard is not relevant to the Group and the Company;

Amendment to IFRS 1 'First-time adoption of International Financial Reporting Standards' ad IFRS 6, 'Exploration for and evaluation of mineral resources'. This amendment is not relevant to the Group and the Company.

(c) Standards, amendments to standards and interpretations that have been issued but are not effective for 2006 and have not been early adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

IFRIC 7, 'Applying the Restatement Approach under IAS 29' (effective from 1 March 2006). Management do not expect the interpretation to be relevant for the Group or the Company;

IFRIC 8, 'Scope of IFRS 2' (effective for annual periods beginning on or after 1 May 2006). Management do not expect the interpretation to be relevant for the Group or the Company;

IFRIC 9, 'Reassessment of Embedded Derivatives' (effective for annual periods beginning on or after 1 June 2006). Management believes that this interpretation is not significant for the Group and the Company;

IFRS 7, 'Financial instruments: Disclosures' and IAS 1, 'Amendments to capital disclosures' (effective from 1 January 2007). Management is currently assessing the impact of IFRS 7 on the Group's and the Company's operations;

IFRIC 10, 'Interim Financial Reporting and Impairment' (effective for annual periods beginning on or after 1 November 2006). Management is currently assessing the impact of IFRIC 10 on the Group's and the Company's operations;

IFRS 8, 'Operating segments' (effective from 1 January 2009). Management have not yet started its assessment of the impact of IFRS 8 on the Group's and the Company's operations;

IFRIC 11, 'IFRS 2 - Group and treasury share transactions'. Management do not expect the interpretation to be relevant for the Group or the Company;

IFRIC 12, 'Service Concession Arrangements'. Management do not expect the interpretation to be relevant for the Group or the Company.

IFRIC 10, 11, 12 and IFRS 8 have not been yet endorsed by EU.

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NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
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(all amounts are in LTL thousands unless otherwise stated)

2.4 PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

2.5 SEGMENT REPORTING

(a) Geographical segment

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

(b) Business segment

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

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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(c) Group companies

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

The applicable rates used for the principal currencies as of 31 December 2006 and 2005 were as follows:

	2006		2005
1 EUR	= 3,4528 LTL	1 EUR	= 3,4528 LTL
1 LVL	= 4,9537 LTL	1 LVL	= 4,9565 LTL
10 EEK	= 2,2067 LTL	10 EEK	= 2,2067 LTL

2.7 INTANGIBLE ASSETS

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

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

Software	3-5 years
Licences	5-6 years

Amortisation accounted for as selling expense.

2.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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2.8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

2.10 INVESTMENTS IN SUBSIDIARIES

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

2.11 NON-CURRENT ASSETS HELD FOR SALE

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

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

2.12 INVENTORIES

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

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2.13 FINANCIAL ASSETS AND LIABILITIES

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

(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 balance sheet date. These are classified as non-current assets. Loans and receivables are classified as receivables and prepayments in the balance sheet.

Loans and receivables are carried at amortised cost using the effective interest method. The Company and the Group assess at each balance sheet 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 paragraph (c) Trade and other receivables.

(b) Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

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

(c) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of income when there is objective evidence that the asset is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(d) Bank borrowings

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

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

(e) Issued bonds

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

(f) Trade and other payables

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

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2.14 SHARE CAPITAL

(a) Ordinary shares

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

(b) Treasury shares

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

2.15 RESERVE

(a) Translation reserve

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

(b) Other reserves

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

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

2.16 INCOME TAX

(a) Current income tax

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

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

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

Starting from 1 January 2002 income tax rate applied for the Company and subsidiaries operating in Lithuania is 15%. On 1 January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January 2006, companies will have to pay an additional 4% tax calculated based on the income tax principles, and for the following year a 3% tax starting from 1 January 2007. After the year 2007 the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15%. Income tax rate on current year taxable profits in Latvia is 15% and in Estonia nil. However, in Estonia profit tax is payable in the year of distribution of earnings at a rate of 29.87%.

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(b) Deferred income tax

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

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

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

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

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

2.17 LEASES

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

(a) the Company or the Group as lessor

Payments received under operating leases (net of any incentives given to the lessee) are credited to the income statement on a straight-line basis over the period of the lease. Properties (buildings) leased out under operating leases are included in property, plant and equipment in the balance sheet because only insignificant part of property is leased (Note 12).

(b) the Company or the Group as lessee

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

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

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

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

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2.18 EMPLOYEE BENEFITS

(a) Social security contributions

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

(b) Termination benefits

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

(c) Bonus plans

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

2.19 PROVISIONS

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

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

2.20 REVENUE RECOGNITION AND RELATED EXPENSES

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

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

Revenue is recognized as follows:

(a) Sales of goods – retail

Sales of goods are recognized when the Company or another Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in operating expenses.

(b) Sales of services

Revenue from services is recognised on performance of the services.

(c) Interest income

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

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(d) Dividend income

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

(e) Rental income

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

2.21 DIVIDEND DISTRIBUTION

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

2.22 EARNINGS PER SHARE

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

2.23 RELATED PARTIES

Parties are considered to be related if:

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

2.24 RECLASSIFICATIONS

Certain 2005 amounts have been reclassified to conform to the 2006 basis of presentation.

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3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's and the Group's activities are exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates.

The principal financial risk management policies of the Company and the Group are set out below:

Credit risk

The Company's and Group's credit risk is primarily attributable to its prepayments and receivables. The amounts presented in the balance sheet are net of allowances for doubtful amounts, estimated by the Company's management based on objective evidence of events occurred after the initial recognition of the amounts.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

The Company and Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

Interest rate risk

The Company's and Group's loans consist of loans with floating interest rate, which is related to LIBOR (VILIBOR, RIGIBOR). The Company and the Group did not use any financial instruments in order to control the risk of interest rate changes.

Foreign currencies exchange risk

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

(b) Fair value of financial instruments

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

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4. SEGMENT INFORMATION

Primary reporting format – business segments

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

Secondary reporting format – geographical segments

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

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

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

	2005			
	Lithuania	Latvia	Estonia	Group
Total segment revenue	126,053	41,249	18,330	185,632
Intersegment revenue	(15,229)	(231)	(114)	(15,574)
Revenue	110,824	41,018	18,216	170,058

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

	Assets		Capital expenditure	
	2006	2005	2006	2005
Lithuania	113,961	92,709	21,218	10,721
Latvia	20,076	19,052	1,435	1,806
Estonia	12,353	6,004	5,038	91
Total	146,390	117,765	27,691	12,618

5. EXPENSES BY NATURE

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

	Group		Company	
	2006	2005	2006	2005
Cost of goods sold	137,818	94,166	96,719	70,827
Write-down of inventories to net realisable value	2,210	717	2,210	717
Reversal of prior year write-down of inventories to net realisable value	(717)	-	(717)	-
Total cost of sales	139,311	94,883	98,212	71,544

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

	Group		Company	
	2006	2005	2006	2005
Rent and utilities	29,769	21,047	16,203	11,902
Remuneration	19,492	12,497	10,917	7,676
Social insurance contributions	5,725	3,954	3,365	2,373
Depreciation and amortization (Notes 12, 13)	11,752	9,060	5,352	4,115
Advertising and marketing	3,959	3,029	2,464	1,860
Franchise expenses	4,710	2,625	439	-
Bank commissions	2,330	1,540	1,087	865
Labelling, packing and repairing	1,227	1,195	559	585
Logistics and distribution	969	699	892	652
Business trips	988	815	720	676
Total selling costs	80,921	56,461	41,998	30,704

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5. EXPENSES BY NATURE (CONTINUED)

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

	Group		Company	
	2006	2005	2006	2005
Remuneration	4,119	1,646	4,119	1,646
Social insurance contributions	1,275	510	1,275	510
Communication expenses	901	692	680	545
Taxes (excluding income tax)	241	335	209	310
Consulting and audit expense	828	484	607	318
Other expenses	4,492	3,328	2,104	2,626
Total general and administrative expenses	11,856	6,995	8,994	5,955

6. OTHER INCOME

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

	Group		Company	
	2006	2005	2006	2005
Rent income	931	930	944	930
Management fees	-	-	4,458	2,698
Gain from disposal of fixed assets, net	37	13	37	13
Interest income	3	2	293	405
Dividends	-	-	4,031	-
Other income	100	215	74	307
Total other income	1,071	1,160	9,837	4,353

The Company has set off dividends receivable from OU Apranga Estonia in amount of LTL 2,506 thousand against the corresponding amount of loan received from this subsidiary in 2006.

7. FINANCE COSTS

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

	Group		Company	
	2006	2005	2006	2005
Interest on bank loans	895	1,325	612	864
Interest on bonds	800	581	800	581
Interest on obligations under finance leases	8	53	8	53
Interest on borrowings from subsidiaries	11	39	124	42
Total finance costs	1,714	1,998	1,544	1,540

8. INCOME TAX EXPENSE

Domestic income tax is calculated at 19 per cent (2005: 15 per cent) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total income tax charge can be reconciled to the accounting profit before tax as follows:

	Group		Company	
	2006	2005	2006	2005
Profit before tax	21,050	11,093	10,132	4,838
Tax at the domestic income tax rate	4,000	1,664	1,925	726
Non deductible expenses and income not subject to tax	99	(166)	(769)	(11)
Tax losses and temporary differences for which no deferred income tax asset was recognised	46	202	-	133
Utilisation of previously unrecognised deferred tax asset	(279)	-	(279)	-
Effect of tax rate change	(124)	10	(118)	10
Effect of different tax rates of foreign subsidiaries	(128)	484	-	-
Tax expense	3,614	2,194	759	858
Effective income tax rate	17.2%	19.8%	7.5%	17.7%

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8. INCOME TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2006	2005	2006	2005
Current income tax expense	3,491	530	961	237
Deferred tax (Note 9)	126	1,664	(199)	621
Income tax of past periods	(3)	-	(3)	-
	3,614	2,194	759	858

9. DEFERRED TAX

The movement in deferred income tax account was as follows:

	Group		Company	
	2006	2005	2006	2005
At beginning of year	(1,965)	(301)	(724)	(103)
Income statement (charge) credit	(126)	(1,664)	199	(621)
At end of year	(2,091)	(1,965)	(525)	(724)

In 2006 deferred income tax asset and liability related to the entities operating in Lithuania were calculated at 15 - 18% rate (2005: 15 - 19% rate), depending on the estimated timing of the realization of temporary differences, deferred income tax asset and liability related to the entities operating in Latvia and Estonia - at 15% and 29.87% (2005: 15% and 29.87%) rates respectively.

Deferred tax assets and liabilities recognised as follows:

	Group		Company	
	2006	2005	2006	2005
Deferred tax assets:				
Inventories	398	136	398	136
Accruals	357	88	318	19
Total deferred tax assets	755	224	716	155
Deferred tax liability:				
Undistributed profits of subsidiaries	(1,199)	(973)	-	-
Property, plant and equipment	(1,647)	(992)	(1,241)	(724)
Total deferred tax liabilities	(2,846)	(1,965)	(1,241)	(724)
Unrecognised deferred tax asset	-	(224)	-	(155)
Deferred tax liabilities, net	(2,091)	(1,965)	(525)	(724)

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

	Group		Company	
	2006	2005	2006	2005
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	4	-	4	-
Deferred tax asset to be recovered within 12 months	751	-	712	-
	755	-	716	-
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	(1,205)	(961)	(288)	(157)
Deferred tax liability to be recovered within 12 months	(1,641)	(1,004)	(953)	(567)
	(2,846)	(1,965)	(1,241)	(724)
Deferred tax liabilities, net	(2,091)	(1,965)	(525)	(724)

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10. DIVIDENDS PER SHARE

	<u>2006*</u>	<u>2005*</u>
Approved dividends	2,118	2,029
Weighted average number of ordinary shares in thousand (Note 19)	35,292	35,292
Approved dividends per share, LTL	0.06	0.06

*The year when the dividends are approved.

As discussed in Note 19, the shareholders' meeting authorised in December 2005 an additional share issue from the retained earnings of the Company. For the purpose of the dividends per share calculation the weighted average number of ordinary shares have been adjusted retrospectively, as if the share issue had taken place at 1 January 2005.

In respect of the current year, the directors propose that a dividend of 0.11 LTL per share will be paid to shareholders in 2007. This dividend is subject to approval by shareholders at the Annual Shareholder's Meeting and has not been included as a liability in these financial statements.

11. EARNINGS PER SHARE

	<u>Group</u>		<u>Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net profit for the year	17,436	8,899	9,373	3,980
Weighted average number of ordinary shares in thousand (Note 19)	35,292	35,292	35,292	35,292
Basic and diluted earnings per share, LTL	0.49	0.25	0.27	0.11

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

As discussed in Note 19, the shareholders' meeting authorised in December 2005 an additional share issue from the retained earnings of the Company. For the purpose of the earnings per share calculation the weighted average number of ordinary shares have been adjusted retrospectively, as if the share issue had taken place at 1 January 2005.

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12. PROPERTY, PLANT AND EQUIPMENT

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

GROUP	Buildings	Plant and equipment	Leasehold improvements	Other fixed assets	Construction in progress	Total
Cost						
At 31 December 2004	25,780	1,620	14,916	33,169	419	75,904
Additions	-	9	481	5,715	6,307	12,512
Disposals and write-offs	(6)	(103)	(4)	(1,496)	(419)	(2,028)
Exchange differences	-	-	(21)	2	-	(19)
Transfers	133	-	3,705	1,291	(5,129)	-
At 31 December 2005	25,907	1,526	19,077	38,681	1,178	86,369
Additions	-	21	2,235	17,043	12,912	32,211
Merger (Note 16)	7,821	-	-	-	-	7,821
Disposals and write-offs	-	(7)	(675)	(1,975)	(5,055)	(7,712)
Exchange differences	-	-	(4)	3	-	(1)
Transfers	3,182	-	3,336	1,443	(7,961)	-
At 31 December 2006	36,910	1,540	23,969	55,195	1,074	118,688
Accumulated depreciation						
At 31 December 2004	2,573	970	1,446	12,671	-	17,660
Charge for period	516	208	2,650	5,482	-	8,856
Exchange differences	-	-	(1)	(2)	-	(3)
Disposals and write-offs	(6)	(89)	(3)	(1,476)	-	(1,574)
At 31 December 2005	3,083	1,089	4,092	16,675	-	24,939
Charge for period	645	145	3,399	7,360	-	11,549
Merger (Note 16)	167	-	-	-	-	167
Exchange differences	-	-	-	(1)	-	(1)
Disposals and write-offs	-	(7)	(676)	(1,881)	-	(2,564)
At 31 December 2006	3,895	1,227	6,815	22,153	-	34,090
Carrying amount						
At 31 December 2004	23,207	650	13,470	20,498	419	58,244
At 31 December 2005	22,824	437	14,985	22,006	1,178	61,430
At 31 December 2006	33,015	313	17,154	33,042	1,074	84,598

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COMPANY						Total
	Buildings	Plant and equipment	Leasehold improvements	Other fixed assets	Construction in progress	
Cost						
At 31 December 2004	25,780	1,620	3,665	18,258	419	49,742
Additions	-	9	-	3,093	6,307	9,409
Disposals and write-offs	(6)	(103)	(4)	(1,496)	(419)	(2,028)
Transfers	133	-	3,705	1,291	(5,129)	-
At 31 December 2005	25,907	1,526	7,366	21,146	1,178	57,123
Additions	-	21	-	5,351	7,426	12,798
Merger (Note 16)	7,821	-	-	-	-	7,821
Disposals and write-offs	-	(7)	(675)	(1,850)	(126)	(2,658)
Transfers	3,182	-	3,211	1,067	(7,460)	-
At 31 December 2006	36,910	1,540	9,902	25,714	1,018	75,084
Accumulated depreciation						
At 31 December 2004	2,573	970	675	11,315	-	15,533
Charge for period	516	208	719	2,490	-	3,933
Disposals and write-offs	(6)	(89)	(4)	(1,475)	-	(1,574)
At 31 December 2005	3,083	1,089	1,390	12,330	-	17,892
Charge for period	645	145	1,312	3,082	-	5,184
Merger (Note 16)	167	-	-	-	-	167
Disposals and write-offs	-	(7)	(675)	(1,792)	-	(2,474)
At 31 December 2006	3,895	1,227	2,027	13,620	-	20,769
Carrying amount						
At 31 December 2004	23,207	650	2,990	6,943	419	34,209
At 31 December 2005	22,824	437	5,976	8,816	1,178	39,231
At 31 December 2006	33,015	313	7,875	12,094	1,018	54,315

At 31 December 2006 the Group's and the Company's buildings with the carrying amount of LTL 32,730 thousand (2005: LTL 22,229 thousand) have been pledged as security for outstanding loans from financial institutions (Note 21).

At 31 December 2006 the Group's leasehold improvements and other fixed assets has been pledged as security for outstanding loans from financial institutions (Note 21). The carrying amount of pledged assets as of 31 December 2006 was LTL 3,266 thousand (2005: LTL 4,886 thousand).

An excess of the Company's buildings with the total carrying amount of LTL 1,260 thousand as of 31 December 2006 (2005: LTL 1,293 thousand) was leased to third parties.

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

	Group		Company	
	2006	2005	2006	2005
Plant and equipment	670	165	670	165
Leasehold improvements	46	-	46	-
Other fixed assets	7,274	6,341	6,995	6,224
Total	7,990	6,506	7,711	6,389

At 31 December the carrying amount of the property, plant and equipment being acquired under finance lease contracts was as follows:

	Group		Company	
	2006	2005	2006	2005
Building	-	4,995	-	4,995
Other fixed assets	54	44	54	44
Total	54	5,039	54	5,039

On February 2006 the Company redeemed the building before the original maturity date (Note 22).

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13. INTANGIBLE ASSETS

At 31 December intangible assets consisted of the following:

	Group			Company		
	Licenses	Software	Total	Licenses	Software	Total
Cost						
At 31 December 2004	1,211	562	1,773	1,211	500	1,711
Additions	42	64	106	42	11	53
Write-offs	(264)	-	(264)	(264)	-	(264)
At 31 December 2005	989	626	1,615	989	511	1,500
Additions	5	404	409	5	247	252
Write-offs	(12)	(2)	(14)	(12)	(2)	(14)
At 31 December 2006	982	1,028	2,010	982	756	1,738
Accumulated amortisation						
At 31 December 2004	797	363	1,160	797	360	1,157
Charge for period	137	67	204	137	45	182
Write-offs	(264)	-	(264)	(264)	-	(264)
At 31 December 2005	670	430	1,100	670	405	1,075
Charge for period	105	98	203	105	63	168
Write-offs	(12)	(2)	(14)	(12)	(2)	(14)
At 31 December 2006	763	526	1,289	763	466	1,229
Carrying amount						
At 31 December 2004	414	199	613	414	140	554
At 31 December 2005	319	196	515	319	106	425
At 31 December 2006	219	502	721	219	290	509

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

	Group		Company	
	2006	2005	2006	2005
Licenses	459	459	459	459
Software	322	301	322	301
Total	781	760	781	760

14. INVESTMENTS IN SUBSIDIARIES

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

Name	Country of incorporation	Ownership %	Cost	
			2006	2005
SIA Apranga	Latvia	100	2,638	2,638
SIA Apranga LV	Latvia	100	529	529
OÜ Apranga Estonia	Estonia	100	441	441
UAB Apranga LT	Lithuania	100	2,500	2,500
UAB Apranga BPB LT	Lithuania	100	500	500
UAB Apranga PLT	Lithuania	100	300	-
OÜ Apranga	Estonia	100	1,545	-
Total investments			8,453	6,608

The changes in investments are as follows:

	2006	2005
Beginning of the year	6,608	4,108
Increase in share capital of UAB Apranga LT	-	2,000
Establishment of UAB Apranga BPB LT	-	500
Establishment of UAB Apranga PLT	300	-
Establishment of OU Apranga	1,545	-
At end of the year	8,453	6,608

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14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Increase in share capital of UAB Apranga LT

In December 2005, the Company increased the share capital of its subsidiary UAB Apranga LT by LTL 2,000 thousand, i.e., from LTL 500 thousand to LTL 2,500 thousand. The share capital was increased by issuing 2,000 new shares with a par value of LTL 1,000 each. There were no changes in the Company's interest held in the subsidiary. All newly issued shares have been fully paid in cash.

Establishment of UAB Apranga BPB LT

In November 2005, the Company established a subsidiary UAB Apranga BPB LT. The share capital of the subsidiary comprises of 500 shares with a par value of LTL 1,000 each. The Company made down payment of amount LTL 125 thousand and final amount LTL 375 thousand was paid on 6 March 2006.

Establishment of UAB Apranga PLT

In March 2006, the Company established a subsidiary UAB Apranga PLT. The share capital of the subsidiary comprises of 300 shares with a par value of LTL 1,000 each. All shares have been fully paid by cash.

Establishment of OU Apranga

In July 2006, the Company established a subsidiary OU Apranga. The share capital of the subsidiary comprise of 1 share with a par value of EEK 7,000 thousand (equivalent to LTL 1,545 thousand). The shares have been fully paid by cash.

Establishment of SIA Apranga BPB LV and SIA Apranga PLV

On 19 December 2006 the Company adopted a decision to establish subsidiaries SIA Apranga BPB LV and SIA Apranga PLV (Note 28). The 50 percent of the share capital of each company, LVL 60 thousand (equivalent to LTL 297 thousand) in total, was deposited at bank account on 28 December 2006.

15. INVENTORIES

	Group		Company	
	2006	2005	2006	2005
Goods for resale	47,794	37,769	30,397	25,062
Write-down of goods for resale to net realisable value	(2,210)	(717)	(2,210)	(717)
Goods in transit	2,608	895	2,608	895
Materials and spare parts	434	419	384	346
Total	48,626	38,366	31,179	25,586

During the year ended 31 December 2006 the Group and the Company recognised write-down of book value of the goods for resale to net realizable value by LTL 2,210 as cost of sales. The reversal of write-down of book value of the goods for resale to net realizable value by LTL 717 thousand made during the year ended 31 December 2005 was credited to cost of sales.

At 31 December 2006 inventories of the Group and the Company have been pledged as security for outstanding loans from financial institutions (Note 21). The total carrying amount of pledged inventories as at 31 December 2006 was respectively LTL 24,641 thousand and LTL 18,000 thousand (2005: LTL 17,032 thousand and LTL 10,000 thousand).

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16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December non-current assets held for sale consisted of the following:

	2006	Ownership %	2005	Ownership %
UAB Tokata	-	-	760	100
UAB Šešupė Ontario	-	-	7,200	100
UAB Palangos Varūna	1,118	91	1,118	91
Total	1,118		9,078	

There were no impairment provisions on non-current assets held for sale in 2006 and 2005, as the cost of investments did not exceed their fair value as of 31 December 2006 and 2005.

Merger

The Company has decided to use assets of UAB Tokata and UAB Šešupė Ontario (2 shop premises located in Vilnius) in its own activities. In order to optimise management of the Group the decision to merge UAB Tokata and UAB Šešupė Ontario into the Company was taken by extraordinary meeting of shareholders' held on 11 July 2006. The merger was ended on 31 August 2006 and had no significant impact on Company's financial position.

The following assets and liabilities were taken over by the Company and included into the balance sheet of the Company and the Group at the date of the merger:

	UAB Šešupė Ontario	UAB Tokata	Total
Property, plant and equipment	7,046	608	7,654
Intangible assets	-	2	2
Receivables and prepayments	160	155	315
Total assets	7,206	765	7,971
Current income tax liability	(4)	(5)	(9)
Trade and other payables	(2)	-	(2)
Total liabilities	(6)	(5)	(11)
Net assets acquired as a result of a merger	7,200	760	7,960

17. TRADE AND OTHER RECEIVABLES

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

	Group		Company	
	2006	2005	2006	2005
Non-current receivables:				
Prepayments for the rent of premises	568	374	225	225
Prepayments for investments	297	-	297	-
Other receivables	29	107	29	107
	894	481	551	332
Current receivables:				
Receivables from subsidiaries (Note 25)	-	-	6,095	3,206
Loans to subsidiaries (Note 25)	-	-	10,752	7,273
Receivables from related parties (Note 25)	348	308	348	308
Prepayments	1,309	1,935	773	1,725
Trade amounts receivable	415	362	240	289
Other amounts receivable	409	2,819	307	729
Less: allowance for impairment of receivables	(45)	(45)	(20)	(20)
	2,436	5,379	18,495	13,510
Total	3,330	5,860	19,046	13,842

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17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2006	2005
LTL	8,922	5,795
EUR	1,830	1,478
Total	10,752	7,273

The effective interest rate is 4.7 per cent (2005: 4.03 per cent), maturity date – 31 December 2007 (2005: 31 December 2006).

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

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

	Group		Company	
	2006	2005	2006	2005
Allowance at the beginning of the year	28	28	28	28
Increase during the year	45	45	20	20
Bad debts write-offs	(28)	(28)	(28)	(28)
Allowance at the end of the year	45	45	20	20

18. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2006	2005	2006	2005
Cash at bank	724	227	6	6
Cash on hand	494	296	268	177
Cash in transit	3,552	1,993	2,038	1,169
Total	4,770	2,516	2,312	1,352

Cash in certain bank accounts and future cash inflows into these accounts were pledged to banks as security for credit facilities granted. At 31 December 2006, the cash balances of the Group and the Company in the pledged accounts amounted to LTL 13 thousand and LTL 6 thousand (2005: LTL 6 thousand and LTL 6 thousand) (Note 21).

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

	Group		Company	
	2006	2005	2006	2005
Cash and cash equivalents	4,770	2,516	2,312	1,352
Bank overdrafts (Note 21)	(7,844)	(12,312)	(3,314)	(5,750)
Total	(3,074)	(9,796)	(1,002)	(4,398)

19. SHARE CAPITAL

At 31 December 2006 issued share capital of the Company consisted of 35,291,960 (2005: 35,291,960) ordinary shares at par value of LTL 1 each. All issued shares are fully paid.

In December 2005, the shareholders' meeting authorised an additional issue of the Company's LTL 1 par value ordinary shares when 1 existing share received 3 newly issued shares. As a result of the issue, 26,468,970 additional shares were issued, and retained earnings and share premium were reduced by LTL 26,028 thousand and LTL 441 thousand respectively.

Subsidiaries did not hold any shares of the Company as of 31 December 2006 and 2005. The Company did not hold its own shares as of 31 December 2006 and 2005.

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20. PROFIT DISTRIBUTION

On 29 April 2005 the Company's shareholders' meeting decided to pay out LTL 2,029 thousand in dividends. On 28 April 2006 the Company's shareholders' meeting decided to pay out LTL 2,118 thousand in dividends.

In respect of the current year, the directors propose that a dividend of LTL 3,882 thousand will be paid to shareholders in 2007. This dividend is subject to approval by shareholders at the Annual Shareholder's Meeting.

21. BORROWINGS

	Group		Company	
	2006	2005	2006	2005
Long term borrowings				
Bank credit lines and loans	16,567	-	16,567	-
	16,567	-	16,567	-
Short term borrowings				
Bank credit lines and loans	-	10,151	-	10,151
Bank overdrafts (Note 18)	7,844	12,312	3,314	5,750
Borrowings from subsidiaries (Note 25)	-	-	2,959	125
	7,844	22,463	6,273	16,026
Total borrowings	24,411	22,463	22,840	16,026

Non current borrowings are repayable in the second year.

The bank credit lines are secured by cash in certain of bank accounts (Note 18), buildings and equipment (Note 12) and inventories (Note 15).

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

	Group		Company	
	2006	2005	2006	2005
LTL	19,881	15,901	19,881	16,026
EUR	-	-	2,959	-
LVL	4,530	6,562	-	-
Total	24,411	22,463	22,840	16,026

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

	Group		Company	
	2006	2005	2006	2005
Bank credit lines and loans	4,7%	4,1%	4,7%	4,1%
Bank overdraft	5,8%	4,2%	4,7%	4,1%
Borrowings from subsidiaries	-	-	4,7%	4,1%

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

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

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

	Group		Company	
	2006	2005	2006	2005
Subject to floating interest rate:				
- drawdown term matures within one year	3,137	3,324	-	3,324
- drawdown term matures beyond one year	25,567	1,369	25,567	-

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22. OBLIGATIONS UNDER FINANCE LEASES

Finance lease liabilities – minimum lease payments:

	Group		Company	
	2006	2005	2006	2005
Within one year	20	651	20	651
In the second to fifth years inclusive	40	306	40	306
Total	60	957	60	957
Less: future finance charges	(5)	(31)	(5)	(31)
Present value of lease obligations	55	926	55	926

Present value of minimum lease payments:

	Group		Company	
	2006	2005	2006	2005
Within one year	18	625	18	625
In the second to fifth years inclusive	37	301	37	301
Total	55	926	55	926

The annual interest rate for finance lease liabilities comprises 4.8 per cent as at 31 December 2006 (2005: 4.5 per cent).

The fair value of obligations under finance lease approximates their carrying amount.

The Company's and the Group's obligations under finance leases are secured by the lessor's charges over the leased assets.

On February 2006 the Company and the Group repaid the obligations under finance leases in the amount LTL 876 thousand before the original maturity date (Note 12).

23. BONDS ISSUED

At 31 December issued bonds consisted of the following:

	Group		Company	
	2006	2005	2006	2005
Nominal value at date of issue	20,000	20,000	20,000	20,000
Accrued interest	436	436	436	436
Total	20,436	20,436	20,436	20,436

Bonds were issued by the Company on 15 June 2005 and will be redeemed on 15 June 2007.

The annual interest rate for bonds comprises 4 per cent and the interest is payable on 15 June 2006 and 2007.

Bonds are listed on Vilnius Stock Exchange. At 31 December 2006 the fair value of bonds was LTL 20,181 thousand (2005: LTL 20,478 thousand).

24. TRADE AND OTHER PAYABLES

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

	Group		Company	
	2006	2005	2006	2005
Payables to subsidiaries (Note 25)	-	-	-	392
Payables to other related parties (Note 25)	210	517	210	517
Trade payables	13,033	10,457	9,264	5,416
Remuneration and related payables	3,950	2,584	2,714	1,728
Advances received	459	339	342	256
Taxes payable	4,832	2,076	2,714	934
Accrued expenses and other payables	5,443	4,591	4,286	2,655
Total	27,927	20,564	19,530	11,898

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25. RELATED PARTY TRANSACTIONS

UAB Minvista is the entity controlled by the ultimate controlling individual of the Group Mr. D.J. Mockus. All other companies listed below are subsidiaries of ultimate parent company UAB Koncernas MG Baltic.

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

	Accounts payable		Accounts receivable		Income received		Purchases	
	2006	2005	2006	2005	2006	2005	2006	2005
Related parties								
UAB Minvista	-	-	-	-	-	-	-	39
UAB Mineraliniai vandenys	-	32	-	-	-	61	169	276
UAB Troja	141	144	-	-	-	-	1,439	1,418
UAB Prekybos marketingo paslaugos	-	8	-	-	-	-	-	7
UAB MG Baltic Investment	31	46	1	-	-	-	461	148
UAB MG Valda	26	23	-	1	-	-	262	184
UAB Tromina	-	-	-	-	-	26	-	-
UAB Šešupė Ontario	-	136	-	-	-	-	-	502
UAB Tokata	-	128	-	-	-	-	-	30
UAB Palangos Varūna	-	-	341	297	-	-	-	-
UAB Laisvas Nepriklausomas Kanalas	12	-	6	10	52	29	347	284
UAB Teniso pasaulis	-	-	-	-	1	-	-	-
UAB Neopress	-	-	-	-	8	-	58	12
Total	210	517	348	308	61	116	2,736	2,900

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

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

	Accounts payable		Accounts receivable		Income received		Purchases	
	2006	2005	2006	2005	2006	2005	2006	2005
Subsidiaries								
UAB Apranga LT	-	-	7,915	5,860	830	523	74	95
UAB Apranga BPB LT	-	500	827	1	141	1	7	-
UAB Apranga PLT	-	-	331	-	32	-	1	-
SIA Apranga	-	-	3,168	3,063	24,900	16,950	-	-
SIA Apranga LV	2,003	-	42	916	1,986	391	76	37
OU Apranga Estonia	956	17	45	639	3,020	471	97	49
OU Apranga	-	-	4,519	-	2,992	-	5	-
Total	2,959	517	16,847	10,479	33,901	18,336	260	181

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

Guarantees provided on behalf of related parties

Guarantees provided on behalf of related parties are disclosed in Note 26.

Compensation of key management personnel

	Group		Company	
	2006	2005	2006	2005
Short-term employee benefits	2,579	811	2,459	756
Average number of key managers	8	8	7	7

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26. COMMITMENTS AND CONTINGENCIES

Legal proceedings

As of 31 December 2006 and 2005 the Company and the Group was not involved in any legal proceedings, which in the opinion of management, would have a material impact on the financial statements.

Guarantees

As of 31 December 2006 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totalled LTL 15,480 thousand (2005: LTL 11,222 thousand). The letters of credit and guarantees provided to suppliers by the credit institution on behalf of the Group as of 31 December 2006 amounted to LTL 28,352 thousand (2005: LTL 11,780 thousand).

As of 31 December 2006 the Company's guarantees to the credit institutions issued to secure the obligations of subsidiaries totalled LTL 7,926 thousand (2005: LTL 7,930 thousand). As of 31 December 2006 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled LTL 529 thousand (2005: nil).

Lease commitments

The Company and the Group has entered into 33 and 55 rental agreements of stores respectively (2005: 31 and 47). The agreements' termination period differs from 1 to 6 months.

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

	Group		Company	
	2006	2005	2006	2005
Lease payable within:				
One year	23,949	21,713	12,068	12,516
From second to fifth year	88,481	69,172	42,475	35,327
Thereafter	36,875	47,114	15,252	25,302
Total	149,305	137,999	69,795	73,145

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

Options granted

Options for shares of subsidiaries

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

Options for lease rights

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

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

	Group	
	2006	2005
Lease payable within:		
One year	6,408	4,300
From second to fifth year	28,438	23,109
Thereafter	16,711	14,838
Total	51,557	42,247

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

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27. CORRECTION OF ERRORS AND RECLASSIFICATIONS

In preparation of consolidated financial statements as at 31 December 2006 comparative figures have been restated to reflect the effect of correction of errors and reclassifications. Effect of the adjustments made on the assets, liabilities, equity as at 31 December 2005 and effect of adjustments on the income statement lines for the year then ended is summarised in the reconciliation provided further.

Correction of error

a) Deferred income tax liability from temporary differences arising from undistributed profits of subsidiaries was not recognised in the financial statements of the Group for the year ended 31 December 2005. The error had been corrected retrospectively.

Reclassifications

b) In financial statements for the year ended 31 December 2005 inventory write down to net realizable value was included in operating expenses instead of cost of sales. When preparing financial statements for the year ended 31 December 2006, these items were reclassified to cost of sales.

c) Operating expenses were presented as one line item on the face of the income statement in 2005. When preparing financial statements for the year ended 31 December 2006, they are split to selling costs and general and administrative expenses.

d) Other income was netted off with other expenses in 2005. When preparing financial statements for the year ended 31 December 2006, other income is presented on a gross basis and other expenses were reclassified to general and administrative expenses.

e) Bank overdraft balances were included within non-current liabilities in the balance sheets of the Group as of 31 December 2005. When preparing financial statements for the year ended 31 December 2006, bank overdrafts were reclassified to current liabilities.

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	GROUP			COMPANY			
		Previously reported	Correction of errors	Reclassifications	Restated	Previously reported	Reclassifications	Restated
Revenue		170,058	-	-	170,058	110,255	-	110,255
Cost of sales	b	(94,166)	-	(717)	(94,883)	(70,827)	(717)	(71,544)
Gross Profit		75,892	-	(717)	75,175	39,428	(717)	38,711
Selling costs	c	-	-	(56,461)	(56,461)	-	(30,704)	(30,704)
General and administrative expenses	b,d,c	(63,972)	-	56,977	(6,995)	(37,173)	31,218	(5,955)
Other income	d	959	-	201	1,160	4,150	203	4,353
Net foreign exchange gain (loss)		212	-	-	212	(27)	-	(27)
Operating profit		13,091	-	-	13,091	6,378	-	6,378
Finance costs		(1,998)	-	-	(1,998)	(1,540)	-	(1,540)
Profit before income tax		11,093	-	-	11,093	4,838	-	4,838
Income tax expense	a	(1,221)	(973)	-	(2,194)	(858)	-	(858)
PROFIT FOR THE YEAR	11	9,872	(973)	-	8,899	3,980	-	3,980
Basic and diluted earnings per share (in LTL)	11	0.28	(0.03)	-	0.25	0.11	-	0.11

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BALANCE SHEET AS OF 31 DECEMBER 2005

Note	GROUP			COMPANY			
	Previously reported	Correction of errors	Reclassifications	Restated	Previously reported	Reclassifications	Restated
ASSETS							
Non-current assets	62,426	-	-	62,426	46,596	-	46,596
Current assets	55,339	-	-	55,339	49,526	-	49,526
TOTAL ASSETS	117,765	-	-	117,765	96,122	-	96,122
EQUITY AND LIABILITIES							
Equity							
Ordinary shares	35,292	-	-	35,292	35,292	-	35,292
Legal reserve	882	-	-	882	882	-	882
Translation difference	(167)	-	-	(167)	-	-	-
Retained earnings	16,163	(973)	-	15,190	9,853	-	9,853
	52,170	(973)	-	51,197	46,027	-	46,027
Non-current liabilities							
Borrowings	6,562	-	(6,562)	-	-	-	-
Bonds issued	20,000	-	-	20,000	20,000	-	20,000
Deferred tax liabilities	992	973	-	1,965	724	-	724
Obligations under finance leases	301	-	-	301	301	-	301
Other liabilities	85	-	-	85	85	-	85
	27,940	973	(6,562)	22,351	21,110	-	21,110
Current liabilities							
Borrowings	15,901	-	6,562	22,463	16,026	-	16,026
Bonds issued	436	-	-	436	436	-	436
Obligations under finance leases	625	-	-	625	625	-	625
Current income tax liability	129	-	-	129	-	-	-
Trade and other payables	20,564	-	-	20,564	11,898	-	11,898
	37,655	-	6,562	44,217	28,985	-	28,985
Total liabilities	65,595	973	-	66,568	50,095	-	50,095
TOTAL EQUITY AND LIABILITIES	117,765	-	-	117,765	96,122	-	96,122

28. POST BALANCE SHEET EVENTS

On 10 January 2007, the Company has established 2 subsidiaries SIA Apranga BPB LV and SIA Apranga PLV, The share capital of each subsidiary is comprised of 600 shares with a par value of LVL 100 (equivalent to LTL 495 as at 31 December 2006) (Note 14). On 26 February 2007 the shares of SIA Apranga BPB LV were fully paid in cash. On 29 March 2007 the shares of SIA Apranga PLV were fully paid in cash.

On 31 January 2007, the Group and DnB Nord Banka concluded an agreement for the change of the previously concluded agreement for credit line. According to the agreement the Group was granted credit line amounting LVL 1,600 thousand (equivalent to LTL 7,926 thousand as at 31 December 2006) for financing of working capital and issuance of guarantees and letters of credit. The credit line expires on 31 January 2008. The credit line is bearing a floating interest rate calculated as the 3-month RIGIBOR plus margin, interest being paid for the drawdown amount, and a fixed interest rate for amount used for the issuance of guarantees and letters of credit.

* * * * *

**APB APRANGA, company's code 121933274, Kirtimų 51, Vilnius
CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

To shareholders of Apranga APB

In 2006 Apranga Group persistently and purposeful strived to improve operational results, in order to sustain and strengthen the position of apparel retail market leader in Lithuania and other Baltic States, to reach and exceed set plans, and to increase the value of the shareholders' equity. The year 2006 has left in memories of managers and specialists as the year of positive, strenuous, purposeful work, active chain development, continuous improvement of retailing technologies, and rapid growth. We are glad about Apranga Group successfully implemented ambitious chain expansion plans, reached highest growth rate in Group's history, achieved best economic results, what enabled to strengthen Group's competitive advantage in the markets of Baltic States

The retail turnover of the Apranga Group has almost reached LTL 300 million (incl. VAT), turnover growth rate was almost 50% and was the highest among all retail chains in Baltic States third year in a row.

Turnover in foreign markets has reached LTL 100 million.

It's a pleasure that stock market evaluated Group's expansion and operating results correspondingly. Shares of the company on the elite Baltic Main List of Vilnius Stock Exchange became one of most liquid.

Share price of Apranga increased from LTL 10 to 13.2, Company's capitalisation increased from LTL 352.9 million to LTL 465.9 million in 2006. The turnover of shares was LTL 62.8 million.

The development of retail turnover

The turnover of the retail chain operated by Apranga Group was LTL 299.4 million (incl. VAT), and was 49.1% higher than in 2005. This was the highest growth rate in Group's history.

The plans of turnover for 2006 were exceeded by 10.8%, or by almost LTL 30 million.

The retail turnover in local (Lithuanian) market has made LTL 198.2 million, or by 51.3% more than in 2005. The growth rate of retail turnover in 2006 exceeded growth rate of 2005 by 80% (28.7%).

The retail turnover of Apranga Group chain in Latvia and Estonia has made LTL 101.2 million, or by 45% more, than in 2005. The weight of foreign turnover in total turnover comprised 33.8%. Apranga Group chain turnover grew 46.6% in Latvia and 41.4% in Estonia.

Apranga Group chain retail turnover by markets in 2005 – 2006 (LTL million)

	2005	2006	Growth
Lithuania	131.0	198.2	+51.3%
Latvia	48.3	70.8	+46.6%
Estonia	21.5	30.4	+41.4%
Total	200,8	299,4	+49,1%

Apranga Group consistently developed 5 different shop systems during 2006:

- Clothes to whole family APRANGA;
- Clothes to businessmen CITY;
- Youth clothes
- Luxury clothes
- ZARA franchise stores

Apranga also has several outlets as well.

Apranga Group chain retail turnover by systems in 2005 – 2006 (LTL million)

	2005	2006	Growth
APRANGA shop system	52.9	70.8	+33.9%
ZARA shop system	56.4	92.1	+63.1%
Youth shop system	31.8	53.2	+67.1%
CITY business shop system	25.3	34.4	+35.8%
Luxury shop system	30.7	44.5	+45.1%
Outlets	3.7	4.4	+21.5%
Total	200.8	299.4	+49.1%

Several big international companies have entered Baltic States markets during the 2006: NewYorker (Germany), Marks&Spencer (Great Britain), Lindex (Sweden), Orsay (France), Pull and Bear and Berhaska owned by Inditex (Spain). Despite of increased competition all of systems developed by Apranga have reached growth rates above 30%. The highest turnover growth rates were in youth chain (67.1%), Zara chain (63.1%) and luxury chain (45.1%). The higher growth rates of these shop systems were also influenced by higher investments. High growth rates under increasing competition of various trade marks obviously confirmed rightness of strategy of Apranga Group: orientation to most commercial and growing international trade marks, and active chain development.

Apranga Group chain retail turnover by months and quarters in 2005 – 2006 (LTL thousand)

	2005	2006	Growth
January	15,148	21,654	+43.0%
February	12,344	16,618	+34.6%
March	13,437	19,610	+45.9%
1st quarter	40,929	57,882	+41.4%
April	15,608	21,821	+39.8%
May	14,154	20,086	+41.9%
June	13,233	20,230	+52.9%
2nd quarter	42,995	62,137	+44.5%
July	15,783	22,277	+41.2%
August	18,854	29,637	+57.2%
September	19,200	31,162	+62.3%
3rd quarter	53,836	83,076	+54.3%
October	23,640	35,494	+50.1%
November	18,576	28,711	+54.6%
December	20,803	32,071	+54.2%
4th quarter	63,020	96,276	+52.8%
Total	200,780	299,372	+49.1%

The most rapid turnover growth of Apranga Group was in traditionally richest by turnovers September through December, allowing to improve financial results significantly.

Expansion of retail chain and investments

Apranga Group again has pursued aggressive chain expansion in 2006

Trade area changes of Apranga Group in 2006

Trade area* (sq. m)	01.01.2006	31.12.2006
Lithuania	21,663	28,528
Latvia	6,911	7,856
Estonia	1,699	2,592
Total	30,273	38,976

* Area of operating stores (including auxiliary premises), not including stores closed for reconstruction.

Area of operating stores has reached 39 thousand sq. m in 2006 and has increased by 28.7%. Trading space in foreign countries was 10.4 thousand sq. m, or 26.8% of all areas, operated by Apranga Group.

Apranga Group has managed the chain of 65 operating stores in Baltic States on December 31, 2006.

Change in number of stores in 2006

	01.01.2006	31.12.2006
APRANGA shops	13	15
ZARA shops	4	5
Youth shops	13	18
CITY shops	10	11
Luxury shops	9	14
Outlets	2	2
Total	51	65

Apranga Group has opened or totally refurbished 19 shops in 2006.

There were 3 new Apranga shops opened in 2006 (in Vilnius, Utena and Marijampole), 5 luxury shops (Hugo Boss in Vilnius and Kaunas, Ermenegildo Zegna in Vilnius, Emporio Armani and Nude in Tallinn), 8 youth shops (Bershka in Klaipeda and Vilnius, Pull and Bear in Vilnius, Aprangos Galerija in Kaunas, 2 Mexx in Riga and 1 in Vilnius, Mango in Vilnius, also Zara in Vilnius, City in Riga, and Isparduotuve A in Vilnius.

The area of newly opened shops in 2006 was almost 10 thousand sq. m; updated investment totalled LTL 20 million.

14 new shops opened in Lithuania following the main expansion direction of 2006 - local market.

Since shopping centres Saules Miestas in Siauliai and Akropolis in Kaunas were not opened, Apranga Group postponed 10 planned projects, but instead there were implemented 8 shop projects (5 of which abroad) which were not included into initial expansion plan.

Franchise stores Ermenegildo Zegna, Pull and Bear and Bershka were absolute news for Baltic States markets.

Implementation of financial plans

Gross profit of Apranga Group has made LTL 114.2 million and has increased 51.9% year-on-year. Gross profit margin has increased from 44.2% to 45.0% in 2006.

Profit before taxes has made LTL 21,050 thousand and has increased by 89.8% in comparison to 2005. The yearly plan of earnings before taxes was exceeded by 46%. Apranga Group operated profitably in all markets. The fastest profitability growth was in Latvia and in companies operating Inditex shops chains.

The net profit of Apranga Group was LTL 17,436 thousand, or 95.9% more than in 2005. Net margin has reached 6.9% in 2006 comparing to 5.2% in 2005.

Main indicators of Apranga Group in 2006

	2005	2006	Change
Net sales, thousand LTL	170,058	253,489	49.1%
Net sales in foreign markets, thousand LTL	59,234	85,843	44.9%
Number of shops	51	65	27.5%
Total trading area, thousand sq. m	30.3	39.0	28.7%
Gross profit, thousand LTL	75,175	114,178	51.9%
Gross margin	44.2%	45.0%	
EBT, thousand LTL	11,093	21,050	89.8%
EBT margin	6.5%	8.3%	
Net profit, thousand LTL	8,899	17,436	95.9%
Net margin	5.2%	6.9%	
EBITDA, thousand LTL	22,151	34,516	55.8%
EBITDA margin	13.0%	13.6%	
Return on equity (end of the year)	17.4%	26.2%	
Return on assets (end of the year)	7.6%	12.2%	
Net debt to equity*	45.9%	67.5%	

*Interest bearing liabilities / Equity

Main reasons for increasing of operating efficiency of Apranga Group were:

- 15 percentage points higher than planned retail turnover growth rate
- High growth rates of most profitable shops
- Increasing efficiency of new trade marks' shops
- Economies of scale
- Better management of purchasing and inventory
- Efficient use of workforce and other resources

More efficient management of purchases and sales determined that retail turnover growth of 49.1% (or by LTL 98.5 million), inventory increased by 26.7% (or by LTL 10.3 million).

Seeking operational efficiency there was merger of UAB Tokata and UAB Sesupe Ontario to APB Apranga completed in August 2006. There is planned to sell premises of UAB Palangos Varuna in 2007, and to complete optimisation of the subsidiaries structure.

APB Apranga has established subsidiary UAB Apranga PLT in March 2006 in order to develop Pull and Bear stores chain in Lithuania. In order to expand in Estonia there was subsidiary OU Apranga established in July 2006. There was a decision taken to establish subsidiaries SIA Apranga BPB LV and SIA Apranga PLV in December 2006.

Personnel

There were 1170 employees in Apranga Group companies at the end of 2006, 320 of which were employed abroad. Number of employees has increased by 34.5% during this year.

66 people have made career inside Apranga Group in 2006.

Taking into account operating results and situation on the labour market, there were salaries increased for management and shop staff by 20 - 25%. Remuneration expenses have increased by 66.7% to LTL 23.6 million.

Dividends

Continuing existing practice and taking into account obligations the Board of Apranga Group will propose to general shareholders meeting to pay dividends in amount of LTL 3,882 thousand (or 22.3% of net earnings of 2006). One share with nominal value of one LTL should receive 11 cents dividend.

Key events and operating results in current 2007

The retail turnover growth rates of Apranga Group remains very high. Apranga Group turnover has made LTL 91.8 million in 1st quarter 2007, or 58.6% more than in corresponding period of 2006. Retail turnover of Apranga Group has exceeded planned amount by almost LTL 10 million.

By the date of general shareholders meeting Apranga Group has already opened 14 new shops, closed 3, and refurbished 2. Trading area has increased by 6.5 thousand sq. m to 45.5 thousand sq. m since the beginning of the year.

There were two new subsidiaries SIA Apranga BPB LV and SIA Apranga PLV established in Latvia in January 2007, which operate newly opened Bershka and Pull and Bear shops in Riga. APB Apranga has paid share capital of both companies LVL 60,000 each.

There was updated and prolonged credit line agreement with DnB Nord Banka in Latvia in January 2007.

Group's activity plans

Apranga Group plans to reach turnover of at least LTL 415 million and to earn at least LTL 31 million profit before taxes in 2007.

Apranga Group plans to implement biggest chain expansion by volume and investments. Key expansion directions will be best shopping centres and best places on high streets.

In February 2007 Apranga Group has announced about its strategic goal to reach LTL 1,000 million turnover in 2010.

Situation in consumer market, systematic fulfilment of turnover and expansion plans makes perfect preconditions for Apranga Group to reach and exceed tasks set for 2007.



Rimantas Perveneckas
General Director

18 April 2007

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

The public trade company „Apranga“ (hereinafter Company), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange for the companies listed on the regulated market, and its specific provisions:

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>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.</p>	<p align="center">Yes</p>	<p>Affirmed Company's development strategy and objectives are published in Company's annual prospectus-report, in other periodical reports, in Company's website especially intended for the investors www.apranga.lt/investuotojams, in Vilnius Stock Exchange announcements, in media (news agencies BNS, ELTA, Delfi, newspaper "Lietuvos rytas") and in chief executive officer and senior management presentations to investors.</p>
<p>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.</p>	<p align="center">Yes</p>	
<p>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.</p>	<p align="center">Yes</p>	<p>The Company implements this recommendation insofar as it is concerned with the close cooperation of Company's board and chief executive officer and senior management.</p>
<p>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.</p>	<p align="center">Yes</p>	
<p>Principle II: The corporate governance framework</p> <p>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.</p>		

<p>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.</p>	<p>No</p>	<p>The bodies of the Company are general shareholders’ meeting, board and chief executive officer. Supervisory board is not constituted in the Company.</p>
<p>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.</p>	<p>Yes</p>	<p>Company’s collegial management body – board – is responsible for strategic management of the Company and performs other key functions of corporate governance. Board is responsible for the effective supervision of the Company’s management bodies insofar as it is concerned with the supervision of the activity of chief executive officer pursuant to the Law of Companies of the Republic of Lithuania.</p>
<p>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.</p>	<p>No</p>	<p>The Company has one collegial body and that is board.</p>
<p>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.</p>	<p>Yes/No</p>	<p>See commentaries of III and IV principles’ recommendations.</p>
<p>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.</p>	<p>Yes</p>	<p>Company’s board consists of 6 (six) members, 3 (three) of whom are representatives of shareholders and the other 3 (three) are chief executive officer and senior managers. In Company’s opinion, the number of board members is sufficient considering Company’s activity extent and number of shareholders.</p>
<p>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.</p>	<p>No</p>	<p>Supervisory board is not constituted in the Company. See commentaries of 2.1. recommendation.</p>

<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The chairman of the board and chief executive officer of the Company are different persons. The chairman of the board has never been appointed as chief executive officer of the Company.</p>
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Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting

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

<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>The mechanism of the formation of Company's board ensures objective and fair supervision of the Company's chief executive officer and senior management pursuant to the Law of Companies of Republic of Lithuania as well as representation of minority shareholder's interests.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>No</p>	<p>The information about board members and their potential conflicts of interest are disclosed in Company's annual prospectus-report, other periodical reports, however the information about candidates was not submitted to general shareholder's meeting before their election. There was no necessity in the Company to disclose factors affecting candidate's independence.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>No</p>	<p>See commentary of 3.2 recommendation</p>

<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	<p>Yes</p>	
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>No</p>	<p>There was no such event in Company's practice that new board member was not familiar with the Company's organization and activities, therefore no individual program was necessary. Annual review of board members' knowledge is not conducted whereas the board members, i.e. chief executive officer and senior managers, are professionals and improve their skills and knowledge by conducting their duties in the Company. The skills and knowledge of board members representing shareholders is reviewed by shareholders themselves before proposing candidates to Company's board.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.</p>	<p>No</p>	<p>Within the meaning of this recommendation there are no independent members in Company's board, whereas the issue of election of independent board members never been topical and the "sufficient" number of independent board members was never assessed either.</p>

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <p>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;</p> <p>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;</p> <p>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);</p> <p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p>	<p>Not applicable</p>	<p>See commentary of 3.6 recommendation</p>
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<p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>Not applicable</p>	<p>See commentary of 3.6 recommendation. Moreover, thus far the disclosure of the independence of board members, in accordance with the criteria established by this Code, was not applicable in Company.</p>

<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>Not applicable</p>	<p>See commentary of 3.6. recommendation</p>
<p>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.</p>	<p>Not applicable</p>	<p>See commentary of 3.6 recommendation. Board members are not remunerated from the Company's funds for their work and participation in the meetings of the board.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>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.</p>		
<p>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.</p>	<p>Yes</p>	<p>This recommendation is implemented by Company's board insofar as the board issues recommendations to chief executive officer and to senior management pursuant to the provisions of Law of Companies of Republic of Lithuania.</p>
<p>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).</p>	<p>Yes</p>	<p>According to the Company's available data, board members act in good will in respect of Company, in the interests of the Company and its shareholders, thus maintaining independence of their decision making.</p>

<p>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.</p>	<p>Yes/No</p>	<p>According to the Company's data, all board members attended board meetings and devoted sufficient time to perform their duties as members of the board. The Company does not notify its shareholders about board members attendance of board meetings.</p>
<p>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.</p>	<p>Yes</p>	<p>Company's shareholders are properly informed about the Company's affairs, strategies, risk management and resolution of conflicts of interest. See commentaries of X principle's recommendations.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes/No</p>	<p>The transactions are concluded in standard terms in pursuance of regular Company's activities. There are no independent members in Company's board, See commentary of 3.6 recommendation of III principle.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>Yes</p>	

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes/No</p>	<p>Nomination, Remuneration and Audit committees are not established in the Company, whereas, in Company's opinion, the board by performing its functions partially performs functions of Nomination, Remuneration and Audit committees. Company's board selects a candidate for chief executive officer position and appoints chief executive officer, provides recommendations to chief executive officer regarding appointment of senior managers and their remuneration policy. Company's board affirms Company's strategic plans and objectives and controls their implementation. Moreover, Company's board affirms Company's budget plans and analyse and assess chief executive officer's and senior management's reports on budget plans' implementation.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>No</p>	<p>See commentary of 4.7 recommendation.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of</p>	<p>No</p>	<p>See commentary of 4.7. recommendation.</p>

<p>the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>No</p>	<p>See commentary of 4.7. recommendation.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>No</p>	<p>See commentary of 4.7. recommendation.</p>

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	Nomination Committee is not established in Company. (See commentary of 4.7. recommendation).
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's 	No	Remuneration Committee is not established in Company. (See commentary of 4.7. recommendation).

<p>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;</p> <ul style="list-style-type: none"> • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • 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); • 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 	<p>No</p>	<p>Audit Committee is not established in Company. (See commentary of 4.7. recommendation).</p>

properly identified, managed and reflected in the information provided;

- 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;

- 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;

- 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;

- Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances,

<p>treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>There is no practice in Company on internal assessments of board activities and notification on it.</p>

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.

<p>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.</p>	<p>Yes</p>	<p>Company's board is conducted by chairman of the board.</p>
<p>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.</p>	<p>Yes/No</p>	<p>Company's board meetings are convened depending on necessity, but at least once in a quarter.</p>
<p>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.</p>	<p>Yes</p>	
<p>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-ordinating 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.</p>	<p>No</p>	<p>The Company does not implement this recommendation whereas only management board is constituted in the Company.</p>

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary registered shares which grant equal rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	See commentaries of X principle's recommendations.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	The Company's Articles of Association provide that the advance approval of the general shareholders' meeting must be received for transactions regarding investment, transferring or leasing of the tangible long-term assets the book value whereof exceeds 1/20 of the statutory capital of the Company (calculated individually for every type of transaction) and offering surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the statutory capital of the Company.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Company's general shareholders' meeting draft resolutions are published not later than 10 (ten) days before shareholders' meeting. General shareholders' meeting draft resolutions and its adopted resolutions are published throughout Vilnius Stock Exchange information disclosure system and are placed on publicly accessible Company's website, in Lithuanian and English.

<p>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.</p>	<p>Yes</p>	<p>The Company's shareholders are furnished with the opportunity to vote in general shareholders' meeting both personally and throughout duly authorized representatives. On demand of shareholders, the Company may furnish the opportunity to vote in general shareholders' meeting in writing in advance, pursuant to the provisions of Law of Companies of the Republic of Lithuania.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>In Company's opinion, thus far there was no necessity to use modern technologies in general shareholders' meeting voting process.</p>

Principle VII: The avoidance of conflicts of interest and their disclosure

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

<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	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	
<p>Principle VIII: Company's remuneration policy</p> <p>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.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not prepare and publish remuneration statement. In Company's opinion, such information commercially is not published. Pursuant to law requirements, the Company publishes information regarding common remuneration sums paid to chief executive officer and senior management during financial year in Company's periodical reports.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See commentary of 8.1. recommendation.
8.3. Remuneration statement should leastwise include the following information: <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	No	See commentary of 8.1. recommendation.

<p>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.</p>	<p>No</p>	<p>See commentary of 8.1. recommendation.</p>
<p>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.</p>	<p>No</p>	<p>See commentary of 8.1. recommendation.</p>
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	<p>No</p>	<p>See commentary of 8.1. recommendation.</p>
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • 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; • The remuneration and advantages received from any undertaking belonging to the same group; • 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; • 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; • 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; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 	<p>No</p>	<p>See commentary of 8.1. recommendation.</p>

<p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • 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; • 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; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • 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. <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Not applicable</p>	<p>Company's directors are not remunerated in shares, share options or any other right to purchase shares.</p>

<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • 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. <p>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.</p>		
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		
<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	

Principle X: Information disclosure and transparency

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

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>	Yes	The information mentioned in this recommendation is disclosed throughout Vilnius Stock Exchange information disclosure system, in Company’s website, and in Company’s annual prospectus report, other periodical reports in such scope as it is required by law.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
10.3. It is recommended that information on the	Yes/No	See commentary of 3.2 recommendation of III principle.

<p>professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>No</p>	<p>The Company does not prepare and publish remuneration statement, See commentary of 8.1. recommendation of VIII principle.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>The information is disclosed pursuant to the requirements of the laws of the Republic of Lithuania. The information is disclosed throughout Vilnius Stock Exchange information disclosure system, thus ensuring simultaneous disclosure of information to investors. The information is disclosed in Lithuanian and English, before or after a trading session on the Vilnius Stock Exchange.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>See commentary of 10.5 recommendation. All the information disclosed throughout Vilnius Stock Exchange information system is placed on Company's website especially intended for the investors www.apranga.lt/investuotojams, in Lithuanian and English.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>See commentary of 10.5 recommendation.</p>

Principle XI: The selection of the company's auditor

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

11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	No	A candidate firm of auditors was proposed to general shareholders meeting by Company's shareholders in previous financial year.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This 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.	Not applicable	Company's firm of auditors has not rendered non-audit services to Company and has not received any remuneration for it.



Rimantas Perveneckas
General Director

18 April 2007