



**UTENOS TRIKOTAŽAS AB**

**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,  
CONSOLIDATED ANNUAL REPORT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania  
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

### Report on Financial Statements

We have audited the accompanying financial statements of AB Utenos trikotažas, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Utenos trikotažas and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Report on Other Legal and Regulatory Requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2015 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2015.

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



Inga Gudinaite  
Auditor's licence  
No. 000366

The audit was completed on 24 March 2016.

## Statements of financial position

	Notes	Group		Company	
		31 December		31 December	
		2015	2014	2015	2014
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	6	752	866	29	16
Property, plant and equipment	7	7 460	7 925	5 659	5 597
Investment property	8	111	114	111	114
Investments into subsidiaries	9	-	-	1 499	1 499
Trade and other receivables		1	2	-	-
Receivables from subsidiaries	27	-	-	2 356	2 750
Deferred income tax asset	25	50	61	-	-
		<b>8 374</b>	<b>8 968</b>	<b>9 654</b>	<b>9 976</b>
<b>Current assets</b>					
Inventories	10	3 687	3 439	3 592	3 224
Trade receivables	11	1 109	1 306	827	1 017
Other receivables	12	305	216	129	146
Cash and cash equivalents	13	1 079	955	265	218
		<b>6 180</b>	<b>5 916</b>	<b>4 813</b>	<b>4 605</b>
<b>Total assets</b>		<b>14 554</b>	<b>14 884</b>	<b>14 467</b>	<b>14 581</b>

## Statements of financial position (cont'd)

		Group		Company	
		31 December		31 December	
	Notes	2015	2014	2015	2014
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the shareholders of the Company</b>					
Share capital	14	2 756	1 448	2 756	1 448
Revaluation surplus	15	3 241	3 318	1 793	1 855
Legal reserve	15	574	574	574	574
Reserve for acquisition of own shares	15	269	-	-	-
Foreign currency translation reserve	15	113	175	-	-
Cash flow hedge reserve	15	(42)	-	(42)	-
Accumulated retained earnings/ (losses)	15	(938)	(581)	(70)	(75)
		<b>5 973</b>	<b>4 934</b>	<b>5 011</b>	<b>3 802</b>
<b>Non-controlling interest</b>		<b>427</b>	<b>352</b>	-	-
<b>Total equity</b>		<b>6 400</b>	<b>5 286</b>	<b>5 011</b>	<b>3 802</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	16	3 617	1 036	3 617	1 036
Borrowings from subsidiaries	16, 27	-	-	1 922	1 820
Convertible bonds issued	17	-	3 045	-	3 045
Deferred income tax liabilities	25	351	424	193	227
Non-current portion of derivative financial instruments	15	28	-	28	-
Provisions for employee benefits	18	226	170	205	158
		<b>4 222</b>	<b>4 675</b>	<b>5 965</b>	<b>6 286</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	16	691	496	691	496
Current portion of derivative financial instruments	15	23	-	23	-
Convertible bonds issued	17	-	1 304	-	1 304
Trade payables		1 051	1 018	1 008	999
Payables to other related parties and subsidiaries	27	518	312	524	452
Income tax payable		10	124	4	32
Accrued expenses and other current liabilities	19	1 639	1 669	1 241	1 210
		<b>3 932</b>	<b>4 923</b>	<b>3 491</b>	<b>4 493</b>
<b>Total liabilities</b>		<b>8 154</b>	<b>9 598</b>	<b>9 456</b>	<b>10 779</b>
<b>Total equity and liabilities</b>		<b>14 554</b>	<b>14 884</b>	<b>14 467</b>	<b>14 581</b>

The notes on pages 12 to 67 form an integral part of these financial statements.

These financial statements were approved by General Manager and Financial Officer on 24 of March 2016.

General Manager Eimundas Mačiulis

Chief Accountant Reda Kučinskienė

## Statements of comprehensive income

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2015	2014	2015	2014
Sales	5	18 922	19 766	16 014	16 040
Cost of sales	20	(15 528)	(15 629)	(13 458)	(13 193)
<b>Gross profit</b>		<b>3 394</b>	<b>4 137</b>	<b>2 556</b>	<b>2 847</b>
Selling expenses	21	(1 341)	(962)	(1 238)	(845)
General and administrative expenses	21	(2 010)	(1 861)	(1 448)	(1 679)
Other operating income	22	266	376	70	238
Other operating expenses	22	(43)	(62)	(28)	(42)
<b>Operating profit (losses)</b>		<b>266</b>	<b>1 628</b>	<b>(88)</b>	<b>519</b>
Finance income	23	577	88	109	79
Finance costs	23	(1 101)	(1 611)	(200)	(866)
<b>Profit (losses) before tax</b>		<b>(258)</b>	<b>105</b>	<b>(179)</b>	<b>(268)</b>
Income tax	25	(3)	(54)	21	23
<b>Net profit (losses)</b>		<b>(261)</b>	<b>51</b>	<b>(158)</b>	<b>(245)</b>
<b>Net profit (losses) attributable to:</b>					
Equity shareholders of the Company		(268)	19	(158)	(245)
Non-controlling interest	27	7	32	-	-
		<b>(261)</b>	<b>51</b>	<b>(158)</b>	<b>(245)</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>					
Foreign currency translation gain (loss)		(61)	(430)	-	-
Change in value of derivative financial instruments		(42)	-	(42)	-
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>(103)</b>	<b>(430)</b>	<b>(42)</b>	<b>-</b>

Continued on the next page

## Statements of comprehensive income (cont'd)

	Group		Company	
	Year ended 31 December		Year ended 31 December	
Notes	2015	2014	2015	2014
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods				
Actuarial gains (losses) from the pensions reserve	104	(23)	104	(23)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	104	(23)	104	(23)
Other comprehensive income (loss) for the year, net of tax	1	(453)	62	(23)
Total comprehensive income (loss) for the year, net of tax	(260)	(402)	(96)	(268)
Total comprehensive income (loss) attributable to:				
Equity holders of the Company	(268)	(449)	(96)	(268)
Non-controlling interest	8	47	-	-
	(260)	(402)	(96)	(268)
Basic/diluted earnings per share	26	(0.03)	0.01	-

The notes on pages 12 to 67 form an integral part of these financial statements.

General Manager Eimundas Mačiulis

Chief Accountant Reda Kučinskienė



## Statements of changes in equity

Group	Equity attributable to the equity holders of the Company										
	Notes	Share capital	For- eign cur- rency trans- lation re- serve	Other re- ser- ves	Re- serve for acqui- sition of own shares	Legal re- serve	Re- valu- ation sur- plus	Accumu- lated retained earn- ings/ (losses)	Total	Non- con- trolling inte- rest	Total equity
Balance as of 31 De- cember 2013		5 744	620	-	-	574	3 677	(5 229)	5 386	370	5 756
Net profit (loss) for the year		-	-	-	-	-	-	19	19	32	51
Other comprehensive income		-	(445)	-	-	-	-	(23)	(468)	15	(453)
Total comprehensive income (loss)		-	(445)	-	-	-	-	(4)	(449)	47	(402)
Decrease in subsidi- ary's share capital		-	-	-	-	-	-	-	-	(66)	(66)
Transfer of revaluation surplus to retained earnings		-	-	-	-	-	(359)	358	(1)	1	-
Decrease in share capital	2.14, 3.2	(4 296)	-	-	-	-	-	4 296	-	-	-
Balance as of 31 De- cember 2014		1 448	175	-	-	574	3 318	(579)	4 936	352	5 288
Net profit (loss) for the year		-	-	-	-	-	-	(268)	(268)	7	(261)
Other comprehensive income		-	(62)	(42)	-	-	-	104	-	1	1
Total comprehensive income (loss)		-	(62)	(42)	-	-	-	(164)	(268)	8	(260)
Effect of share capital conversion to euro		3	-	-	-	-	-	(3)	-	-	-
Other increase in mi- nority		-	-	-	-	-	-	-	-	67	67
Transfer of revaluation surplus to retained earnings		-	-	-	-	-	(77)	77	-	-	-
Reserve for acquisition of own shares	15	-	-	-	269	-	-	(269)	-	-	-
Increase in share capi- tal	2.14, 3.2	1 305	-	-	-	-	-	-	1 305	-	1 305
Balance as of 31 De- cember 2015		2 756	113	(42)	269	574	3 241	(938)	5 973	427	6 400



## Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Other reserves	Revaluation surplus	Accumulated retained earnings/ (losses)	Total equity
<b>Balance as of 31 December 2013</b>		<b>5 744</b>	<b>574</b>	-	<b>2 174</b>	<b>(4 427)</b>	<b>4 065</b>
Net loss for the year		-	-	-	-	(240)	(240)
Other comprehensive income (loss)		-	-	-	-	(23)	(23)
<b>Total comprehensive income (loss)</b>		-	-	-	-	<b>(263)</b>	<b>(263)</b>
Transfer of revaluation surplus to retained earnings		-	-	-	(319)	319	-
Decrease in share capital	2.14, 3.2	(4 296)	-	-	-	4 296	-
<b>Balance as of 31 December 2014</b>		<b>1 448</b>	<b>574</b>	-	<b>1 855</b>	<b>(75)</b>	<b>3 802</b>
Net profit (loss) for the year		-	-	-	-	(158)	(158)
Other comprehensive income (loss)		-	-	(42)	-	104	62
<b>Total comprehensive income (loss)</b>		-	-	<b>(42)</b>	-	<b>(54)</b>	<b>(96)</b>
Effect of share capital conversion to euro		3	-	-	-	(3)	-
Transfer of revaluation surplus to retained earnings		-	-	-	(62)	62	-
Increase in share capital	2.14, 3.2	1 305	-	-	-	-	1 305
<b>Balance as of 31 December 2015</b>		<b>2 756</b>	<b>574</b>	<b>(42)</b>	<b>1 793</b>	<b>(70)</b>	<b>5 011</b>

The notes on pages 12 to 67 form an integral part of these financial statements.

General Manager

Eimundas Mačiulis

Chief Accountant

Reda Kučinskienė

## Statements of cash flows

		Group Year ended 31 December		Company Year ended 31 December	
	Notes	2015	2014	2015	2014
<b>Cash flows from operating activities</b>					
Net (loss) profit for the year		(261)	51	(158)	(240)
<b>Adjustments for non-cash items:</b>					
Depreciation and amortization		767	765	586	591
Impairment of accounts receivable from subsidiaries	4, 21	-	-	-	370
(Reversal) of impairment of non-current assets	21	-	(17)	-	-
(Gain) on disposal of property, plant and equipment and investment property	21	(116)	(197)	(5)	(144)
Impairment and write-off of inventories	10	(7)	45	(21)	45
Impairment and write-off of accounts receivable		-	(3)	-	-
Provisions for employees benefits	18	166	36	155	35
Interest expense, net of interest income	23	118	779	99	783
Income tax (income) expense	25	3	54	(21)	(22)
<b>Changes in working capital:</b>					
(Increase) decrease in inventories		(242)	17	(348)	(233)
Decrease (increase) in trade receivables		197	(63)	190	(573)
Decrease in receivables from subsidiaries		-	-	394	251
(Increase) decrease in other receivables and other current assets		(89)	17	17	(28)
(Increase) decrease in trade and other accounts payable		592	(215)	(100)	(465)
Decrease (increase) in taxes payable and other current liabilities		(47)	(119)	183	(18)
Income tax (paid)		(11)	(49)	(8)	-
<b>Net cash generated from operating activities</b>		<b>1 070</b>	<b>1 101</b>	<b>963</b>	<b>352</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	7	(800)	(330)	(670)	(204)
Acquisition of intangible assets	6	(23)	(134)	(23)	-
Proceeds from sale of property, plant and equipment		255	783	33	699
Interest received		-	-	60	60
<b>Net cash flows generated from (to) investing activities</b>		<b>(568)</b>	<b>319</b>	<b>(600)</b>	<b>555</b>

## Statements of cash flows (cont'd)

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2015	2014	2015	2014
<b>Cash flows from financing activities</b>					
Proceeds from borrowings from subsidiaries	16	-	-	102	-
Proceeds from borrowings	16	3 265	1 918	3 265	1 918
Repayment of borrowings and financial lease payments		(489)	(2 888)	(489)	(2 527)
Interest paid		(118)	(175)	(158)	(240)
Repurchase of bonds	3.2, 17	(3 045)	-	(3 045)	-
Derivative financial instruments		9	-	9	-
<b>Net cash flows to financing activities</b>		<b>(378)</b>	<b>(1 145)</b>	<b>(316)</b>	<b>(849)</b>
<b>Net increase in cash and cash equivalents</b>		<b>124</b>	<b>275</b>	<b>47</b>	<b>58</b>
<b>Cash and cash equivalents at the beginning of the year</b>	13	<b>955</b>	<b>680</b>	<b>218</b>	<b>160</b>
<b>Cash and cash equivalents at the end of the year</b>	13	<b>1 079</b>	<b>955</b>	<b>265</b>	<b>218</b>
<b>Non- cash financial and investing activity</b>					
Increase in share capital by converting bonds	3.2	1 305	-	1 305	-

The notes on pages 12 to 67 form an integral part of these financial statements.

General Manager	Eimundas Mačiulis
Chief Accountant	Reda Kučinskienė

## Notes to the financial statements

### 1. General information

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

Basanavičiaus Str. 122,  
 Utena,  
 Lithuania

The Company is engaged in production of knit-wear and textile articles.

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

As at 31 December 2015 and 2014 the shareholders of the Company were as follows:

	2015		2014	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB Koncernas SBA	5 874	61.81	2 556	51.12
Investment Fund "Amber Trust"	1 347	14.18	681	13.61
Investment Fund "East Capital Asset"	527	5.55	527	10.54
Investment Fund "KJK Fund"	572	6.02	276	5.52
Other shareholders	1 183	12.44	960	19.21
	<b>9 503</b>	<b>100.00</b>	<b>5 000</b>	<b>100.00</b>

In 2015 the average number of employees of the Company was 776 (2014: 740).

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

	Registered address	Group's share (%) as at 31 December 2015 and 2014	Activity
Šatrija AB	Vilniaus Str. 5, Raseiniai	89.78	Sewing of clothes
Gotija UAB	Laisvės Str. 33, Kaunas	90.50	Retail trade
PAT MTF Mrija	Motroso Str. 13, Mukačiov, Ukraine	98.95	Production of knitted articles

In 2015 the average number of employees of the Group was 1 148 (2014: 1 143).

The Company's management authorised these financial statements on 24 March 2016. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

## 2. Summary of significant accounting policies

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

### 2.1 Basis of preparation

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

These financial statements have been prepared on a historical cost basis, except for buildings that have been measured at revalued amounts and derivatives accounted at fair value.

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

The following new and/or amended IFRSs have been adopted by the Group/Company as of 1 January 2015:

- Annual Improvements to IFRSs 2011 – 2013 Cycle
- IFRIC Interpretation 21: Levies

**Annual Improvements to IFRSs 2011 – 2013 Cycle** is a collection of amendments to the following IFRSs:

- **IFRS 3 *Business Combinations*:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 *Fair value Measurement*:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 *Investment property*:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

#### **IFRIC Interpretation 21 Levies**

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs.

The implementation of these amendments had no effect on the financial statements of the Group and the Company.

#### ***Standards issued but not yet effective***

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

**Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative*** (effective for financial years beginning on or after 1 January 2016)

The amendments to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

## 2.1 Basis of preparation (cont'd)

**Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*** (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company but may result in changes in disclosures.

**Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization*** (effective for financial years beginning on or after 1 January 2016)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group and the Company, as the Group and the Company do not use revenue-based depreciation and amortisation methods.

**Amendments to IAS 19 *Employee Benefits*** (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's and Company's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

**Amendments to IAS 27 *Equity method in separate financial statements*** (effective for financial years beginning on or after 1 January 2016)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

**IFRS 9 *Financial Instruments*** (effective for financial years beginning on or after 01.01.2018, once endorsed by the EU)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

**Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of these amendments will not have any impact on the financial statements of the Group, as Company is not an investment entity.

**Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (endorsement deferred indefinitely)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company.

**Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses*** (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company.



## 2.1 Basis of preparation (cont'd)

### **Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations*** (effective for financial years beginning on or after 1 January 2016)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company, because the Group and the Company do not have joint companies or joint ventures.

### **IFRS 14 *Regulatory Deferral Accounts*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 14 provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company.

### **IFRS 15 *Revenue from Contracts with Customers*** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

### **IFRS 16 *Leases*** (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

## **Improvements to IFRSs**

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Fair value Measurement*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures*;
- IAS 38 *Intangible Assets*.

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

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

## 2.1 Basis of preparation (cont'd)

The Group and the Company plans to adopt the above mentioned standards and interpretations on their effective-ness date provided they are endorsed by the EU.

## 2.2 Consolidation

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

Subsidiaries are all investees where the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect its returns.

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed in a business combination. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

## 2.3 Segment reporting

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

## 2.4 Foreign currency translation

### *(a) Functional and presentation currency*

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

### *(b) Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges attributable to exchange differences on those monetary items are also recorded in OCI.

### *(c) Group companies*

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

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

## 2.5 Derivative financial instruments

The Group and the Company engages in swap contract for interest rate risk management purposes. Derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition and measurement, outstanding swaps are carried in the statement of financial position at the fair value. Fair value is derived from using the discounted cash flow method which is based on directly observable inputs (level 2 in fair value hierarchy). The estimated fair values of these contracts are reported on a gross basis as financial assets for instruments having a positive fair value, and financial liabilities for instruments with a negative fair value.

Gain or loss from changes in the fair value of outstanding forward contracts, swaps and other financial instruments, which are not classified as hedging instruments, are recognized in the statement of comprehensive income as they arise.

## 2.6 Hedge accounting

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. The Group and the Company uses cash flow hedge.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other comprehensive income and the ineffective portion is recognized in the statement of comprehensive income (profit or loss). The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to the statement of comprehensive income (profit or loss) in the period in which the hedged transaction impacts the statement of comprehensive income or included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of comprehensive income (profit or loss) for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income (profit or loss).

Group and the Company has entered into interest swap agreement with a purpose to hedge itself against a possible fluctuation/increase of EURIBOR on the loan taken from a bank (Note 16).

## 2.7 Intangible assets

### *(a) Goodwill*

After initial recognition (Note 2.2), goodwill is measured at cost less any accumulated impairment losses. Goodwill is included in intangible assets in the statement of financial position. Goodwill is tested annually for impairment (Note 2.10). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### *(b) Computer software*

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

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

## 2.8 Property, plant and equipment

Buildings are stated at revalued amounts less accumulated depreciation and impairment losses. Revaluation of buildings is performed periodically to ensure that the carrying value of buildings does not significantly differ from fair value at the balance sheet date. The latest valuation by professional appraisers was performed on 31 March 2013. As of 31 December 2015, the Management of the Group and the Company considered if there are any indications that the fair value of the revalued assets might differ materially from their carrying amounts, which would require an updated revaluation of the buildings as of 31 December 2015 and concluded that there are no such indications. Therefore, no valuation was performed in 2015.

Any increase in the value of buildings is recorded in the revaluation surplus, except for the cases and only at the amount recovering the revaluation decrease of the same asset that was previously recognised as expenses. In this case it is recognised as income. Any decrease is first set off against increase in the value of the same asset from the previous valuation, and only the remaining difference is recognised as expenses. At write - off or depreciation of revalued assets, the respective part of the revaluation surplus is transferred from the revaluation surplus directly to the retained earnings.

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

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

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

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.10). Impairment of property, plant and equipment as well as reversals of impairment during the year are included into operating expenses in the profit and loss.

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

## **2.8 Property, plant and equipment (cont'd)**

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

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

## **2.9 Investment property**

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

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

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

Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.10). Impairment of investment property as well as reversals for the year are included into general and administrative expenses in the profit and loss.

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

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

## **2.10 Impairment of non-financial assets**

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

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

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

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



## 2.11 Financial assets

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

### *(a) Loans and receivables*

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

Loans and receivables are carried at amortised cost using the effective interest method. The Company and the Group assess at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other amounts receivables is described in Note 4.

### *(b) Investments in subsidiaries*

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

## 2.12 Inventories

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

## 2.13 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

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

## 2.14 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.

## 2.14 Share capital (cont'd)

### *(b) Treasury shares*

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

## 2.15 Reserves

### *(a) Foreign currency translation reserve*

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

### *(b) Other reserves*

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

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

### *(c) Reserve for acquisition of treasury shares*

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

## 2.16 Trade and other payables

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

## 2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method (except for the capitalised part – Note 2.8).

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 reporting date.

## 2.18 Derecognition of financial assets and liabilities

### Financial assets

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

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

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

### Financial liabilities

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

## 2.19 Convertible bonds

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

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

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

## 2.20 Income tax

### *(a) Current tax*

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

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

Profit for the year 2015 of the Group's subsidiaries that operate in Lithuania is taxable at a rate of 15 per cent (2014: 15 per cent), corporate income tax rate in Ukraine is 18 per cent (2014 -18 per cent).

In accordance with tax legislation of the Republic of Lithuania, starting from 1 January 2008 taxable losses, except for losses related to transfer of securities and/ or financial instruments may be carried forward for an unlimited period. Starting from 1 January 2014 the tax loss carry forward that is deducted cannot exceed 70 per cent of the taxable profit of the current financial year. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

In accordance with tax legislation of the Republic of Ukraine, starting from 2012 the tax loss carry forward that is deducted cannot exceed 25 per cent of the taxable profit of the current financial year.

## 2.20 Income tax (cont'd)

### *b) Deferred tax*

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

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

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

## 2.21 Leases

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

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

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

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

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

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

Payments received under operating leases (net of any incentives given to the lessee) are credited to profit and loss on a straight-line basis over the period of the lease. Properties (land and buildings) leased out under operating leases are included in investment property in the statement of financial position (Note 2.9).

## 2.22 Employee benefits

### *(a) Social security contributions*

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

### *(b) Bonus plans*

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

### *(c) Non-current employee benefits*

According to the requirements of the Lithuanian Labour Code, each employee leaving the Company at the age of retirement is entitled to a one-off payment amounting to two-month salary.

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

Employee benefit obligations are calculated based on actuarial assumptions, using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits.

## 2.23 Revenue recognition

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

### *(a) Sales of goods*

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

### *(b) Sewing services*

Revenue from sales of sewing services is recognized when service is provided. At the year-end revenues from customer specific sewing orders in progress are recognized by the reference to the stage of completion.

## 2.23 Revenue recognition (cont'd)

### *(c) Interest income*

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

### *(d) Dividend income*

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

### *(e) Rental income*

Payments received under operating leases (net of any incentives given to the lessee) are credited to profit and loss on a straight-line basis over the period of the lease (Note 2.21).

## 2.24 Dividend distribution

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

## 2.25 Earnings (losses) per share

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

## 2.26 Non-current assets held for sale

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

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

## 2.27 Subsequent events

Post-balance sheet events that provide additional information about the Group's and the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.



### 3. Financial risk management

#### 3.1 Financial risk factors

The Group's and the Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group and the Company. Risk management is carried out by the Group's Board and management.

#### Financial instruments by classes

	Group 31 December		Company 31 December	
Assets reported in the statements of financial position	2015	2014	2015	2014
Non-current amounts receivable from subsidiaries	-	-	1 353	1 460
Non-current trade and other receivables	1	2	-	-
Trade receivables	1 109	1 306	827	1 017
Cash and cash equivalents (Note 13)	1 079	955	265	218
	<u>2 189</u>	<u>2 263</u>	<u>2 445</u>	<u>2 695</u>

	Group 31 December		Company 31 December	
Liabilities reported in the statements of financial position	2015	2014	2015	2014
Borrowings	4 308	1 532	4 308	1 532
Borrowings from subsidiaries	-	-	1 922	1 820
Convertible bonds issued	-	4 349	-	4 349
Trade payables	1 051	1 018	1 008	999
Amounts payable to subsidiaries	-	-	17	143
Amounts payable to other related parties	518	312	507	309
Accrued expenses and other current liabilities and other payables (Note 19)	400	622	384	533
Derivative financial instrument	51	-	51	-
	<u>6 328</u>	<u>7 833</u>	<u>8 197</u>	<u>9 685</u>

3.1 Financial risk factors (cont'd)

(a) Market risk

(i) Monetary assets and monetary liabilities foreign exchange risk

Group	2015		2014	
	31 December		31 December	
	Assets	Liabilities	Assets	Liabilities
LTL	-	-	489	2 624
USD	48	10	50	19
GBP	-	1	-	3
UAH	39	3	101	172
EUR	2 102	6 314	1 621	6 633
	<b>2 189</b>	<b>6 328</b>	<b>2 261</b>	<b>9 451</b>

Company	2015		2014	
	31 December		31 December	
	Assets	Liabilities	Assets	Liabilities
LTL	-	-	130	2 058
USD	48	11	50	19
GBP	1	1	-	3
UAH	1	-	1	-
EUR	2 395	8 185	2 513	8 444
	<b>2 445</b>	<b>8 197</b>	<b>2 694</b>	<b>10 524</b>

The Group and the Company operates internationally and carries out a significant part of its transactions in euros. Therefore, the management believes that entities operating in Lithuania are not exposed to significant currency exchange risk.

The Ukrainian subsidiary incurred a foreign exchange loss amounting to EUR 1 916 thousand during the year ended 31 December 2015 (2014: incurred a foreign exchange loss amounting to EUR 2 652 thousand) due to fluctuations in the official exchange rate of Ukrainian hryvnia (UAH) to EUR set by the National Bank of Ukraine.

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

### 3.1 Financial risk factors (cont'd)

From the beginning of the year 2014 due to the geo-political situation in Ukraine and significant drop in the value of UAH against EUR, the Management of the Group and the Company re-designated loan granted, related interests and other long term receivables as a part of net investment in Mrija PAT MTF, considering that the repayment of these amounts is not expected for the foreseeable future. Accordingly gains (losses) arising from foreign exchange related to the monetary items considered to be part of net investment into foreign operation are accounted in Group's consolidated financial statements through other comprehensive income (loss) in 2014 and 2015.

Amount of monetary items attributed to net investment amounts to EUR 3.5 million as of 31 December 2015 and 2014 and foreign currency exchange difference related to this amount for the year 2015 comprises EUR 1.7 million (EUR 1.9 million in 2014), the difference is accounted in the Group's consolidated financial statements through other comprehensive income.

**Other comprehensive income (loss) from foreign currency translation included in the consolidated statement of changes in equity in other comprehensive income attributable to the equity holders of the Company:**

	31 December 2015	31 December 2014
Foreign currency exchange difference on monetary items attributed to net investments	1 740	1 912
Foreign currency translation reserve on other items	(1 802)	(2 357)
<b>Other comprehensive income, net</b>	<b>(62)</b>	<b>(445)</b>

Other comprehensive income (loss) from foreign currency translation included in the consolidated statement of changes in equity in other comprehensive income attributable to non-controlling interest was not material.

The following table demonstrates the sensitivity to a reasonably possible change in UAH exchange rate related to EUR, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the carrying value of monetary assets. The impact on the Group's pre-tax equity is due to changes in the carrying value of net investment. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in UAH rate related to	Effect on profit before tax	Effect on pre-tax equity (excludes the impact from the change in result)
	EUR		
2015	+ 5 %	Decrease by 5 %	Decrease by 5%
	- 5 %	Increase by 5 %	Increase by 5%
2014	+ 5 %	Decrease by 7 %	Decrease by 5%
	- 5 %	Increase by 7 %	Increase by 5%

#### (ii) Cash flow interest rate risk

Borrowings with variable interest rates expose the Company and the Group to cash flow interest rate risk. Borrowings with variable interest rates of the Company and the Group in 2015 and 2014 were denominated in EUR.

The Group and the Company analyses their interest rate exposure on an annual basis. The Group and the Company calculates the impact on profit or loss by multiplying year-end balances of interest-bearing loans granted borrowings (including finance lease payables) by the estimated interest rate shift. Except for the current year's profit (loss), there is no impact on the equity of the Group and the Company.

Based on the simulations performed, the impact of a 0.5 percentage point increase/decrease in interest rates on the Company's and the Group's net result would be an increase/decrease at maximum of EUR 25 thousand (2014: EUR 17 thousand) and EUR 20 thousand (2014: EUR 8 thousand), respectively, mainly as a result of higher/lower interest expense/income on borrowings and loans granted.

### 3.1 Financial risk factors (cont'd)

#### (b) Credit Risk

##### (i) Maximum exposure to credit risk

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

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

	Group 31 December		Company 31 December	
	2015	2014	2015	2014
Cash and cash equivalents (Note 13)	1 079	955	265	218
Current loans and trade receivables (Notes 11, 16 and 27)	1 109	1 306	827	1 017
Non-current loans granted and amounts receivable	1	2	1 353	1 460
<b>Total</b>	<b>2 189</b>	<b>2 263</b>	<b>2 445</b>	<b>2 695</b>

##### ii) Credit quality of financial assets

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

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

The credit quality of financial assets that are neither past due nor impaired can be assessed considering historical data on their performance as independent credit ratings are not available.

##### (a) Trade receivables – trade customers with no independent rating

	Group 31 December		Company 31 December	
	2015	2014	2015	2014
New trade customers (up to 12 months)	72	94	72	94
Current trade customers (more than 12 months) who duly fulfilled their obli- gations in the past	1 037	1 212	755	923
<b>Total accounts receivable</b>	<b>1 109</b>	<b>1 306</b>	<b>827</b>	<b>1 017</b>

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**3.1 Financial risk factors (cont'd)**

b) Cash and cash equivalents, excluding cash on hand.

	Group 31 December		Company 31 December	
	2015	2014	2015	2014
A+ and above *	1 054	900	252	193
No rating	12	31	2	2
<b>Total</b>	<b>1 066</b>	<b>931</b>	<b>254</b>	<b>195</b>

\* Independent ratings established by Fitch agency.

Trade receivables that are past due are not treated as impaired when the Group's and the Company's management expects to recover these receivables.

	Group 31 December		Company 31 December	
	2015	2014	2015	2014
<b>Not past due receivables</b>	<b>879</b>	<b>756</b>	<b>615</b>	<b>522</b>
<b>Past due not impaired</b>				
Past due up to 30 days	202	504	186	448
Past due 31-60 days	3	29	1	29
Past due 61-180 days	20	16	20	16
Past due more than 181 days	5	1	5	-
<b>Total past due not impaired</b>	<b>230</b>	<b>550</b>	<b>212</b>	<b>495</b>
<b>Overdue and impaired</b>				
Past due more than 181 days	115	134	94	113
Impairment allowance for trade receivables	(115)	(134)	(94)	(113)
<b>Total accounts receivable after impairment</b>	<b>1 109</b>	<b>1 306</b>	<b>827</b>	<b>1 017</b>

The Company's non-current accounts receivable consist of amounts receivable and loans receivable from subsidiary PAT MTF Mrija, which at 31 December 2015 before impairment allowances amounted to EUR 4 743 thousand, after allowances EUR 2 357 thousand. Receivables from PAT MTF Mrija as of 31 December 2014 before impairment allowances amounted to EUR 5 136 thousand, after allowances EUR 2 750 thousand.

As at 31 December 2015 and 2014 these receivable amounts from subsidiary were past due for more than one year and there were impairment allowances made of EUR 2 386 thousand.

The Group did not have material non-current receivables and loans granted as at 31 December 2015 and 2014.

### 3.1 Financial risk factors (cont'd)

#### (c) Liquidity risk

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

Group's current assets exceeded its current liabilities by 2 248 thousand EUR as of 31 December 2015 (current assets exceeded current liabilities by EUR 993 thousand as at 31 December 2014). Group's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2015 were 1.57 and 0.63 respectively (1.21 and 0.50 as at 31 December 2014 respectively). Company's (AB Utenos trikotazas) current assets exceeded its current liabilities by 1 322 thousand as at 31 December 2015 (current assets exceeded current liabilities by EUR 112 thousand as at 31 December 2014). Company's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2015 were 1.38 and 0.35 respectively (1.03 and 0.31 as at 31 December 2014 respectively).

On 12 January 2015 the Company has repurchased 47 units of convertible bonds for the amount EUR 3 045 thousand.

On 22 June 2015 Utenos trikotažas AB and DNB Bank signed an agreement according to which an amount of credit granted was increased by EUR 630 thousand for investments into equipment in 2015. During 2015 loan of EUR 220 thousand was utilised.

On 26 November 2014 the Company and AB DNB entered into a long-term loan agreement according to which the Company was granted a loan of EUR 4 634 thousand. The loan term – 5 years. The fund were used to re-finance the Company's financial liabilities in respect of Swedbank lizingas UAB and to fulfil the Company's settlement obligations in respect of the convertible bonds holders (i.e. to pay the redemption price of the convertible bonds to be redeemed).

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

#### Group

##### 31 December 2015

	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from banks including future interest	-	763	3 755	4 517
Trade payables and other financial liabilities	1 992	-	28	2 020
	1 992	763	3 783	6 537

##### 31 December 2014

	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from banks including future interest	-	580	1 089	1 669
Convertible bonds issued	1 304	-	3 203	4 507
Trade payables and other financial liabilities	1 950	-	-	1 950
	3 254	580	4 292	8 126



### 3.1 Financial risk factors (cont'd)

#### Company

<b>31 December 2015</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
Borrowings from Banks including future interest	-	763	3 755	4 517
Borrowings from subsidiaries	-	-	2 070	2 070
Trade payables and other financial liabilities	1 939	-	28	1 967
	<b>1 939</b>	<b>763</b>	<b>5 853</b>	<b>8 554</b>

<b>31 December 2014</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
Borrowings from Banks and lease payments	-	580	1 089	1 669
Convertible bonds issued	1 304	-	3 203	4 507
Borrowings from subsidiaries	-	-	1 963	1 963
Trade payables and other financial liabilities	1 838	-	-	1 838
	<b>3 142</b>	<b>580</b>	<b>6 255</b>	<b>9 977</b>

#### *Going concern assumption*

During the year 2015, the Group incurred net loss of EUR 261 thousand and the Company incurred a net loss of EUR 158 thousand (2014: the Group earned net profit of EUR 51 thousand, Company incurred net loss of 240 EUR thousand).

At the end of the reporting financial year, the Group's and the Company's current assets exceeded current liabilities by EUR 2 248 thousand and EUR 1 322 thousand, respectively (as at 31 December 2014 the Group's and the Company's current assets exceeded current liabilities by EUR 993 thousand and EUR 112 thousand, respectively).

There are no significant uncertainties about the Company's and the Group's ability to continue as a going concern as at 31 December 2015.

### 3.2 Capital management

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

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

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Total borrowings and convertible bonds issued	4 308	5 882	6 230	7 702
Less: cash and cash equivalents	(1 079)	(955)	(265)	(218)
Net debt	3 229	4 927	5 965	7 484
Total equity	6 400	5 286	5 011	3 802
<b>Total capital</b>	<b>9 629</b>	<b>10 213</b>	<b>10 976</b>	<b>11 286</b>

### 3.2 Capital management (cont'd)

#### *Utenos trikotazas AB*

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than EUR 40 thousand (EUR 2.5 thousand for a private company) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2015, the Company and its subsidiaries registered in Lithuania complied with these requirements. Furthermore, the Group has to comply with Equity/Assets ratio identified in loan agreement with bank (Note 16).

As at 13 December 2014 the Group and the Company had 66 units of convertible bonds which were disclosed in Group's and Company's statement of financial position in long-term and short-term liabilities.

On 12 January 2015 a new Company's statute for share capital increase was registered in the Register of Legal Entities of the Republic of Lithuania. The Company's share capital was increased by implementing the decisions made on 03-12-2009 and 26-03-2014 in extraordinary general shareholder meetings and according to the requests of the Company's emitted convertible bond owners to exchange 19 units of these convertible bonds into 4 503 000 ordinary shares of the Company. After the conversion the Company's share capital is equal to EUR 2 756 thousand and is divided into 9 503 000 ordinary shares, with a nominal value of EUR 0.29 each.

The remaining part of convertible bonds (47 units) were fully redeemed for the total amount of EUR 3 045 thousand on 12 January 2015.

Extraordinary General Meeting of the Company (Utenos trikotazas AB) Shareholders held on 12 September 2014 decided to reduce the Company's share capital from EUR 5 744 thousand to EUR 1 448 thousand and the Company's share capital was reduced by the amount equal to EUR 4 296 thousand. The purpose of the reduction of the Company's share capital - to eliminate the losses recorded in the Statement of financial position of the Company. The decrease in share capital of the Company was done through cancellation of the Company's shares.

#### *Mrija PAT MTF*

The shareholders' equity of the subsidiary registered in Ukraine was negative as at 31 December 2015 and 31 December 2014. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies at the moment of the company's registration. As at 31 December 2015 and 31 December 2014, the shareholders' equity of this subsidiary was less than the statutory minimal amount of authorised share capital. If the company does not take decision on its liquidation, its creditors may claim early termination or the execution of the company's liabilities and compensation of losses, if any. In practice, such actions of the creditors are not likely and the management of the Group considers such risk to be remote. On the date of these financial statements there were no decisions made or actions taken concerning PAT MTF Mrija negative shareholders' equity.

### 3.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Group's and the Company's management at each reporting date. For the purpose of fair value disclosures, the Group and the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

The fair value of the Group's and the Company's derivative financial instruments was estimated based on the second level of fair value hierarchy (Note 15).

The fair value of the Group's and the Company's investment property was estimated based on the third level of fair value hierarchy (Note 8).

The fair value of the Group's and the Company's bonds fair value was estimated based on the third level of fair value hierarchy (Note 17). According to the Management's estimation fair value of the Group's and the Company's convertible bonds were close to their book value as at 31 December 2014. Bonds were redeemed/ converted in 2015 (Note 14).

Trade payables and receivables, except for receivables from subsidiaries, accounted for in the Group's and the Company's statement of financial position should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals their carrying amount as at 31 December 2015 and 2014 (third level of fair value hierarchy).

The fair value of receivables from subsidiaries and loans granted to the subsidiary by the Company is estimated discounting expected cash flows at market interest rates (Note 4), therefore, management estimates that their fair value approximates carrying amounts as at 31 December 2015 and 2014 (third level of fair value hierarchy).

Interest rate on the loans received by the Group and the Company is subject to repricing at least every six months, therefore, it is deemed that their fair value equals their carrying amount.

#### 4. Critical accounting estimates and judgments

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

##### *Estimates of recoverable amounts of goodwill and investments in subsidiaries*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy described in Note 2.7. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of significant estimates as outlined below.

##### *Investment in the subsidiary Šatrija AB and related goodwill*

After testing for impairment there was no impairment detected for the investment into the subsidiary Šatrija AB and related goodwill. Key assumptions used in the impairment assessment are disclosed in Note 6. If reasonably worsened inputs as of 31 December 2015 and 2014 would be used in impairment testing, this would result in no impairment.

##### *Investment in the subsidiary PAT MTF Mrija and related goodwill*

As at 31 December 2015 and 2014 cost of investment (not including loans and receivables designated as part of net investment as disclosed in Note 3.1) into subsidiary PAT MTF Mrija in the Company's separate financial statements before impairment allowance amounted to EUR 2 195 thousand, after allowance to EUR 0.

Amounts receivable from subsidiary PAT MTF Mrija were tested for impairment jointly with investment into the subsidiary. As at 31 December 2015, receivables from PAT MTF Mrija before impairment allowance amounted to EUR 4 742 thousand, after allowance to EUR 2 356 thousand. In 2015 additional allowance for receivables was not made. In 2014 additional allowance of EUR 370 thousand was made and EUR 2 016 thousand in total before 2014. Receivables from PAT MTF Mrija as of 31 December 2014 before impairment allowance amounted to EUR 5 136 thousand, after allowance to EUR 2 750 thousand. These forecast are based on overall production increase of Utenos trikotazas and significant part of manufacturing transfer to Ukraine due lower cost labor cost.

As at 31 December 2015 and 2014 the recoverable amount of the cash-generating unit has been determined based on the value in use which was determined using the cash flow projections approved by the management covering a five year period.

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

After testing for impairment there was no impairment detected for the subsidiary Mrija PAT MTF related goodwill, which has a carrying value of EUR 236 thousand as of 31 December 2015 and EUR 322 thousand as at 31 December 2014 in consolidated accounts. Effect of reasonably worsened inputs in goodwill impairment test is disclosed below.

Based on the current industry situation and past experience, the Group's management included the following key assumptions in the impairment test as at 31 December 2015: increase in revenue from manufacturing activities of PAT MTF Mrija by 58 per cent in 2016 comparing to 2015, by 56 per cent in 2017-2018 and annual increase by 2 per cent starting from 2018, maintaining a gross profit of 33-38 per cent.

Based on the current industry situation and past experience, the Group's management included the following key assumptions in the impairment test as at 31 December 2014: increase in revenue from manufacturing activities of PAT MTF Mrija by 10.3 per cent in 2014 comparing to 2015 and increase by 10.0 - 20.0 per cent starting from 2015, maintaining a gross profit of 44-36 per cent.

The pre-tax discount rate applied to cash flow projections is 23 per cent in 2015 and cash flows beyond 5-year period are extrapolated using a 4 per cent constant growth rate that reflects the best estimate of the management based on the current industry situation as at 31 December 2015.

The pre-tax discount rate applied to cash flow projections is 23 per cent in 2014 and cash flows beyond 5-year period are extrapolated using a 4 per cent constant growth rate that reflects the best estimate of the management based on the current industry situation as at 31 December 2014. Cash flows also included the amount of EUR 0.67 million expected to be received by the Group on the disposal of equipment and buildings that are not used in the activities of PAT MTF Mrija as at 31 December 2014.

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

Increase of pre-tax discount rate applied to the discounted cash-flows by 1 percentage point (i.e. from 23 per cent to 24 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amount receivable from subsidiary amounting to EUR 75 thousand as at 31 December 2015 (investment would not change as it is impaired to zero) in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Increase of pre-tax discount rate applied to the discounted cash-flows by 1 percentage point (i.e. from 23 per cent to 24 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amount receivable from subsidiary amounting to EUR 110 thousand as at 31 December 2014 (investment would not change as it is impaired to zero) in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in revenue growth from manufacturing activities in 2016 by 58 percentage points (i.e. from 58 per cent to 0 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 460 thousand as at 31 December 2015 in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in annual revenue growth from manufacturing activities in 2015 by 10.3 percentage point (i.e. from 10.3 per cent to 0 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 651 thousand as at 31 December 2014 in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in revenue growth from manufacturing activities starting from 2017 to 2.0 percentage point (i.e. from 56 per cent to 2 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 820 thousand as at 31 December 2015 in the separate financial statements of the Company. This would result in impairment of related goodwill in the Group's consolidated financial statements amounting EUR 200 thousand.

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

Reduction in annual revenue growth from manufacturing activities starting from 2016 to 5.0 percentage point (i.e. from 10-20 per cent to 5 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 715 thousand as at 31 December 2014 in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in gross margin to 20 per cent (i.e. from 33-38 per cent to 20 per cent), with all other inputs remaining stable, ) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 1 443 thousand as at 31 December 2015 in the separate financial statements of the Company. This would result in impairment of related goodwill in the Group's consolidated financial statements amounting EUR 816 thousand.

Reduction in gross margin to 20 per cent (i.e. from 44-36 per cent to 20 per cent), with all other inputs remaining stable, ) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 1 395 thousand as at 31 December 2014 in the separate financial statements of the Company. This would result in impairment of related goodwill in the Group's consolidated financial statements amounting EUR 1 311 thousand.

#### 5. Segment information

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

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

2015	Production of knitted articles	Production of working clothes	Retail of knitted articles	Elimina- tions	Total
External sales	16 089	2 609	224	-	18 922
Internal sales	323	6	-	(329)	-
<b>Total revenue</b>	<b>16 412</b>	<b>2 615</b>	<b>224</b>	<b>(329)</b>	<b>18 922</b>
<b>Gross profit</b>	<b>2 842</b>	<b>454</b>	<b>98</b>	<b>-</b>	<b>3 394</b>
<b>EBITDA</b>	<b>818</b>	<b>187</b>	<b>29</b>	<b>-</b>	<b>1 034</b>
<b>Profit (loss) for the year</b>	<b>(354)</b>	<b>61</b>	<b>32</b>	<b>-</b>	<b>(261)</b>
Depreciation and amortization	620	147	-	-	767
Impairment and write-off of inventories	154	-	-	-	154
Interest expenses	220	-	-	(102)	118
Income tax	(21)	18	6	-	3
<b>Total segment assets</b>	<b>18 090</b>	<b>2 739</b>	<b>449</b>	<b>(6 724)</b>	<b>14 554</b>
<b>Total segment liabilities</b>	<b>14 334</b>	<b>531</b>	<b>13</b>	<b>(6 724)</b>	<b>8 154</b>



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5. Segment information (cont'd)

2014	Production of knitted articles	Production of working clothes	Retail of knitted arti- cles	Elimina- tions	Total
External sales	16 079	3 476	211	-	19 766
Internal sales	532	15	-	(547)	-
<b>Total revenue</b>	<b>16 611</b>	<b>3 491</b>	<b>211</b>	<b>(547)</b>	<b>19 766</b>
<b>Gross profit</b>	<b>3 127</b>	<b>918</b>	<b>92</b>	<b>-</b>	<b>4 137</b>
<b>EBITDA</b>	<b>1 736</b>	<b>637</b>	<b>20</b>	<b>-</b>	<b>2 393</b>
<b>Profit (loss) for the year</b>	<b>(507)</b>	<b>526</b>	<b>32</b>	<b>-</b>	<b>51</b>
Depreciation and amortization	679	86	-	-	765
Impairment and write-off (reversal) of inventories	45	1	-	-	46
Interest expenses	931	-	-	(152)	779
Income tax	(49)	97	6	-	54
<b>Total segment assets</b>	<b>12 172</b>	<b>4 188</b>	<b>487</b>	<b>(1 963)</b>	<b>14 884</b>
<b>Total segment liabilities</b>	<b>10 974</b>	<b>574</b>	<b>13</b>	<b>(1 963)</b>	<b>9 598</b>

	2015	2014
<b>EBITDA</b>	<b>1 034</b>	<b>2 393</b>
Depreciation and amortization	(767)	(765)
<b>Operating (loss) profit</b>	<b>267</b>	<b>1 628</b>
Interest expenses	(118)	(779)
Other finance cost, net	(407)	(744)
<b>Profit (loss) for the year before income tax</b>	<b>(258)</b>	<b>105</b>

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

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**5. Segment information (cont'd)**

**Company's revenues based on activity:**

	<b>2015</b>	<b>2014</b>
Sale of goods	15 688	15 804
Sales of services	66	41
Other income	260	195
	<b>16 014</b>	<b>16 040</b>

The Group's and the Company's revenue from one customer exceeding 10 per cent of total sales in 2015 and 2014 was as follows:

<b>Customer</b>	<b>Region</b>	<b>Group</b>		<b>Company</b>	
		<b>Percentage of total sales</b>		<b>Percentage of total sales (%)</b>	
		<b>(%)</b>			
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Customer 1	Western Europe	13	14	15	17
Customer 2	Western Europe	11	12	13	15

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

<b>2015</b>	<b>Western Europe</b>	<b>Lithuania</b>	<b>Other regions</b>	<b>Total</b>
Sales of the Group	13 927	3 095	1 900	18 922
Sales of the Company	11 903	2 707	1 404	16 014

<b>2014</b>	<b>Western Europe</b>	<b>Lithuania</b>	<b>Other regions</b>	<b>Total</b>
Sales of the Group	15 715	2 232	1 819	19 766
Sales of the Company	12 274	2 227	1 539	16 040

The majority of the Group's sales were performed to Western Europe customers. In 2015, 17 per cent of total sales was to Swedish customers (2014: 21 per cent) and 16 per cent - to German customers (2014: 17 per cent - to Austrian customers).

The Group's assets (except for the assets of subsidiary PAT MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. The carrying amount of property, plant and equipment located in Ukraine was EUR 875 thousand as at 31 December 2015 (EUR 1 385 thousand as at 31 December 2014).

6. Intangible assets

	Group			Company	
	Goodwill, related to PAT MTF Mrija	Goodwill, related to Šatrija AB	Other intangible assets	Total	Other intan- gible assets
<b>Cost:</b>					
<b>Balance as at 31 December 2013</b>	546	441	1 111	2 098	961
Additions	-	-	134	134	7
Disposals and write-offs	-	-	(102)	(102)	-
Foreign currency translation differences	(225)	-	-	(225)	-
<b>Balance as at 31 December 2014</b>	321	441	1 143	1 905	968
Additions	-	-	24	24	24
Foreign currency translation differences	(85)	-	(29)	(114)	-
<b>Balance as at 31 December 2015</b>	236	441	1 138	1 815	992
<b>Amortization and impairment:</b>					
<b>Balance as at 31 December 2013</b>	-	37	1 090	1 127	938
Charge for the year	-	-	14	14	14
Disposals and write-offs	-	-	(102)	(102)	-
<b>Balance as at 31 December 2014</b>	-	37	1 002	1 039	952
Charge for the year	-	-	11	11	11
Foreign currency translation differences	-	-	13	13	-
<b>Balance as at 31 December 2015</b>	-	37	1 026	1 063	963
<b>Net book value as at 31 December 2013</b>	546	404	21	972	23
<b>Net book value as at 31 December 2014</b>	321	404	141	866	16
<b>Net book value as at 31 December 2015</b>	236	404	112	752	29

The Company and the Group do not have internally generated intangible assets. Amortisation expenses of intangible assets are recognised as general and administrative expenses in the statement of comprehensive income.

As at 31 December 2015 acquisition cost of fully depreciated but still in use assets amounted to EUR 956 thousand and EUR 953 thousand, respectively (as at 31 December 2014 – EUR 959 thousand and EUR 932 thousand).

**6. Intangible assets (cont'd)**

For annual impairment testing purposes goodwill is allocated between the following two cash flow generating units.

*a) Goodwill related to the subsidiary Šatrija AB*

Goodwill related to subsidiary Satrija AB is attributable to the segment of production of working clothes.

As at 31 December 2015 and 2014 the recoverable amount of Šatrija, AB cash-generating unit has been determined based on a value in use which was determined using cash flow projections approved by the management and covering a five year period. Projected revenues were discounted using 15.3 per cent pre-tax discount rate, while cash flows beyond the five-year period were extrapolated using a 2 per cent growth rate that reflects the best estimate of the management based on the present situation of this business sector.

According to the impairment test results, goodwill was not impaired as at 31 December 2015 and 2014.

As at 31 December 2015 and 2014, the most important and most sensitive assumptions in the carrying value of the goodwill are the discount rate and revenue growth. Reasonable change in these assumptions would not result in an impairment of goodwill as at 31 December 2015 and 2014.

*b) Goodwill related to the subsidiary PAT MTF Mrija*

Goodwill related to subsidiary PAT MTF Mrija is attributable to the part of the segment of production of knitted articles.

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

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7. Property, plant and equipment

Group	Land	Build-ings	Struc-tures	Vehicles and other property, plant and equipment	Construc-tion in progress	Total
<b>Cost or revalued amount:</b>						
<b>Balance as at 31 December 2013</b>	<b>4</b>	<b>6 178</b>	<b>287</b>	<b>22 651</b>	<b>123</b>	<b>29 243</b>
Additions	-	-	-	329	1	330
Disposals and write-offs	-	(239)	-	(1 008)	-	(1 247)
Foreign currency translation differences	-	(930)	(52)	(782)	(1)	(1 765)
Reversals and write-offs	-	-	-	(3)	-	(3)
Reclassification	-	-	-	120	(120)	-
<b>Balance as at 31 December 2014</b>	<b>4</b>	<b>5 009</b>	<b>235</b>	<b>21 307</b>	<b>3</b>	<b>26 558</b>
Additions	-	2	-	388	410	800
Disposals and write-offs	-	(66)	(48)	(680)	-	(794)
Foreign currency translation differences	-	(411)	(19)	(221)	-	(651)
<b>Balance as at 31 December 2015</b>	<b>4</b>	<b>4 534</b>	<b>168</b>	<b>20 794</b>	<b>413</b>	<b>25 913</b>
<b>Accumulated depreciation:</b>						
<b>Balance as at 31 December 2013</b>	<b>-</b>	<b>152</b>	<b>225</b>	<b>19 194</b>	<b>-</b>	<b>19 571</b>
Charge for the year	-	161	12	588	-	761
Disposals and write-offs	-	(90)	-	(878)	-	(968)
Foreign currency translation differences	-	(160)	(40)	(544)	-	(744)
<b>Balance as at 31 December 2014</b>	<b>-</b>	<b>63</b>	<b>197</b>	<b>18 360</b>	<b>-</b>	<b>18 620</b>
Charge for the year	-	139	8	591	-	738
Disposals and write-offs	-	(42)	(45)	(567)	-	(654)
Foreign currency translation differences	-	(126)	(15)	(123)	-	(264)
<b>Balance as at 31 December 2015</b>	<b>-</b>	<b>34</b>	<b>145</b>	<b>18 261</b>	<b>-</b>	<b>18 440</b>
<b>Impairment</b>						
Balance as at 31 December 2013	-	13	-	-	-	13
Balance as at 31 December 2014	-	13	-	-	-	13
Balance as at 31 December 2015	-	13	-	-	-	13
<b>Net book value as at 31 December 2013</b>	<b>4</b>	<b>6 013</b>	<b>62</b>	<b>3 457</b>	<b>123</b>	<b>9 659</b>
<b>Net book value as at 31 December 2014</b>	<b>4</b>	<b>4 933</b>	<b>38</b>	<b>2 947</b>	<b>3</b>	<b>7 925</b>
<b>Net book value as at 31 December 2015</b>	<b>4</b>	<b>4 487</b>	<b>23</b>	<b>2 533</b>	<b>413</b>	<b>7 460</b>

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

Company	Land	Build-ings	Struc-tures	Vehicles and other property, plant and equipment	Con-struction in progress	Total
<b>Cost or revalued amount:</b>						
<b>Balance as at 31 December 2013</b>	<b>4</b>	<b>3 586</b>	<b>165</b>	<b>18 900</b>	<b>120</b>	<b>22 775</b>
Additions	-	-	-	194	1	195
Disposals and write-offs	-	(238)	-	(855)	-	(1 093)
Reclassification to non-current asset held for sale	-	-	-	120	(120)	-
<b>Balance as at 31 December 2014</b>	<b>4</b>	<b>3 348</b>	<b>165</b>	<b>18 359</b>	<b>1</b>	<b>21 877</b>
Additions	-	-	-	260	410	670
Disposals and write-offs	-	(65)	(48)	(204)	-	(317)
Reclassification from construction in progress	-	-	-	2	(2)	-
<b>Balance as at 31 December 2015</b>	<b>4</b>	<b>3 283</b>	<b>117</b>	<b>18 417</b>	<b>409</b>	<b>22 230</b>
<b>Accumulated depreciation:</b>						
<b>Balance as at 31 December 2013</b>	<b>-</b>	<b>95</b>	<b>141</b>	<b>16 292</b>	<b>-</b>	<b>16 528</b>
Charge for the year	-	78	9	502	-	589
Disposals and write-offs	-	(91)	-	(755)	-	(846)
<b>Balance as at 31 December 2014</b>	<b>-</b>	<b>82</b>	<b>150</b>	<b>16 039</b>	<b>-</b>	<b>16 271</b>
Charge for the year	-	74	6	502	-	582
Disposals and write-offs	-	(42)	(45)	(204)	-	(291)
<b>Balance as at 31 December 2015</b>	<b>-</b>	<b>114</b>	<b>111</b>	<b>16 337</b>	<b>-</b>	<b>16 562</b>
<b>Impairment:</b>						
<b>Balance as at 31 December 2013</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>Balance as at 31 December 2014</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>Balance as at 31 December 2015</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>Net book value as at 31 December 2013</b>	<b>4</b>	<b>3 482</b>	<b>24</b>	<b>2 608</b>	<b>120</b>	<b>6 238</b>
<b>Net book value as at 31 December 2014</b>	<b>4</b>	<b>3 257</b>	<b>15</b>	<b>2 320</b>	<b>1</b>	<b>5 597</b>
<b>Net book value as at 31 December 2015</b>	<b>4</b>	<b>3 160</b>	<b>6</b>	<b>2 080</b>	<b>409</b>	<b>5 659</b>



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

Allocation of property, plant and equipment depreciation disclosed in the table below.

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Cost of sales (Note 20)	631	612	503	499
General and administrative expenses	85	131	31	75
Cost of inventories	22	18	37	15
	<b>738</b>	<b>761</b>	<b>582</b>	<b>589</b>

Property, plant and equipment of the Group and the Company with the acquisition cost of EUR 11 331 thousand and EUR 9 327 thousand, respectively, was fully depreciated as at 31 December 2015 (2014: EUR 11 412 thousand and EUR 8 621 thousand, respectively), but was still in use.

Property, plant and equipment of the Group with the acquisition cost of EUR 2 thousand was idle as at 31 December 2015 (2014: Group - EUR 145 thousand and the Company - EUR 27 thousand, respectively). Idle assets of the Company were sold in 2015.

Property, plant and equipment and inventories of the Company with the net book value of EUR 4 054 thousand as at 31 December 2015 was pledged to the banks as a collateral for the borrowings (Note 16). As at 31 December 2014 property, plant and equipment of the Group and the Company were not pledged.

The Group and the Company accounts for buildings at revalued amounts.

If buildings were measured using the cost model, the carrying amounts of buildings would be as follows:

	<b>Group</b>	<b>Company</b>
	<b>31 December 2015</b>	<b>31 December 2015</b>
Cost	3 399	1 790
Accumulated depreciation and impairment	(1 863)	(933)
<b>Net carrying amount</b>	<b>1 536</b>	<b>857</b>

	<b>Group</b>	<b>Company</b>
	<b>31 December 2014</b>	<b>31 December 2014</b>
Cost	3 435	1 826
Accumulated depreciation and impairment	(1 872)	(942)
<b>Net carrying amount</b>	<b>1 563</b>	<b>884</b>

The revalued buildings consist of warehouses, factories, shop, administration buildings, etc. Management determined that these constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property.

Fair value of the properties was determined by using the market prices method. This means that valuations performed by the valuer are based on active market prices for comparable properties adjusted for difference in the nature, location or condition of the specific property. As at the date of the last revaluation (31 March 2013) the properties' fair values were based on valuations performed by accredited independent valuers UAB Centro kubas (Lithuania) and certified valuer Aleksandr Tidir (Ukraine).

8. Investment property

	Group	Company
<b>Cost:</b>		
<b>Balance as at 31 December 2013</b>	<b>184</b>	<b>184</b>
Balance as at 31 December 2014	184	184
Balance as at 31 December 2015	184	184
<b>Accumulated depreciation:</b>		
<b>Balance as at 31 December 2013</b>	<b>67</b>	<b>67</b>
Charge for the year	3	3
Balance as at 31 December 2014	70	70
Charge for the year	3	3
<b>Balance as at 31 December 2015</b>	<b>73</b>	<b>73</b>
<b>Impairment</b>		
Balance as at 31 December 2013	-	-
Balance as at 31 December 2014	-	-
Balance as at 31 December 2015	-	-
<b>Net book value as at 31 December 2013</b>	<b>117</b>	<b>117</b>
<b>Net book value as at 31 December 2014</b>	<b>114</b>	<b>114</b>
<b>Net book value as at 31 December 2015</b>	<b>111</b>	<b>111</b>

Rental income and related costs have been disclosed in Note 22.

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

## 8. Investment property (cont'd)

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

	Group		Company	
	2015	2014	2015	2014
Cost – capitalised finance lease				
Investment property	184	184	184	184
Accumulated depreciation				
Investment property	(73)	(70)	(73)	(70)
Impairment loss for investment property	-	-	-	-
Reversal of impairment	-	-	-	-
<b>Net book value as at 31 December</b>	<b>111</b>	<b>114</b>	<b>111</b>	<b>114</b>

As of 31 December 2015, the Management of the Group and the Company considered if there are any indications that the fair value of the investment property might differ materially from their carrying amounts. The Group's and the Company's investment property fair value was estimated based on the third level of fair value hierarchy.

	Group		Company	
	31 Decem-ber 2015	31 Decem-ber 2014	31 Decem-ber 2015	31 Decem-ber 2014
Net book value of investment property	111	114	111	114
Fair value of investment property	258	258	258	258

## Investment property future rental income

	Group		Company	
	2015	2014	2015	2014
During 1 year	10	9	10	9
After 1 year but not later than 5 years	-	8	-	8
After 5 years	-	-	-	-
	10	17	10	17

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

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**9. Investments in subsidiaries**

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

	<u>2015</u>	<u>2014</u>
<b>Cost of investments:</b>		
Balance as at 1 January	3 694	3 694
Balance as at 31 December	3 694	3 694
<b>Impairment:</b>		
Balance as at 1 January	2 195	2 195
Impairment	-	-
Balance as at 31 December	2 195	2 195
<b>Carrying amount of investments in subsidiaries as at 31 December</b>	<u><b>1 499</b></u>	<u><b>1 499</b></u>

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

**10. Inventories**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Raw materials	1 638	1 609	1 262	1 203
Work in progress	1 140	1 021	1 139	987
Finished goods	1 584	1 489	1 572	1 435
Goods for resale	49	51	-	-
	<b>4 411</b>	<b>4 170</b>	<b>3 973</b>	<b>3 625</b>
Write-down to net realisable value:				
Opening balance	(731)	(686)	(402)	(356)
Change	7	(45)	21	(45)
Closing balance	(724)	(731)	(381)	(401)
	<b>3 687</b>	<b>3 439</b>	<b>3 592</b>	<b>3 224</b>

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as at 31 December 2015 amounted to EUR 923 thousand and EUR 593 thousand, respectively (2014: EUR 1 140 thousand and EUR 811 thousand, respectively). Changes in impairment allowance for inventories during 2015 and 2014 were recorded within the Group's and the Company's general and administrative expenses.

As at 31 December 2015 Company's property, plant and equipment and inventories with the total amount of EUR 4 054 thousand were pledged to the DNB Bank AB.

None of the Group's or Company's inventories were pledged as at 31 December 2014.

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**11. Trade receivables**

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Trade receivables, gross	1 224	1 440	921	1 131
Allowance for trade receivables:				
Opening balance	(134)	(162)	(113)	(141)
Additional allowance	-	-	-	-
Written - off	19	28	19	27
Closing balance	(115)	(134)	(94)	(114)
	<b>1 109</b>	<b>1 306</b>	<b>827</b>	<b>1 017</b>

Changes in impairment allowance for doubtful trade receivables during 2015 and 2014 were recorded within the Group's and the Company's general and administrative expenses.

For trade receivables ageing see Note 3.1.

**12. Other receivables**

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Taxes receivable, except for prepaid income tax	48	60	29	27
Prepayments	96	84	56	76
Other current assets	161	72	44	43
	<b>305</b>	<b>216</b>	<b>129</b>	<b>146</b>

**13. Cash and cash equivalents**

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Cash on hand	13	22	11	22
Cash at bank	1 066	931	254	196
	<b>1 079</b>	<b>955</b>	<b>265</b>	<b>218</b>

As at 31 December 2015 and 2014, the Group and the Company had no restrictions on the use of cash and cash equivalents.

**14. Share capital**

As at 31 December 2015, the share capital comprised of 9 503 000 ordinary registered shares with par value of EUR 0.29 each.

On 12 January 2015 a new Company's statute for share capital increase was registered in the Register of Legal Entities of the Republic of Lithuania. The Company's share capital was increased by implementing the decisions made on 03-12-2009 and 26-03-2014 in extraordinary general shareholder meetings and according to the requests of the Company's emitted convertible bond owners to exchange 19 units of these convertible bonds into 4 503 000 ordinary shares of the Company. After the conversion the Company's share capital is equal to EUR 2 756 thousand and is divided into 9 503 000 ordinary shares, with a nominal value of EUR 0.29 each.

As at 31 December 2015 and 2014, all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as at 31 December 2015 and 2014. The Company did not hold its own shares as at 31 December 2015 and 2014.

As at 31 December 2014, the share capital comprised 5 000 000 ordinary registered shares with par value of LTL 1 each (equivalent to EUR 0,29 each).

On 8 October 2014, the Register of Legal Entities of the Republic of Lithuania registered a new edition of the Company's Articles of Association with regard to reduced Company's share capital. The share capital of the Company was reduced from EUR 5 744 451 to EUR 1 448 100. On 20 October 2014, the procedure of the reduction of Company's share capital was completed. Company's share capital was reduced to 5 000 000 ordinary shares of LTL 1 each (equivalent to EUR 0,29 each) by cancelling 14 834 442 ordinary registered shares.

**15. Other reserves and retained earnings (deficit)**

Revaluation surplus

Revaluation surplus reflects the result of the revaluation (net of deferred tax) of the property, plant and equipment.

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5 % of distributable profit of the Company calculated according to the Lithuanian Company's law, are compulsory until the reserve reaches 10 % of the share capital. As at 31 December 2015 and 2014 the legal reserve is fully formed by the Company. The legal reserve cannot be distributed as dividends but can be used to cover cumulated losses.



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**15. Other reserves and retained earnings (deficit) (cont'd)**

Foreign currency translation reserve

The foreign currency translation reserve represents translation differences arising on consolidation of financial statements of foreign subsidiaries (Note 2.15).

Reserve for acquisition of own shares

In 2015 according to the decision of the shareholders of Šatrija AB the reserve for acquisition of own shares of EUR 300 thousand was formed.

Cash flow hedge reserve

The Company's loan with DNB Bank is with floating interest rate that is linked to EURIBOR (16 note). On 26 November 2014 the Company signed interest rate swap contract with DNB Bank in order to avoid the interest rate fluctuations. The agreement is valid until 25 November 2019. The fair value of interest rate swap contract used for interest rate risk hedging was EUR 51 thousand as of 31 December 2015 and was accounted for under current (amounting EUR 28 thousand) and non-current liabilities (amounting EUR 23 thousand).

Accumulated retained earnings (losses)

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

transfer from reserves not used in the reporting financial year;  
transfer from the compulsory legal reserve;  
transfer from the share premium.

At the date of these financial statements the Company was not informed about any actions of the shareholders of the Company regarding retained deficit.

**16. Borrowings**

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<b>Current</b>				
Current portion of non-current bank borrowings	691	496	691	496
<b>Non-current</b>				
Borrowings from subsidiaries	-	-	1 922	1 820
Long-term bank borrowings	3 617	1 036	3 617	1 036
<b>Total borrowings</b>	<b>4 308</b>	<b>1 532</b>	<b>6 230</b>	<b>3 352</b>

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Štarija AB, amounting to EUR 1 560 thousand with maturity as at 26 November 2019 and variable interest rate 12 month EURIBOR+1.9 % and loan granted by subsidiary Gotija UAB, amounting to EUR 362 thousand with maturity as at 26 November 2019 and variable interest rate 12 month Euribor + 1.9 %.

As of 31 December 2015, the bank borrowings were secured by property plant and equipment (Note 7) and inventory (Note 10). As of 31 December 2014 no assets were pledged.

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16. Borrowings (cont'd)

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

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
EUR	4 308	1 532	6 230	3 352

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

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Long-term borrowings from subsidiaries	-	-	2.23	2.23
Long-term bank borrowings	1.91	1.98	1.91	1.98

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

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**16. Borrowings (cont'd)**

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

Interest changes	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Every 3 months	4 308	1 532	4 308	1 532
Every 12 months	-	-	1 922	1 820
	<b>4 308</b>	<b>1 532</b>	<b>6 230</b>	<b>3 352</b>

As at 31 December 2015 the Group and Company did not comply with one financial covenant, stated in the loan agreement with DNB bank AB. The Company and the Group received DNB bank AB waiver dated 30 December 2015 which states that loan agreement will not be terminated if the Group does not exceed financial debt/EBITDA ratio as of 31 December 2015 set in the waiver and accordingly repayment of the loan will not be requested earlier than stated in the agreement. The Group complied with the ratio set in the waiver, therefore loan was not reclassified to short term liabilities. The carrying value of this loan is EUR 4 308 thousand as at 31 December 2015.

On 22 June 2015 the Company and AB DNB signed an agreement, according to which the loan amount was increased by EUR 630 thousand for 2015 investments into equipment. Utilised loan amount in 2015 amounts to EUR 220 thousand. Loan due date is 25 November 2019. Interest rate is 3 months EURIBOR+1.9 per cent.

On 20 February 2015 Company's property, plant and equipment and inventories with carrying value amounting to EUR 4 054 thousand were pledged.

As at 31 December 2014 the Company was not committed to comply with the financial covenants. Covenants on new loan taken in 2014 started to apply from the first quarter of 2015.

On 26 November 2014 the Company and AB DNB signed a long-term loan agreement according to which the Company was granted a loan of EUR 4 634 thousand. The loan term – 5 years. The funds were used to re-finance the Company's financial liabilities in amount of EUR 1 532 in respect of Swedbank lizingas UAB and to fulfil the Company's settlement obligations in respect of the convertible bonds holders (i.e. to pay the redemption price of the convertible bonds to be redeemed).

As at 29 December 2014 Group and the Company fulfilled all requirements of Swedbank lizingas, therefore as at 31 December 2014 no related obligations were left.

**Operating lease commitments – the Group and the Company as a lessee**

The Group and the Company has entered into operating leases on certain motor vehicles with DNB Bank AB and Swedbank Lizingas UAB, with lease terms up to five years.

Future minimum rentals payable under operating leases are, as follows:

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within one year	24	20	17	13
After one year but not more than five years	66	90	55	72
More than five years	-	-	-	-
	<b>90</b>	<b>110</b>	<b>72</b>	<b>85</b>

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**17. Convertible bonds issued**

Convertible bonds were redeemed/ converted in 2015 (Note 3.2).

**Information about convertible bonds:**

Date of issue of Bonds – 11 January 2010;  
 Bonds' ISIN code – LT1000450007;  
 Par value of one Bond – EUR 68 640;  
 Total par value of Bonds – EUR 3 432 000;  
 Discounted issue price of one Bond on the date of issue – EUR 32 574.32;  
 Total discounted issue price of Bonds on the date of issue – EUR 1 628 716;  
 Average profitability of a Bond before redemption – 15 percent interest per annum, calculated on the basis of the discounted issue price of the Bonds. For this purpose, the interest shall be calculated on a monthly basis;  
 Bonds currency – Euro;  
 Starting date of validity of Bonds – 12 January 2010;  
 Term of validity of Bonds – 5 years;  
 Redemption date (term) of Bonds – 12 January 2015;  
 Term for notifying the intended conversion of Bonds into the shares – from 12 January 2010 till 11 December 2014 (including).

**Convertible bonds obligations:**

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
FR&R Invest AB	-	-	-	-
AmberTrust S.C.A., SICAF-SI	-	618	-	618
KJK Fund, SICAF-SIF	-	275	-	275
FIREBIRD REPUBLICS FUNI LTD	-	137	-	137
FIREBIRD AVRORA FUND LTD	-	69	-	69
UAB Koncernas „SBA“	-	3 251	-	3 251
<b>Total convertible bonds ob- ligations:</b>	<b>-</b>	<b>4 350</b>	<b>-</b>	<b>4 350</b>

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**18. Provisions for employee benefits**

	Group	Company
<b>Balance as at 31 December 2013</b>	<b>184</b>	<b>169</b>
Benefits earned	17	17
Interest costs	39	39
Actuarial (gain) loss	24	24
Reduction of costs due to cancelled labour contracts	(45)	(45)
<b>Balance as at 31 December 2014</b>	<b>219</b>	<b>204</b>
Benefits earned	288	278
Interest costs	(91)	(95)
Actuarial (gain) loss	(104)	(104)
Reduction of costs due to cancelled labour contracts	(30)	(28)
<b>Balance as at 31 December 2015</b>	<b>282</b>	<b>255</b>

	Group	Company
Long term provisions for employee benefits as at 31 December 2015	226	205
Short term provisions for employee benefits as at 31 December 2015	56	50
Long term provisions for employee benefits as at 31 December 2014	169	158
Short term provisions for employee benefits as at 31 December 2014	50	46

Provisions for pension and jubilee benefits represent amounts calculated according to the collective agreements, which are in force in the Group and the Company. In the Company and its subsidiary Šatrija, AB each employee is entitled to a jubilee benefit and a 2 month salary payment when leaving the job at or after the start of pension period.

2015 provisions were calculated with the discount rate of 1.63 per cent and employee turnover rate of 9.47 per cent (in 2014: 2.90 per cent and 10.46 per cent, respectively). Average age till pension by the Group and the Company was respectively 19.62 and 19.18 years as at 31 December 2015 (2014: 21.67 and 22.23 years).

The sensitivity of the defined benefit obligation to the changes in assumption is set out below. The effects of changes in each assumption are weighted proportionately to the total plan obligations to determine total impact for each assumption presented.

Impact on defined benefit obligation as at 31 December 2015					
		Group		Company	
	Change in assumption	Positive change in assumption	Negative change in assumption	Positive change in assumption	Negative change in assumption
Discount rate	0.5 %	Decreased by 3.56%	Increased by 2.86 %	Decreased by 3.82%	Increased by 2.96 %
Salary growth rate	0.5 %	Increased by 3.50%	Decreased by 2.98 %	Increased by 3.69%	Decreased by 3.15%

Impact on defined benefit obligation as at 31 December 2014					
		Group		Company	
	Change in assumption	Positive change in assumption	Negative change in assumption	Positive change in assumption	Negative change in assumption
Discount rate	0.5 %	Decrease by 2.0 %	Increase by 3.5 %	Decrease by 2.6 %	Increase by 2.8 %
Salary growth rate	0.5 %	Increase by 4.1 %	Decrease by 1.5 %	Increase by 3.5 %	Decrease by 2.0 %

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19. Accrued expenses and other current liabilities

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Accrual for vacation reserve	631	592	373	293
Wages, salaries and social security	487	365	387	306
Amounts payable for services and non-current assets	196	428	239	269
Bonuses for employees	-	-	-	-
Taxes payable, except for income tax	121	89	97	78
Other liabilities	204	195	145	264
	<b>1 639</b>	<b>1 669</b>	<b>1 241</b>	<b>1 210</b>

20. Cost of sales

	Group		Company	
	2015	2014	2015	2014
Wages and salaries and social security	7 043	6 519	5 355	4 694
Materials	5 935	5 758	5 497	5 159
Other overhead expenses	1 904	2 706	2 096	2 836
Depreciation and amortization	631	612	503	499
Cost of materials sold	15	34	7	5
	<b>15 528</b>	<b>15 629</b>	<b>13 458</b>	<b>13 193</b>

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21. Selling general and administrative expenses

	Group		Company	
	2015	2014	2015	2014
<b>Selling expenses</b>				
Wages salaries and social security	430	342	362	270
Advertising and marketing costs	282	112	280	110
Agency costs	200	163	200	163
Transportation costs	100	122	100	112
Maintenance costs of retail outlets	64	30	45	7
Other selling expenses	265	193	251	183
<b>Total selling expenses</b>	<b>1 341</b>	<b>962</b>	<b>1 238</b>	<b>845</b>
<b>General and administrative expenses</b>				
Wages salaries and social security	844	726	620	492
Communications and consulting services	288	277	225	230
Provisions for employee benefits (Note 18)	155	12	154	12
Depreciation and amortization	96	145	42	86
Security	94	92	47	42
Vehicles exploitation expenses	74	70	58	56
Taxes other than income tax	54	91	38	75
Services of financial institutions	49	64	44	51
Premises exploitation expenses	37	39	34	30
Travel expenses	35	27	28	23
Representation expenses	26	56	21	52
Impairment and write-off (reversal) of inventories	(7)	45	(21)	45
Impairment of accounts receivable from subsidiaries	-	-	-	370
Impairment (reversal) of non-current assets	-	(17)	-	-
Other	265	234	158	97
<b>Total general and administrative expenses</b>	<b>2 010</b>	<b>1 861</b>	<b>1 448</b>	<b>1 679</b>
	<b>3 351</b>	<b>2 823</b>	<b>2 686</b>	<b>2 519</b>



**22. Other income and expenses**

	Group		Company	
	2015	2014	2015	2014
Gain from disposal of non-current assets	120	217	9	164
Rent income	19	18	19	18
Other income	127	141	42	56
<b>Other income</b>	<b>266</b>	<b>376</b>	<b>70</b>	<b>238</b>
Loss from disposal of non-current assets	(4)	(20)	(4)	(20)
Rent costs	(11)	(9)	(11)	(9)
Other expenses	(28)	(32)	(13)	(13)
<b>Other expenses</b>	<b>(43)</b>	<b>(61)</b>	<b>(28)</b>	<b>(42)</b>

**23. Finance costs, net**

	Group		Company	
	2015	2014	2015	2014
Foreign exchange gain	577	88	49	19
Interest income	-	-	60	60
Income from financing activities	<b>577</b>	<b>88</b>	<b>109</b>	<b>79</b>
Interest expenses	(118)	(779)	(159)	(843)
Foreign exchange (loss)	(983)*	(832)*	(41)	(23)
Financial expenses	<b>(1 101)</b>	<b>(1 611)</b>	<b>(200)</b>	<b>(866)</b>

\*Increase in net foreign exchange (loss) in 2015 and 2014 is mainly related to a significant drop in the value of UAH against EUR, since 1 January 2014.

**24. Employee benefits**

	Group		Company	
	2015	2014	2015	2014
Wages and salaries	6 343	5 779	4 844	4 169
Social security	1 974	1 808	1 493	1 287
	<b>8 317</b>	<b>7 587</b>	<b>6 337</b>	<b>5 456</b>

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**25. Income tax**

Income tax expense comprised as follows:

	Group		Company	
	2015	2014	2015	2014
Current tax	(38)	(134)	(13)	(32)
Change in deferred tax	35	80	34	55
Income tax income (expense) recognised in the statement of comprehensive income	(3)	(54)	21	23

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

	Group		Company	
	2015	2014	2015	2014
Profit (losses) before tax	(258)	105	(179)	(263)
Income tax income (expense) at a rate of 15%	39	(16)	27	40
Effect of different tax rates applicable to subsidiary in Ukraine	6	1	-	-
Change in valuation allowances for deferred tax asset	(7)	-	-	-
Expenses not deductible for tax purposes	(41)	(37)	(6)	(17)
Income tax income (expenses) reported in the statement of comprehensive income	(3)	(54)	21	23

In 2015, deferred income tax asset and liability relating to the entities operating in Lithuania were estimated using the tax rate of 15 per cent (15 per cent tax rates in 2014). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 18 per cent (in 2014, 18 per cent).

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25. Income tax (cont'd)

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

Group	31 December 2013	Recognised in profit/loss	Recognised in other comprehensive income	31 December 2014	Recognised in profit/loss	Recognised in other comprehensive income	31 December 2015
<b>Deferred tax assets</b>							
Tax loss carry forward	323	(55)	-	268	(36)	(3)	229
Inventories	58	6	-	64	-	-	64
Receivables	7	(4)	-	3	-	-	3
Impairment of property, plant and equipment	1	-	-	1	-	-	1
Provisions for employee benefits	27	6	-	33	9	-	42
Goodwill	25	(5)	-	20	(4)	-	16
Accrued charges	50	(5)	-	45	5	-	50
Deferred tax assets before valuation allowance	491	(57)	-	434	(29)	(3)	405
Less: valuation allowance	(35)	-	-	(35)	(7)	-	(42)
<b>Deferred tax assets, net</b>	<b>456</b>	<b>(57)</b>	<b>-</b>	<b>399</b>	<b>(36)</b>	<b>(3)</b>	<b>363</b>
<b>Deferred tax liabilities</b>							
Depreciation of property, plant and equipment	(343)	89	-	(254)	32	-	(222)
Property, plant and equipment revaluation	(658)	48	101	(509)	32	36	(441)
Deferred tax liabilities	(1 001)	137	101	(763)	64	36	(663)
<b>Deferred tax, net</b>	<b>(545)</b>	<b>80</b>	<b>101</b>	<b>(364)</b>	<b>31</b>	<b>33</b>	<b>(300)</b>

Recognised in the statement of financial position\*:

	31 December 2015	31 December 2014
Deferred income tax asset	50	61
Deferred income tax liabilities	351	424

\*Deferred income tax asset and liabilities are netted as much as they are related to the tax institution and with the condition that tax institution does not perform such coverings.

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25. Income tax (cont'd)

Company	31 December 2013	Recognised in profit/loss	31 December 2014	Recognised in profit/loss	31 December 2015
<b>Deferred tax assets</b>					
Tax loss carry forward	323	(75)	248	(29)	219
Inventories	54	6	60	(3)	57
Receivables	4	(4)	-	-	-
Impairment of property, plant and equipment	1	-	1	-	1
Provisions for employee benefits	25	6	31	6	37
Accrued charges	14	(3)	11	3	14
Deferred tax assets before valuation allowance	421	(70)	351	(23)	328
Less: valuation allowance	-	-	-	-	-
Deferred tax assets, net	421	(70)	351	(23)	328
<b>Deferred tax liabilities</b>					
Depreciation of property, plant and equipment	(318)	65	(253)	49	(204)
Property, plant and equipment re-valuation	(383)	59	(324)	7	(317)
Deferred tax liabilities	(701)	124	(577)	56	(521)
<b>Deferred tax, net</b>	(280)	54	(226)	33	(193)

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

As at 31 December 2015 the Group's and the Company's tax losses to be carried forward against future taxable income amounted to EUR 4 688 thousand and EUR 1 462 thousand, respectively (2014: EUR 4 871 thousand and EUR 1 655 thousand, respectively). All tax losses of the Company may be carried forward for an unlimited term. Group tax losses amounting EUR 3 425 thousand as of 31 December 2015 may be carried forward up till 2016 and remaining tax losses can be carried forward for an unlimited term.

In accordance with tax legislation of the Republic of Ukraine, starting from 2012 the tax loss carry forward that is deducted cannot exceed 25 per cent of the taxable profit of the current financial year.

As at 31 December 2015 the Group's company PAT MTF Mrija had tax losses of EUR 3 232 thousand (2014: EUR 3 217 thousand) for which no deferred tax assets were recognised due to uncertainties related to their realisation.

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**26. Basic/dilutive earnings per share**

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
Profit (loss) attributable to the equity holders of the Group	(268)	19
Weighted average number of shares in issue (thousand)	9 330	5 000
Basic/dilutive earnings per share (in EUR)	(0.03)	0.01

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

**27. Related party transactions**

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

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

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

In the normal course of business the Company and the Group enter into transactions with their related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties, when such information is known to the Group/Company.

As at 31 December 2015 and 31 December 2014, the management of the Group and the Company had 0.002 per cent of shares of PAT MTF Mrija.

**Material party -owned subsidiaries**

Financial information of subsidiaries that have material non- controlling interests is provided below.

27. Related party transactions (cont'd)

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2015	2014
Gotija, UAB	Lithuania	9.50%	9.50%
Šatrija, AB	Lithuania	10.22%	10.22%
PAT MTF Mrija	Ukraine	1.05%	1.05%

Accumulated balances of non-controlling interest:

	2015	2014
Gotija, UAB	48	45
Šatrija, AB	400	369
PAT MTF Mrija	(72)	(36)

Summarised statement of profit or loss for 2015:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Revenue	224	2 615	398
Cost of sales	(126)	(2 154)	(352)
Administrative expenses	(68)	(505)	(97)
Other operating income (expenses)	-	91	98
Finance income (expenses)	8	32	(251)
<b>Profit before tax</b>	<b>38</b>	<b>79</b>	<b>(204)</b>
Income tax	(6)	(18)	-
<b>Profit for the year from continuing operations</b>	<b>32</b>	<b>61</b>	<b>(204)</b>
<b>Total comprehensive income</b>	<b>32</b>	<b>61</b>	<b>(204)</b>
Attributable to non-controlling interests	3	6	(2)
Dividends paid to non-controlling interests	-	-	-

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27. Related party transactions (cont'd)

Summarised statement of profit or loss for 2014:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Revenue	211	3 491	571
Cost of sales	(119)	(2 573)	(504)
Administrative expenses	(72)	(445)	(176)
Other operating income(expenses)	-	78	46
<b>Finance costs</b>	18	72	(2 315)
<b>Profit before tax</b>	<b>38</b>	<b>623</b>	<b>(2 378)</b>
Income tax	(6)	(97)	26
<b>Profit for the year from continuing operations</b>	<b>32</b>	<b>526</b>	<b>(2 352)</b>
<b>Total comprehensive income</b>	<b>32</b>	<b>526</b>	<b>(2 352)</b>
Attributable to non-controlling interests	3	54	(25)
Dividends paid to non-controlling interests	-	-	-

Summarised statement of financial position as at 31 December 2015:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Inventories and cash and bank balance (current)	519	1 151	76
Property, plant and equipment and other non-current financial assets( non-current)	-	3 292	1 161
Trade and other payables( current)	(2)	(116)	(3 846)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	(11)	(415)	(4 216)
<b>Total equity</b>	<b>506</b>	<b>3 912</b>	<b>(6 825)</b>
Attributable to:			
Equity holders of parent	458	3 512	(6 753)
Non-controlling interest	48	400	(72)

Summarised statement of financial position as at 31 December 2014:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Inventories and cash and bank balance (current)	487	1 101	115
Property, plant and equipment and other non-current financial assets( non-current)	-	3 087	1 407
Trade and other payables( current)	-	(67)	(1 141)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	(13)	(507)	(3 770)
<b>Total equity</b>	<b>474</b>	<b>3 614</b>	<b>(3 390)</b>
Attributable to:			
Equity holders of parent	429	3 245	(3 354)
Non-controlling interest	45	369	(36)



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27. Related party transactions (cont'd)

Summarised cash flow information for year ending 31 December 2015:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Operating	34	130	(188)
Investing	8	(76)	169
Financing	-	-	-
Net increase/(decrease) in cash equivalents	42	54	(19)

Summarised cash flow information for year ending 31 December 2014:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Operating	10	387	352
Investing	18	(188)	86
Financing	-	-	(448)
Net increase/(decrease) in cash equivalents	28	199	(10)

Related party transactions are disclosed below:

	Group		Company	
	2015	2014	2015	2014
<b>Sales of goods and services</b>				
Subsidiaries of the Company	-	-	140	143
SBA group companies	4	1	4	-
Ultimate parent company	1	19	1	1
	5	20	145	144

	Group		Company	
	2015	2014	2015	2014
<b>Interest income</b>				
Subsidiaries of the Company	-	-	60	60
	-	-	60	60

	Group		Company	
	2015	2014	2015	2014
<b>Interest expenses</b>				
Ultimate parent company	-	376	-	376
Subsidiaries of the Company	-	-	41	92
	-	376	41	468

	Group		Company	
	2015	2014	2015	2014
<b>Purchases of goods and services</b>				
Subsidiaries of the Company	-	-	429	612
Ultimate parent company	172	546	172	546
Other related parties	3	7	3	5
	175	553	604	1 163

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania  
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(All amounts are in EUR thousand unless otherwise stated)

27. Related party transactions (cont'd)

	Group		Company	
	31 De- cember 2015	31 De- cember 2014	31 De- cember 2015	31 De- cember 2014
<b>Amounts receivable (including prepayments and loans)</b>				
Accounts receivable from subsidiaries, gross*	-	-	2 234	2 379
Impairment allowances made	-	-	(1 958)	(1 958)
<b>Accounts receivable from subsidiaries, net</b>	-	-	276	421
Prepayments to subsidiaries	-	-	1 003	1 312
Loans granted including interest receivable from subsidiaries, gross**	-	-	1 505	1 445
Impairment allowances made	-	-	(428)	(428)
<b>Loans granted including interest receivable from subsidiaries, net</b>	-	-	2 080	1 017
	-	-	<b>2 356</b>	<b>2 750</b>

\* In 2015 and 2014 the accounts receivable consists only of accounts receivable from PAT MTF Mrija.

\*\* In 2015 and 2014 the amount stands for loan granted to (including interest receivable) from PAT MTF Mrija with fixed annual interest rate of 6 per cent.

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

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

	2015		2014	
Loans granted to related parties as at 31 December	6%		6%	

	Group		Company	
	2015	2014	2015	2014
<b>Current and non-current payables</b>				
<i>Subsidiaries of the Company:</i>				
Borrowings	-	-	1 922	1 820
Other payables	-	-	17	143
<i>SBA group companies:</i>				
Other related parties	1	28	1	28
Ultimate parent company	517	3 559	506	3 556
	<b>518</b>	<b>3 587</b>	<b>2 446</b>	<b>5 547</b>

	Group		Company	
	2015	2014	2015	2014
<b>Convertible bonds issued</b>				
Ultimate parent company	-	1 098	-	1 098
	<b>-</b>	<b>1 098</b>	<b>-</b>	<b>1 098</b>

**27. Related party transactions (cont'd)**

The Company had the borrowing of EUR 1 458 thousand from the subsidiary Šatrija AB (as of 31 december 2014). In 2015 the amount of loan was increased by EUR 102 thousand and as at 31 December 2015 amounted to EUR 1 560 thousand with maturity term of 26 November 2019.

The Company has the borrowing of EUR 362 thousand from the subsidiary Gotija, UAB (the same amount in 2014). In 2015 the loan was extended to the 26 November 2019.

	Group		Company	
	2015	2014	2015	2014
<b>Key management compensation including social security costs</b>				
Remuneration of management	553	458	364	266
Defined benefit obligations for management	3	2	2	2
	<u>556</u>	<u>460</u>	<u>366</u>	<u>268</u>

Key management includes general director, functional directors and chief accountant.

In 2015 and 2014 the management of the Group and the Company did not receive any loans, guarantees; any other payments or property transfers were not made or accrued. Remuneration of management comprise base salary and related social security costs.

No guarantees were issued on behalf of related parties as at 31 December 2015 and 2014.

**28. Other commitments**

As at 31 December 2015 and 2014 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

**29. Post balance sheet events**

As of the date of release of these financial statements the management of the Company has not yet prepared a draft of profit distribution for 2015.

On 22 March 2016 the Company has signed amendment with DNB bank AB, based on which not used loan amount was decreased to EUR 423 thousand and interest rate determination principle was changed.

There were no other material post balance sheet events.

**UTENOS**

trikotažas

**UTENOS TRIKOTAŽAS AB**  
**CONSOLIDATED ANNUAL REPORT**  
For 12 months period  
**ENDED 31 DECEMBER 2015**

## 1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2015 to 31 December 2015.

All amounts in the Annual Report presented as at 31 December 2015, unless otherwise stated. Further in this report Utenos Trikotažas AB can be referred to as the Company or the Issuer.

## 2. Issuer and its contact data

Company name	<b>Utenos Trikotažas AB</b>
Authorised share capital	EUR 2 755 870
Address	J. Basanavičiaus g. 122, Utena
Telephone	(389) 51 445
Fax	(389) 69 358
E-mail	<a href="mailto:utenos.trikotazas@ut.lt">utenos.trikotazas@ut.lt</a>
Website	<a href="http://www.ut.lt">www.ut.lt</a>
Legal and organisation form	Legal entity, public company
Date and place of incorporation	Registered with the Register of Legal Entities of Utena District on 6 December 1994; reregistered with the Ministry of Economy of the Republic of Lithuania on 18 September 1998.
Registration code	BJ 98-257
Code of the Register of Legal Entities	183709468

## 3. Nature of the Issuer's operations

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

The Company's profile of activities:

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

## 4. Agreements with intermediaries of securities' public turnover

On 25 September 2005, the Issuer concluded a service agreement with the Department of Safe Custody Services of SEB Vilniaus Bankas AB, address Gedimino pr. 12, LT-01103 Vilnius. Under this agreement the accounting of the Issuer's securities is handled.

On 25 April 2007, the Issuer concluded an agreement with OMX Exchanges Ltd. on the system of service provision, disclosure and communication of information.

## 5. Key performance indicators of the Group

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

	2015 m.	2014 m.	2013 m.	2012 m.	2011 m.
Revenue (EUR'000)	18 922	19 766	20 142	14 904	17 717
Profit for the year (EUR'000)	(261)	51	(332)	(1 030)	514
Price per share	0.400	0.609	0.264	0.199	0.225
Dividend per share	-	-	-	-	-



**Financial ratios**

	Group			Company		
	2015	2014	2013	2015	2014	2013
Revenue (EUR'000)	18 922	19 766	20 142	16 014	16 040	16 621
Operating profit (loss) (EUR'000)	266	1 628	675	(88)	519	(103)
Operating profit (loss) margin (%)	1.4	8.2	3.4	(0.5)	3.2	(0.6)
Profit (loss) before tax (EUR'000)	(258)	105	(358)	(179)	(268)	(785)
Profit (loss) before tax, margin (%)	(1.4)	0.5	(1.8)	(1.1)	(1.7)	(4.7)
Net profit (loss) for the year (EUR'000)	(261)	51	(332)	(158)	(245)	(677)
Net profit (loss) for the year margin (%)	(1.4)	0.3	(1.6)	(1.0)	(1.6)	(4.1)
Number of shares, (thousand)	9 503	5 000	19 834	9 503	5 000	19 834

**Relative ratios**

	Group			Company		
	2015. 12.31	2014. 12.31	2013. 12.31	2015. 12.31	2014. 12.31	2013. 12.31
Return on capital employed (%)	(9.5)	3.5	(5.8)	(5.7)	(16.6)	(11.8)
Return on assets (%)	(1.8)	0.3	(2.0)	(1.1)	(1.6)	(4.4)
Return on shareholders' equity (%)	(4.1)	1.0	(5.8)	(3.2)	(6.3)	(16.6)
Debt ratio (%)	56.0	64.5	65.7	65.4	73.9	73.4
Debt-to-equity ratio (%)	127.4	181.6	191.6	188.7	283.5	276.5
Liquidity ratio (%)	157.2	120.2	91.2	137.9	102.5	84.0
Equity to assets ratio (%)	44.0	35.5	34.3	34.6	26.1	26.6

**Operating figures**

	Group			Company		
	2015	2014	2013	2015	2014	2013
Manufactured items units	2 696	2 863	3 192	1 769	1 881	2 060
Average number of employees	1 148	1 157	1 086	776	754	691

**Ratios related with the share price**

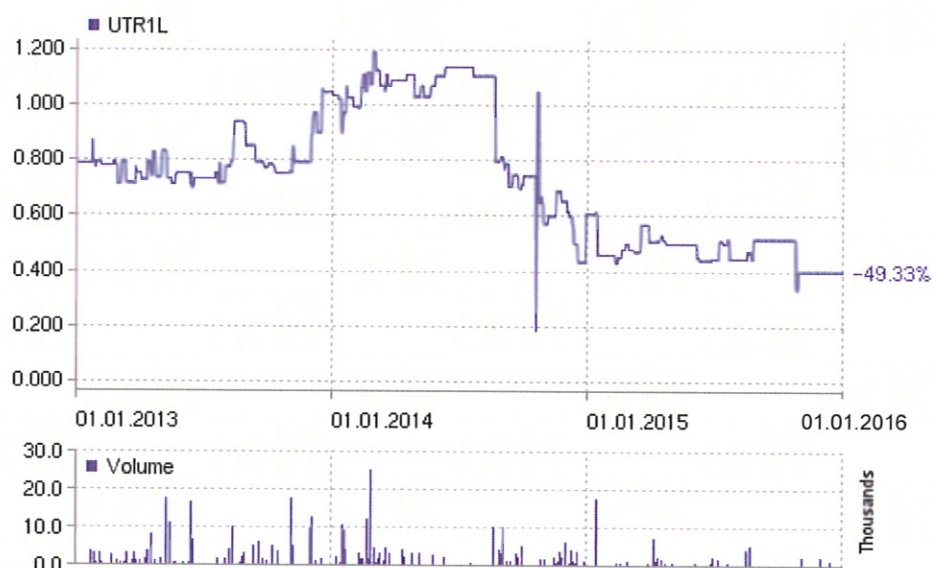
	2015	2014	2013
P/E	(14.18)	159.32	(14.21)
EPS	(0.03)	0.004	(0.02)
EV/EBITDA	6.82	3.33	6.73
EV/EBIT	(50.38)	9.02	29.44

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

The Company's shares are listed on the Official List of the National Stock Exchange, as well on the Baltic List of the Lithuanian, Latvian and Estonian stock market. 9 503 000 of ordinary registered shares have been registered for public turnover of securities. A nominal value of one share is EUR 0.29.

## 7. Information regarding the price of shares and their dynamics

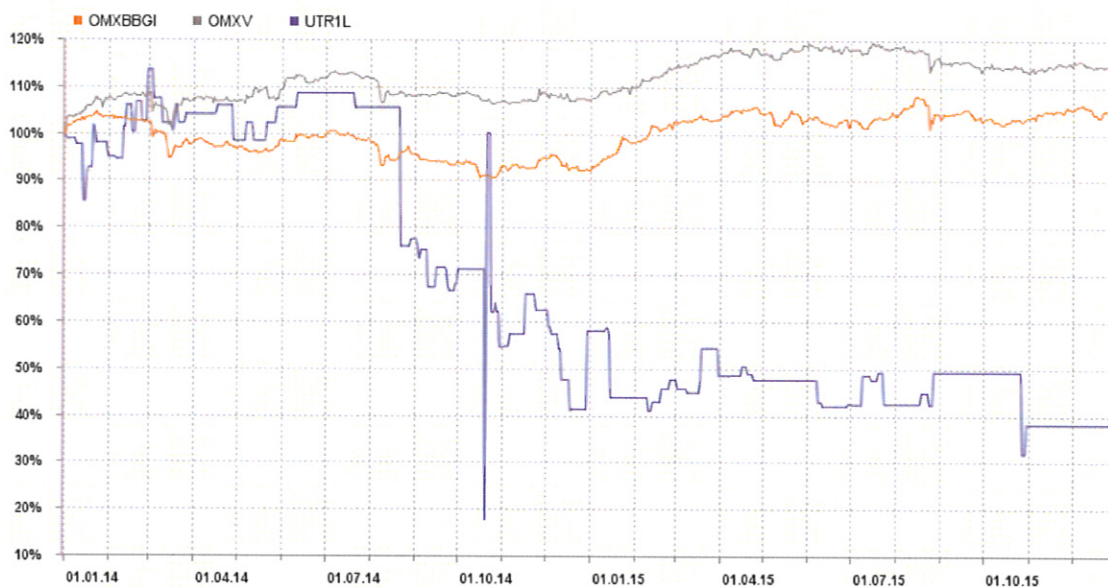
Utenos Trikotažas AB share price dynamics, 2013-2015 (EUR):



Price ratios	2015	2014	2013
Open price, EUR	0.609	0.261	0.199
High price, EUR	0.616	1.050	0.267
Low price, EUR	0.334	0.176	0.176
Last price, EUR	0.400	0.609	0.264
Traded volume	56 966	190 822	206 885
Turnover, million EUR	0.03	0.06	0.04
Capitalisation, million EUR	3.80	3.05	5.24



**Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius  
Index dynamics, 2013-2015**



Index/ Equity	2015.12.31	2014.12.31	2013.12.31	2015/2014, change, %
—OMX Baltic Benchmark GI	648.32	566.56	613.50	14.43↑
—OMX Vilnius	485.99	452.42	421.60	7.42↑
—UTR1L	0.400 EUR	0.609 EUR	0.264 EUR	(34.32)↓

## 8. Dividend policy

Dividends are not been planned for the year 2015.

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

Difficult situation in the market of Eastern countries, primarily Russia, where part of Utenos Trikotažas customers operate, was the company's biggest challenge of 2015. After the depreciation of local currencies and a decrease in the purchasing power of local residents, the export of our customers' products decreased significantly to these countries.

Therefore it is very important that, in 2015, Utenos Trikotažas managed to not only compensate for this shrinkage of the retail market, but also lay the foundation for further growth by continuing to diversify the production portfolio, sign contracts with new customers and invest into the production modernization programme.

Utenos Trikotažas group maintained the profitability of its main activities under difficult market conditions in 2015, and this shows that our chosen long-term strategy, whose main direction is the implementation and development of innovations, production of higher value-added products and development of own brands, is sustainable.

Production modernization programme, which required EUR 600 thousand of investments, was the most important step implemented last year in Utenos Trikotažas. The Company acquired continuous digital printing equipment (which was the only such equipment in the Baltic States), 3 new knitting machines and further expanded its technological possibilities. Long-term financing funds, additionally provided by the Company and the DNB bank, were used to invest into the modernization programme of Utenos Trikotažas AB.



Today, clothing collections in the retail trade are changed much more often than before. Customers want a wider range of products, product batches are smaller, but are ordered much more frequently. Modern technologies, which we acquired in 2015, will enable us to offer each of our customers as many fabric printing options as requested. The new equipment will enable to increase sales and open new possibilities when creating innovative solutions for customers.

Utenos Trikotažas AB is one of the few global textile Companies that has a complete vertically integrated production process and is able to offer its customers a full range of services – from the production of yarn and desired fabrics to the final product. Investments and a wide range of production possibilities enabled the company to attract new customers and orders, and this has a positive effect on the operational results of the first few months of 2016.

A lot of attention is still given to the development of own brands of Utenos Trikotažas AB, as well as their introduction to new markets. Sales of About brand increased by 69 percent in 2015, and in the fourth quarter of 2015 About lingerie became available in one of the best known shopping centres in Japan Estnation. Currently, there are 18 shops in Japan that sell products from the About collection, and in 2016 it is planned to double this number and increase the offered product range by 50 percent.

#### Revenue (EUR '000)

	2015	2014	Change	2013
Utenos Trikotažas AB	16 014	16 040	(0.2%)	16 621
Šatrija AB	2 615	3 491	(25.1%)	3 410
MTF Mrija PAT	398	571	(30.3%)	929
Gotija UAB	224	211	6.2%	177
Elimination of intercompany transactions	(329)	(547)	39.9%	(995)
	<b>18 922</b>	<b>19 766</b>	<b>(4.3%)</b>	<b>20 142</b>

#### EBITDA (EUR '000)

	2015	2014	Change	2013
Utenos Trikotažas AB	922	2 106	(56.2%)	982
Šatrija AB	187	637	(70.6%)	554
MTF Mrija PAT	(104)	(370)	(71.8%)	60
Gotija UAB	29	20	45.0%	7
	<b>1 034</b>	<b>2 393</b>	<b>(56.8%)</b>	<b>1 603</b>

#### Trade

	Group			Company		
Revenue (EUR '000)	2015	2014	Change	2015	2014	Change
Western Europe	13 927	15 715	(11.4%)	11 902	12 446	(4.4%)
Lithuania	3 095	2 232	38.7%	2 574	2 057	25.1%
Other regions	1 900	1 819	4.5%	1 538	1 537	0.1%
	<b>18 922</b>	<b>19 766</b>	<b>(4.3%)</b>	<b>16 014</b>	<b>16 040</b>	<b>(0.2%)</b>

In 2015, total sales of goods and services of the Company amounted to EUR 16.0 million. Trade volume decreased by EUR 0.02 million or by 0.2 per cent as compared to 2014. The Company's exports to Western Europe and other countries accounted for 83.9 per cent, whereas sales in Lithuania accounted for 16.1 per cent of total production.

In 2015, total sales of goods and services of Utenos Trikotažas AB group (hereinafter "the Group") amounted to EUR 18.9 million. The Group's exports accounted for 83.6 per cent, whereas sales in Lithuania accounted for 16.4 per cent of total production.

#### Lithuania

In 2015, the Company sold 428.7 thousand knit-wear items in Lithuania totalling to EUR 2.6 million. The sales in Lithuania increased by EUR 0.5 million or 25.1 per cent.

In 2015, the Group's sales in Lithuania amounted to EUR 3.1 million, which is more by EUR 0.9 million as compared to 2014.



## Export

In 2015, the Company exported 2.0 million knit-wear items totalling to EUR 13.4 million. The Company's exports decreased by EUR 0.5 million or 3.9 per cent comparing to 2014. Large retail chains from Western Europe remained as the major customers of the Company.

In 2015, the Group's exports to Western Europe and other regions amounted to EUR 15.8 million, which is less by EUR 1.7 million compared to 2014.

## Production

In 2015, the Company produced 1.9 million knit-wear items. The Company's subcontractors (including the subsidiary in Ukraine) produced 0.8 million knit-wear items or 30.9 per cent of total production volume. In 2015, Šatrija AB produced 95 thousand sewn items. In 2015, MTF Mrija PAT produced 0.7 million items.

### Production (units '000)

	2015	2014	Change
Utenos Trikotažas AB	1 908	1 881	1.4%
Šatrija AB	95	118	(19.5%)
MTF Mrija PAT	693	864	(19.8%)
Gotija UAB	-	-	-
	<b>2 696</b>	<b>2 863</b>	<b>(5.8%)</b>

## Investments

In 2015, the Group's investments in new equipment and new technologies amounted to EUR 823 thousand;

In 2015, the Company's investments in new equipment and technologies amounted to EUR 693 thousand, including transactions within the Group.

In 2015, Šatrija AB invested EUR 84 thousand.

In 2015, MTF Mrija PAT invested EUR 46 thousand.

In 2015, Gotija UAB had no investments.

Risk factors related to the Issuer's operations

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

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

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

The Company continues to improve the management system according to EN ISO 9001, EN ISO 14001, SA 8000 and other relevant requirements.

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

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

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

- Reduction of environmental pollution through efficient and economical use of raw materials and energy resources;
- Reduction in waste volume, improvement of management of waste and chemical materials, reduction of use of dangerous chemical substances in the production process.



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

All 2015 and 2014 financial data presented in this Annual Report is calculated based on the financial information presented in the Group's financial statements for the year 2015, prepared in accordance with the International Financial Reporting Standards as adopted by the EU. These financial statements were audited by the auditor assigned under established procedure.

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

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

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

**12. Social responsibility**

Utenos Trikotažas AB in order to implement the development of corporate social responsibility in partnership with business, social and international partners in 23 May 2006 certified for international social responsibility standard SA 8000 (recertified on 23 May 2015).

SA 8000 standard objectives:

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

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

Social responsibility (SA 8000) standard demands:

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

**13. Information about the Company's own share acquisitions**

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



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

On 13 January 2015, announcement regarding registration of increased share capital and redemption of convertible bonds.  
 On 15 January 2015, announcement regarding processing of accounting records of Utenos Trikotažas AB.  
 On 26 January 2015, notification about disposal of voting rights.  
 On 30 January 2015, announcement of the sales figures for the fourth quarter of 2014.  
 On 30 January 2015, amount of voting rights in Utenos Trikotažas AB.  
 On 27 February 2015, announcement of unaudited interim consolidated financial statements of 2014.  
 On 9 April 2015, the general meeting of shareholders of Utenos Trikotažas AB was convened.  
 On 9 April 2015, draft decisions of the Annual General Meeting of Shareholders.  
 On 18 April 2015, supplemented agenda of the Shareholders Meeting of Utenos Trikotažas AB that is to be held on 30 April 2015.  
 On 30 April 2015, decisions of the general shareholder meeting were announced.  
 On 30 April 2015, announcement of the performance results for the first quarter of 2015.  
 On 31 July 2015, announcement of the consolidated interim report and the financial statements for a six-month period of 2015.  
 On 19 August 2015, announcement of change of managing director of Utenos Trikotažas AB.  
 On 30 October 2015, announcement of the financial statements for the 9-month period.  
 On 22 December 2015, announcement of publishing terms of the interim reports and audited consolidated report in 2016.  
 On 29 February 2016, announcement of unaudited interim consolidated financial statements of 2015.

#### 15. The Company's operating plans and objectives

In 2016, the Company plans to actively expand sales of ecological products and to develop the co-operation with new customers demanding higher quality and sophisticated technology, to maintain close relationship with longstanding business customers.

Key objectives for 2016:

- Development of sales to clients demanding ecological, high quality and value added products.
- Development of Branded product lines sales in Lithuania, Western Europe, Japan, USA and Canada.
- Development of fabric sales.
- Focused and systematic approach to the development of innovative fabrics.
- Manufacturing efficiency improvement.

#### 16. Structure of the Issuer's authorised share capital

As at 31 December 2015, the Company's authorised share capital was comprised of 9 503 000 ordinary registered shares with a nominal value of EUR 0.29 each.

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

Type of shares	Number of shares	Nominal value (EUR)	Total nominal value (EUR)	Percentage in the authorised share capital (%)
Ordinary registered shares	9 503 000	0.29	2 755 870	100.00

All shares of Utenos Trikotažas AB are fully paid.

All shares of the Company are ordinary registered shares of one class granting equal rights to their holders (shareholders).



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

1. to receive a part of the Company's profit (dividend);
2. to receive a part of assets of the Company in liquidation;
3. to receive shares without payment if the authorised capital is increased out of the Company's funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting of Shareholders decides to withdraw the pre-emption right in the manner prescribed by the Lithuanian Law on Companies in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
5. to lend to the Company in the manner prescribed by law; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;
6. to transfer all or part of the shares into the ownership of other persons;
7. to force other shareholders to sell their shares to them or to force other shareholders to buy their shares from them in cases and manner prescribed by the Law on the Law on Securities Market;
8. other property rights established by laws.

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

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

#### 17. Restrictions on disposal of securities

There are no restrictions.

#### 18. Shareholders

As at 31 December 2015, the total number of shareholders of Utenos Trikotažas AB was 1 034.

The table below indicates shareholders owning or holding more than 5 per cent of the Issuer's authorised share capital as at 31 December 2015.

Names of shareholders	Company codes	Country	Registration address	Number of ordinary registered shares held	Share in the authorised capital (%)	Share of votes held (%)
Koncernas SBA UAB	132206739	Lithuania	Laisvės pr.3, Vilnius	5 874	61.81	61.81
AmberTrust S.C.A.(SCA) SICAV-SIF	B 87145	Luxembourg	412F, routed'Esch L-1030	1 347	14.18	14.18
KJK Fund SICAV-SIF	B 86729	Luxembourg	412F, routed'Esch L-1030	572	6.02	6.02
EastCapital AssetManagement	556564-5370	Sweden	Kungsgatan 30, Box 1364, Stocholm	527	5.55	5.55
Other shareholders	-	-	-	1 183	12.44	12.44

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

	Registered address	Group's share (%)	Activity
		as of 31 December 2015 and 2014	
Šatrija AB	Vilniaus Str. 5, Raseiniai	89.78	Sewing of clothes
Gotija UAB	Laisvės Str. 33, Kaunas	90.50	Retail trade
MTF Mrija PAT	Motroso Str. 13, Mukačiov, Ukraine	98.95	Production of knitted articles

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

There are no such shareholders.

#### 20. All restrictions regarding voting rights

There are no restrictions.

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

There are no such agreements.

#### 22. Personnel

Average number of employees of the Group, by companies:

	2015.12.31	2014.12.31	Change, +/-
Utenos Trikotažas AB	776	754	2.9%
Šatrija AB	190	220	(13.6%)
MTF Mrija PAT	178	179	(0.6%)
Gotija UAB	4	4	0%
	<b>1 148</b>	<b>1 157</b>	<b>(0.8%)</b>

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

	2015	2014	Change (%)
Utenos Trikotažas AB	6 337	5 456	16.1
Šatrija AB	1 640	1 684	(2.6)
MTF Mrija PAT	303	409	(25.9)
Gotija UAB	37	37	(0.2)
	<b>8 317</b>	<b>7 586</b>	<b>9.6</b>

The average monthly wages of employees before taxes:

	Group			Company		
	2015	2014	Change, %	2015	2014	Change, %
Workers group						
Managers	1 310	1 177	11.3	1 155	1 141	1.3
Specialists	685	656	4.4	736	710	3.6
Workers	404	386	4.6	432	444	(2.6)
	<b>484</b>	<b>453</b>	<b>6.8</b>	<b>526</b>	<b>529</b>	<b>(0.5)</b>



The Company's employee distribution by education (according to 31 December, 2015):

Group of employees	Total	Employee distribution by education					
		Higher education	Non-higher professional education	Vocational education	Secondary	Basic	Higher non-university
Managers	45	25	14	1	-	-	5
Specialists	124	66	21	2	4	2	29
Workers	607	10	164	160	188	48	37
	776	101	199	163	192	50	71

### 23. Management of the Group companies

Company name	Managers
Utenos Trikotažas AB	Eimundas Mačiulis
Šatrija AB	Giedrius Grondskis
MTF Mrija PAT	Tatjana Roshchina
Gotija UAB	Zita Davtartinė

### 24. Management incentives

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

### 25. Amendment procedure of the Issuer's Articles of Association

The Articles of Association of the Company shall be amended by the decision of the General Meeting of Shareholders adopted in the manner prescribed by laws, except in cases specified in the Lithuanian Law on Companies. Following the decision by the General Meeting of Shareholders to amend the Company's Articles of Association, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Meeting of Shareholders.

On 12 January 2015, the Register of Legal Entities of the Republic of Lithuania registered a new wording of the Company's Articles of Association with regard to the increased Company's authorized capital. The authorized capital of the Company was increased by implementing the decisions of the Company's General Shareholders Meetings held on 03-12-2009, 26-03-2014 and pursuant to the convertible bonds holders written requests to convert 19 units of these convertible bonds into 4 503 000 ordinary registered shares of the Company. The authorized capital of the Company indicated in the new wording of the Company's Articles of Association is equal to EUR 2 755.9 thousand and is divided into 9 503 000 ordinary registered shares with a nominal value of EUR 0.29 each.

The remaining part of convertible bonds (47 units) were fully redeemed for the total amount of EUR 3 045 thousand on 12 January 2015.

Hereby announces that on 14 January 2015, the procedure of the increase of Company's authorized capital was completed and Company's ordinary registered shares' issue registration account was amended: issue was increased to 9 503 000 ordinary registered shares of EUR 0.29 par value each (the previously registered issue of ordinary registered shares which amounted to 5 000 000 ordinary registered shares was merged with a new issue of 4 503 000 ordinary registered shares).

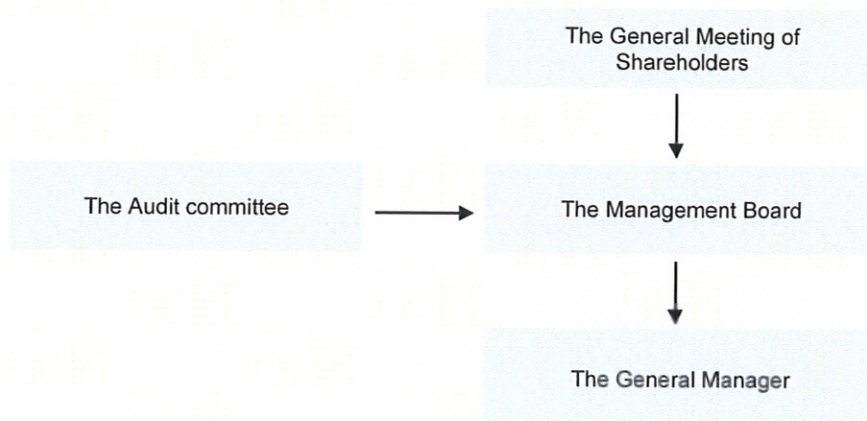
Since January 14, 2015, the shares issue of the Company consist of 9 503 000 ordinary registered shares of EUR 0.29 par value each. The total nominal value of the shares amounts to EUR 2 755.9 thousand.

The authorized capital of the Company was increased by implementing the decisions of the Company's General Shareholders Meetings held on 03-12-2009, 26-03-2014 and pursuant to the convertible bonds holders written requests to convert 19 units of convertible bonds into 4 503 000 ordinary registered shares of the Company.



## 26. Issuer's management bodies

The management bodies of the Company are listed below:



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

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

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

The Board members of Utenos Trikotažas AB Algirdas Šabūnas, Gintautas Rudis, Robertas Beržinskas and Vytautas Vaškys were elected during the General Meeting of Shareholders on 30 April 2013 for the period until 30 April 2017.

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

In 2015 the Audit committee held 1 meeting (on 23 April 2015) and 1 meeting after the end of 2015 financial year (on 23 March 2016). During the meetings The Audit Committee considered the questions which fall under its competency.

The shareholders meeting held on 29 April 2009 confirmed composition of Utenos Trikotažas AB audit committee and operating policies. The shareholders meeting held on 30 April 2013 elected Audit committee members: Jolanta Grašienė, Giedrius Grondskis, independent auditor Genadijus Makušėvas.

Genadijus Makušėvas (b. 1959)

Utenos Trikotažas AB independent auditor from 26 April 2007, re-elected for four years term 30 April 2013.

Education: Vilnius University, Financial Accounting (1980).

Workingplace: Grant Thornton Baltic UAB General Manager, auditor.

Participation in the management of other companies: Chairman of the Board of Grant Thornton Baltic UAB; Member of the Board of Association of Lithuanian accounting companies, Member of the Presidium of Lithuanian Chamber of Auditors.



**Jolanta Grašienė (b. 1976)**

Utenos Trikotažas AB audit committee member from 26 April 2007, re-elected for four years term 30 April 2013.

Education: Kaunas University of Technology, Bachelor degree in Business Administration (1997); Baltic Management Institute, International Executive MBA (2009).

Working place: Koncernas SBA UAB, Finance Director.

Participation in the management of other companies: Member of the Board in SBA Baldų kompanija UAB, Novomebel ZAO, PIJ Grupė UAB.

**Giedrius Grondskis (b. 1973)**

Utenos Trikotažas AB audit committee member from 26 April 2007, re-elected for four years term 30 April 2013.

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

Working place: General Manager of Šatrija AB.

Do not participate in management of other companies.

**The Duties of the Audit Committee:**

1. To observe the process of preparation of the Company's financial reports;
2. To review the systems of internal control, risk management and internal audit, if it exists in the Company;
3. To observe the process of external audit;
4. To observe how the external auditor or audit company follows the principles of independence and objectivity;
5. To provide the Board of the Company with written recommendations regarding the selection, appointment and recall of an external audit company.
6. To immediately inform the Managing Director of the company about information provided by the audit company to audit committee about audit related problematic issues especially when significant control defects related to financial statements occur.

**Audit committee rights:**

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

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

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

As at 31 December 2015:

Position	Name, surname	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
<b>Board</b>				
Chairman of the Board	Algirdas Šabūnas	-	2013.04.30	2017.04.30
Member of the Board	Gintautas Rudis	28	2013.04.30	2017.04.30
Member of the Board	Robertas Beržinskas	-	2013.04.30	2017.04.30
Member of the Board	Vytautas Vaškys	3	2013.04.30	2017.04.30
<b>Head of Administration and the Chief Financial Officer</b>				
General Manager	Gintautas Bareika	-	2011.08.16	2015.09.11
General Manager	Eimundas Mačiulis	-	2015.09.10	-
Finance Director	Andrej Grobov	-	2015.02.03	-
Finance Director	Saulius Rakauskis	-	2011.03.28	2015.01.29
<b>The Audit committee</b>				
The independent auditor	Genadijus Makušėvas	-	2013.04.30	2017.04.30
Member of the audit committee	Jolanta Grašienė	3	2013.04.30	2017.04.30
Member of the audit committee	Giedrius Grondskis	-	2013.04.30	2017.04.30

Company did not have information of any significant indirect share holdings during the reporting period.

During the whole practice of the Company no remunerations to the members of a collegial body (Members of the Board, Members of the audit committee) for their work and participation in the meetings of the collegial body were paid.

### Information about board members:

#### Algirdas Šabūnas (b. 1974)

Utenos Trikotažas AB chairman of the Board from 26 April 2007, re-elected for four years term on 30 April 2013. As the chairman of the Board was re-elected on 8 May 2013.

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

Working place: Koncernas SBA UAB, vice-president.

Participation in the management of other companies:

Klaipėdos baldų prekyba UAB, the chairman of the board  
Šatrija AB, the chairman of the board  
Koncernas SBA UAB, the board member  
Kauno baldai AB the chairman of the board

#### Gintautas Rudis (b. 1963)

Utenos trikotažas AB board member from 29 January 2008, re-elected for four years term on 30 April 2013.

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

Working place: Enteco Baltic UAB, CEO.

Participation in the management of other companies:

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



**Robertas Beržinskas (b.1970)**

Utenos Trikotažas AB board member from 13 July 2007 re-elected for four years term on 30 April 2013.

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

Working place: private capital Amber Trust and Amber Trust II advisor.

Participation in the management of other companies:

Amber Pasta UAB, the board member  
Rigas Dzirnavnieks JSC, the board member  
Balti Veski (Estonia), the supervisory board  
Baltic Mill (Lithuania), the board member.

**Vytautas Vaškys (b. 1967)**

Utenos Trikotažas AB board member from 29 April 2009, re-elected for four years term on 30 April 2013.

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

Working place: Koncernas SBA UAB, business risks director.

Participation in the management of other companies:

Enteco Baltic UAB, the chairman of the board  
PIJ Grupė UAB, the board member  
SBA Baldų Kompanija UAB, the board member  
Mrija PAT, the supervisory board member  
BEI Capital UAB, director  
Euromodus UAB, the board member  
Novo mebel ZAO, the board member

In 2015, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2015, the aggregate remuneration of the Company General Manager and the Finance Director amounted to EUR 148.6 thousand.

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

**28. Information about significant agreements**

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

**29. Information about the compliance with the Governance Code**

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

**30. Information about transactions with related parties**

Results of transactions with related parties performed in 2015 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2015.

**31. Data on publicly announced information**

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



### 32. Company's auditor

The Company concluded a contract for audit of the financial statements for 2015 and 2016 with ERNST & YOUNG BALTIC UAB (identification code 110878442, the registered address: Subačiaus str. 7, Vilnius), with the possibility to extend this agreement for one - 2017 year. The annual remuneration for the audit services EUR is 15.300 (fifteen thousand three hundred euros) plus VAT.

### 33. General information on the Group of companies

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

Company name	<b>Šatrija AB</b>
Legal form	Public company
Date and place of incorporation	1955m. Vilniaus 5, 4400 Raseiniai
Company code	172285032
Address	Vilniaus 5, 4400 Raseiniai
Telephone	8 (428) 70611
Fax	8 (428) 70611
E-mail	<a href="mailto:raseiniai@satrija.lt">raseiniai@satrija.lt</a>
Website	<a href="http://www.satrija.lt">www.satrija.lt</a>
Principal activities	Sewing of clothes

Company name	<b>Mukačevska Trikotažnaja Fabrika Mrija PAT</b>
Legal form	Open public company
Date and place of incorporation	1971m. Matrosova 13, 89600 Mukačevo, Ukraine
Company code	00307253
Address	Matrosova 13, 89600 Mukačevo, Ukraine
Telephone	+ 380 (3131) 52780
Fax	+380 (3131) 52780
E-mail	<a href="mailto:mriya@mk.ukrtel.net">mriya@mk.ukrtel.net</a>
Website	<a href="http://www.mriyamukachevo.com">www.mriyamukachevo.com</a>
Principal activities	Production of knit-wear articles

Company name	<b>Gotija UAB</b>
Legal form	Private company
Date and place of incorporation	1994m. Laisvės al. 33, Kaunas
Company code	134181619
Address	Laisvės al. 33, Kaunas
Telephone	8 (37) 205879
Fax	8 (37) 205879
E-mail	<a href="mailto:gotija@ut.lt">gotija@ut.lt</a>
Website	None
Principal activities	Retail trade in clothes

#### 33.2. Trade in securities of the Group companies in regulated markets

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

### 34. Information on harmful transactions in which the issuer is a party.

There were no harmful transactions (those that are not in line with issuer's goals, not under usual market terms, harmful to the shareholders' or stakeholders' interests, etc.) made in the name of the issuer that had or potentially could have negative effects in the future on the issuer's activities or business results. There were also no transactions where a conflict of interest was present between issuer's management's, controlling shareholders' or other related parties' obligations to the issuer and their private interests.

General Manager Eimundas Mačiulis

24 May 2016



**APPENDIX TO THE ANNUAL REPORT**  
**UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2015**

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Relevant matters are made public in the Company's internet site <a href="http://www.ut.lt">www.ut.lt</a> and on the website of the Stock Exchange.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Every year the Company's board approves the plans of operation containing the description of the Company's development strategy for 2-3 upcoming years. All bodies of the Company are familiarised with the strategic objectives and the ways of their implementation as set forth in the plans of operation. The Company has implemented a motivation system, which ensures direct link between the strategic objectives and personal performance of individual employees.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the board, audit committee and chief executive officer (the supervisory board has not been set up).
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company has a collective employment contract in place. The board every quarter review employee related social questions.
<b>Principle II: The corporate governance framework</b>		
<b>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.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The supervisory board has not been set up, however, the general meeting of shareholders has elected the board. The Company's chief executive officer and the chairman of the board is not one and the same person.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions described in the recommendation are fulfilled at the Company by a collegial management body – the board.



2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	Only one collegial body has been set up the Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	No comments.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Company's board is composed of 4 members. The Company's chief executive officer and the chairman of the board is not one and the same person.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	There are no non-executive directors and the supervisory board.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company is in compliance with this recommendation. The Company has not set up the supervisory board, and the chairman of the board has never been in the past and currently is not the Company's chief executive officer.

**Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting**

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

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	A collegial management body is set up in accordance with the requirements of the Lithuanian Law on Companies, and the shareholders are notified of candidates to become members of the Company's collegial management body.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	This information on candidates to the board was disclosed to the shareholders together with the notification on convening the general meeting of shareholders (in accordance with the requirements of the Lithuanian Law on Companies), which involved the election of members to the board, and the agenda of the general meeting of shareholders.



3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information published about the board members in the annual report: education, occupation, participation in the management of the other companies
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The members of the Company's management bodies are actively involved in a wide range of areas in other companies, which enables them to ensure an adequate competence in respect of their current functions.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Newly appointed members by collegial body are acquainted with their duties, the company's organization and operations.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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);</li> <li>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1Part 1);</li> </ol>	No	3 out of 4 members of the Management Board work in the companies related with the controlling shareholder.



<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>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>	No	
<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>	No	<p>During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.</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>	No	<p>During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.</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>	No	<p>During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.</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>	No	<p>During the whole practice of the Company no remunerations to the members of a collegial body for their work and participation in the meetings of the collegial body were paid.</p>



Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting		
The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	No comments.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	No comments.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The board members responsibly carries duties of collegial body.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company's Articles of Association define the procedure of co-operation between a collegial body and the shareholders in accordance with the Lithuanian Law on Companies.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Company's employees are not a members of the board.



<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>	No	<p>During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.</p> <p>The rights and duties of the audit committee are provided in the audit committee's regulations, confirmed during shareholder meeting 30 April 2013.</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>	Yes	<p>The Audit Committee acts in accordance with the approved regulations of the Audit Committee.</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 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>	No	<p>The Audit committees composed of 3 members (one of them is independent).</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>	No	<p>Yes. The Audit Committee acts in accordance with the approved regulations of the Audit Committee.</p> <p>The annual report does not include committee's reports.</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>	Yes	<p>Yes. The audit committee has the right to invite the Company's Manager, members of the Board, the Chief Financier, other employees responsible for finances, as well as external auditors to attend its meetings.</p>



<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Properly consider issues related to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <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	There is no Nomination Committee.
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ol> <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> <ol style="list-style-type: none"> <li>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase</li> </ol>	No	There is no Remuneration Committee.



<p>shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <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> <ol style="list-style-type: none"> <li>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</li> <li>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> <li>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ol> <p>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.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</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>	Yes	The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.



<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>	No	No comments.

**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>	Yes	No comments.
<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>	Yes	The board meetings are held at least once in a quarter or more often, if necessary.



5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	No comments.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	Not applicable, since only the board has been set up.
<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b>		
<b>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.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company is in compliance with the Law on Companies and its Articles of Association.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	No comments.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company is in compliance with the Law on Companies and its Articles of Association.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	No comments.



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

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

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

**Principle VIII: Company's remuneration policy**

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company's remuneration policy is approved by the board.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.



<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) Sufficient information on the linkage between the remuneration and performance;</li> <li>4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ol>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
<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>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
<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>	No	Information is not disclosed.
<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>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
<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> <ol style="list-style-type: none"> <li>1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>2) The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> <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> <ol style="list-style-type: none"> <li>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the</li> </ol>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.



<p>exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</p> <p>3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <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>	Not applicable	
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <p>1) Grant of share-based schemes, including share options, to directors;</p> <p>2) Determination of maximum number of shares and main conditions of share granting;</p> <p>3) The term within which options can be exercised;</p> <p>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</p> <p>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
<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>	Not applicable	
<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>	Not applicable	



<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>	Not applicable	
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**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.**

<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	Yes	<p>The Company has a collective employment contract in place. The chairman of the workers Trade union is invited to join monthly production meetings and other major management discussions of the Company.</p>
<p>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.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		



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> <ol style="list-style-type: none"> <li>1) The financial and operating results of the company;</li> <li>2) Company objectives;</li> <li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risk factors;</li> <li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> </ol> <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> <p>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.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</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>	Yes	<p>All information, except for certain items (see the note below), is disclosed in the Company's annual prospectus-reports, and posted on the websites of the Company and the Vilnius Stock Exchange.</p> <p>Note:</p> <p>The following information mentioned in paragraph 4 of recommendation item 10.1 is disclosed: members of the Company's supervisory and management bodies, chief executive officer of the Company (remuneration is not disclosed).</p> <p>Information mentioned in recommendation item 10.3 is not disclosed.</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.	Yes	Information is posted on the websites of the Vilnius Stock Exchange and the Company.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Information is posted on the websites of the Vilnius Stock Exchange and the Company.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	This information is available on the websites of the Stock Exchange and the Company.



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

## **CONFIRMATION OF RESPONSIBLE PERSONS**

Following Article 21 of the Law on Securities of the Republic of Lithuania, Periodic and Additional Information of Preparation and Submission rules of Lithuanian Bank Board, we, Eimundas Mačiulis, Managing Director of Utenos trikotazas, AB, Finance Director Andrej Grobov, and Chief Accountant Reda Kučinskienė, hereby confirm that, to the best of our knowledge, the consolidated and Company's Financial Statements, annual and independent auditor's reports for the year ended 31 December of 2015 of Utenos trikotazas AB, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Utenos trikotazas, AB and the Group of undertakings.

ENCLOSURE: Utenos trikotazas AB consolidated and Company's Financial Statements, annual and independent auditor's reports for the year ended 31 December of 2015.

**Managing Director**

**Eimundas Mačiulis**

**Finance Director**

**Andrej Grobov**

**Chief Accountant**

**Reda Kučinskienė**

Utena, 29 April 2016