



**UTENOS TRIKOTAŽAS AB**

**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,  
CONSOLIDATED ANNUAL REPORT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania**  
**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Utenos trikotazas AB

### Opinion

We have audited the financial statements of Utenos trikotazas AB (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 at 31 December 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the requirements of the Law on Audit of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Recoverability of investment, loans granted and trade receivables from the subsidiary

Investment and loans granted to the subsidiary Mrija PAT MTF and receivables from the subsidiary before impairment allowance amount to EUR 6,721 thousand and after the impairment allowance to EUR 2,140 thousand in the statement of financial position of the Company as of 31 December 2016. The Company's management performed an impairment test of these assets based on the value in use estimation as disclosed in Note 4 to the financial statements. This annual impairment test was significant to our audit as it involves management judgment in making the assumptions related to cash flows forecasts used in the value in use estimations as disclosed in Note 4. Furthermore, the investments, loans granted and related trade receivables after impairment allowance represent more than 14% of the total assets of the Company as of 31 December 2016.



We gained an understanding of how the management evaluate recoverability of investments, loans granted and trade receivables. Our audit procedures included, amongst others, evaluating and challenging the assumptions and methodologies used by the Company. We involved a valuation specialist to assist us with the assessment of the discount rate used by the management in the impairment test. We considered other significant assumptions used by the management in the estimation of cash flows forecasts by comparing revenues and costs to historical performance levels and growth rates. We assessed whether future cash flows, amongst others, were based on the strategic and business plans and other relevant developments in the business of the cash generating unit (hereinafter - CGU). We tested the sensitivity in the available headroom of the CGU considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. Finally, we evaluated the adequacy of the Company's disclosures included in Note 4 about the assumptions used in the impairment test and the outcome of the test.

#### Determination of the carrying value of the buildings

As of 31 December 2016 the Company and the Group had buildings amounting to EUR 3,086 thousand and EUR 4,326 thousand, respectively, reported in the statements of financial position. Buildings are stated at revalued amounts less accumulated depreciation and impairment losses. The latest valuation by professional appraisers was performed on 31 March 2013. As of 31 December 2016, the Management of the Company and the Group 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 2016 and concluded that there are no such indications as disclosed in Note 4 of the accompanying financial statements. Since consideration of material difference between the fair value of the revalued assets and their carrying amounts involves significant management judgment, we considered the matter to be significant to our audit.

We gained an understanding of how management determines carrying value of the buildings. We have assessed assumptions used by the management of the Company and the Group, which are primarily based on real estate market analysis, performed by the third party appraisers. We have considered independence and professional qualification of third party appraisers. We have additionally compared assumptions used by the management of the Company and the Group with the publically available information on real estate market situation and developments. We have assessed the adequacy of the Company's and the Group's disclosures included in Note 4.

#### Inventory net realizable value and provision for obsolescence

Inventories of the Company and the Group amount to EUR 4,439 thousand and EUR 4,866 thousand respectively before impairment allowance and to EUR 4,113 thousand and EUR 4,216 thousand respectively after impairment allowance in the statements of financial position as of 31 December 2016. It is a material balance for the Company and the Group comprising 27 % of the Company's and the Group's total assets, and requires management judgment in assessing if this is lower than the net realizable value at year-end. There is also management judgment required in determining inventory obsolescence allowance.

We gained an understanding of how management evaluates inventory net realizable value and allowance for obsolescence. We have reviewed calculations of inventory net realizable value, which was performed by the Company and the Group based on review of subsequent sales after the year-end. We have also analyzed obsolescence data and rates applied in calculations of impairment allowance and compared the inventory obsolescence allowance to the Company's and the Group's historic figures. Finally, we have evaluated the adequacy of the Company's and the Group's disclosures included in Note 4 and 10.

#### **Other Information Included in the Company's Annual Report**

Other information consists of the information included in the Company's 2016 Consolidated Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Asta Štreimikienė.

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

Asta Štreimikienė  
Auditor's licence  
No. 000382

27 March 2017

## Statements of financial position

		Group		Company	
		31 December		31 December	
Notes		2016	2015	2016	2015
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	6	744	752	75	29
Property, plant and equipment	7	7 046	7 460	5 379	5 659
Investment property	8	109	111	109	111
Investments into subsidiaries	9	-	-	1 499	1 499
Trade and other receivables		1	1	-	-
Receivables from subsidiaries	25	-	-	2 140	2 356
Deferred income tax asset	23	58	50	-	-
		<b>7 958</b>	<b>8 374</b>	<b>9 202</b>	<b>9 654</b>
<b>Current assets</b>					
Inventories	10	4 216	3 687	4 113	3 592
Trade receivables	11	1 239	1 109	704	827
Other current assets	12	365	305	226	129
Current financial assets	12	600	-	600	-
Cash and cash equivalents	13	1 230	1 079	598	265
		<b>7 650</b>	<b>6 180</b>	<b>6 241</b>	<b>4 813</b>
<b>Total assets</b>		<b>15 608</b>	<b>14 554</b>	<b>15 443</b>	<b>14 467</b>



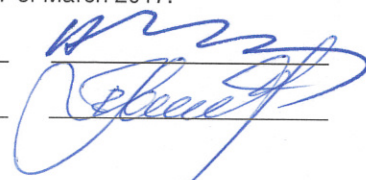
## Statements of financial position (cont'd)

		Group		Company	
		31 December		31 December	
	Notes	2016	2015	2016	2015
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the shareholders of the Company</b>					
Share capital	14	2 756	2 756	2 756	2 756
Revaluation surplus	15	3 173	3 241	1 751	1 793
Legal reserve	15	574	574	574	574
Reserve for acquisition of own shares	15	269	269	-	-
Foreign currency translation reserve	15	119	113	-	-
Cash flow hedge reserve	15	(43)	(42)	(43)	(42)
Accumulated retained earnings/ (losses)		(41)	(938)	355	(70)
		<b>6 807</b>	<b>5 973</b>	<b>5 393</b>	<b>5 011</b>
<b>Non-controlling interest</b>		<b>466</b>	<b>427</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>7 273</b>	<b>6 400</b>	<b>5 393</b>	<b>5 011</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	16	3 046	3 617	3 046	3 617
Borrowings from subsidiaries	16, 25	-	-	2 422	1 922
Deferred income tax liabilities	23	407	351	270	193
Non-current portion of derivative financial instruments	15	28	28	28	28
Provisions for employee benefits	17	310	226	271	205
		<b>3 791</b>	<b>4 222</b>	<b>6 037</b>	<b>5 965</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	16	738	691	738	691
Current portion of derivative financial instruments	15	24	23	24	23
Trade payables		1 461	1 051	1 430	1 008
Payables to other related parties and subsidiaries	25	129	518	240	524
Income tax payable		22	10	7	4
Accrued expenses and other current liabilities	18	2 170	1 639	1 574	1 241
		<b>4 544</b>	<b>3 932</b>	<b>4 013</b>	<b>3 491</b>
<b>Total liabilities</b>		<b>8 335</b>	<b>8 154</b>	<b>10 050</b>	<b>9 456</b>
<b>Total equity and liabilities</b>		<b>15 608</b>	<b>14 554</b>	<b>15 443</b>	<b>14 467</b>

The notes on pages 15 to 67 form an integral part of these financial statements.

These financial statements were approved by General Manager and Financial Officer on 27 of March 2017.

General Manager	Algirdas Šabūnas
Chief Accountant	Reda Kučinskienė



## Statements of comprehensive income

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2016	2015	2016	2015
Sales	5	22 790	18 922	19 622	16 014
Cost of sales	19	(18 020)	(15 528)	(16 116)	(13 458)
<b>Gross profit</b>		<b>4 770</b>	<b>3 394</b>	<b>3 506</b>	<b>2 556</b>
Selling expenses	20	(1 534)	(1 341)	(1 439)	(1 238)
General and administrative expenses	20	(1 960)	(2 010)	(1 365)	(1 448)
Other operating income	21	163	266	83	70
Other operating expenses	21	(22)	(43)	(12)	(28)
<b>Operating profit (losses)</b>		<b>1 417</b>	<b>266</b>	<b>773</b>	<b>(88)</b>
Finance income	22	484	577	84	109
Finance costs	22	(681)	(1 101)	(183)	(200)
<b>Profit (losses) before tax</b>		<b>1 220</b>	<b>(258)</b>	<b>674</b>	<b>(179)</b>
Income tax	23	(167)	(3)	(105)	21
<b>Net profit (losses)</b>		<b>1 053</b>	<b>(261)</b>	<b>569</b>	<b>(158)</b>
<b>Net profit (losses) attributable to:</b>					
Equity holders of the Company		1 015	(268)	569	(158)
Non-controlling interest	25	38	7	-	-
		<b>1 053</b>	<b>(261)</b>	<b>569</b>	<b>(158)</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>					
Foreign currency translation gain (loss)		7	(61)	-	-
Change in value of derivative financial instruments		(1)	(42)	(1)	(42)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>6</b>	<b>(103)</b>	<b>(1)</b>	<b>(42)</b>

Continued on the next page

## Statements of comprehensive income (cont'd)

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2016	2015	2016	2015
<b>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>					
Actuarial gains (losses) from the pensions reserve	17	(186)	104	(186)	104
<b>Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>(186)</b>	<b>104</b>	<b>(186)</b>	<b>104</b>
<b>Other comprehensive income (loss) for the year, net of tax</b>		<b>(180)</b>	<b>1</b>	<b>(187)</b>	<b>62</b>
<b>Total comprehensive income (loss) for the year, net of tax</b>		<b>873</b>	<b>(260)</b>	<b>382</b>	<b>(96)</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Equity holders of the Company		834	(268)	382	(96)
Non-controlling interest		39	8	-	-
		<b>873</b>	<b>(260)</b>	<b>382</b>	<b>(96)</b>
<u>Basic earnings per share</u>	24	0,11	(0,03)	-	-

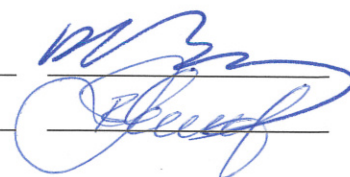
The notes on pages 15 to 67 form an integral part of these financial statements.

General Manager

Algirdas Šabūnas

Chief Accountant

Reda Kučinskienė



## Statements of changes in equity

### Group

Group	Equity attributable to the equity holders of the Company										
	Notes	Share capital	For- eign currency trans- lation re- serve	Other re- ser- ves	Re- serve for ac- quisi- tion of own shares	Legal re- serve	Re- valu- ation sur- plus	Accumu- lated re- tained earn- ings/ (losses)	Total	Non- con- trolling inte- rest	Total equity
		1 448	175	-	-	574	3 318	(579)	4 936	352	5 288
Balance as of 31 De- cember 2014											
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)	-	-	-
Transfer of revaluation surplus to retained earnings		-	-	-	-	-	(77)	77	-	-	-
Other increase in non- controlling interest		-	-	-	-	-	-	-	-	67	67
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
Net profit (loss) for the year		-	-	-	-	-	-	1 015	1 015	38	1 053
Other comprehensive income		-	6	(1)	-	-	-	(186)	(181)	1	(180)
Total comprehensive income (loss)		-	6	(1)	-	-	-	829	834	39	873
Transfer of revaluation surplus to retained earnings		-	-	-	-	-	(68)	68	-	-	-
Balance as of 31 De- cember 2016		2 756	119	(43)	269	574	3 173	(41)	6 807	466	7 273

## 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 2014</b>		<b>1 448</b>	<b>574</b>	<b>-</b>	<b>1 855</b>	<b>(75)</b>	<b>3 802</b>
Net loss for the year		-	-	-	-	(158)	(158)
Other comprehensive income (loss)		-	-	(42)	-	104	62
<b>Total comprehensive income (loss)</b>		<b>-</b>	<b>-</b>	<b>(42)</b>	<b>-</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>
Net profit (loss) for the year		-	-	-	-	569	569
Other comprehensive income (loss)		-	-	(1)	-	(186)	(187)
<b>Total comprehensive income (loss)</b>		<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>383</b>	<b>382</b>
Transfer of revaluation surplus to retained earnings		-	-	-	(42)	42	-
<b>Balance as of 31 December 2016</b>		<b>2 756</b>	<b>574</b>	<b>(43)</b>	<b>1 751</b>	<b>355</b>	<b>5 393</b>

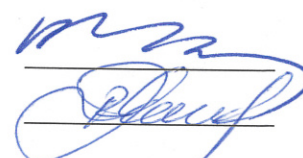
The notes on pages 15 to 67 form an integral part of these financial statements.

General Manager

Algirdas Šabūnas

Chief Accountant

Reda Kučinskienė





## Statements of cash flows

		Group Year ended 31 De- cember		Company Year ended 31 December	
	Notes	2016	2015	2016	2015
<b>Cash flows from operating activities</b>					
Net profit (loss) for the year		1 053	(261)	569	(158)
<b>Adjustments for non-cash items:</b>					
Depreciation and amortization	7	788	767	587	586
(Gain) on disposal of property, plant and equipment and investment property	21	(22)	(116)	(21)	(5)
Impairment and write-off of inventories	10,20	19	(7)	39	(21)
Impairment and write-off of accounts receivable		(6)	-	-	-
Provisions for employees benefits	17	(88)	166	(106)	155
Interest expense, net of interest income	22	118	118	101	99
Income tax (income) expense	23	167	3	105	(21)
<b>Changes in working capital:</b>					
(Increase) decrease in inventories		(523)	(242)	(531)	(348)
(Increase) decrease in trade receivables		(125)	197	123	190
Decrease in receivables from subsidiaries		-	-	216	394
(Increase) decrease in other receivables and other current assets		(60)	(89)	(98)	17
Increase (decrease) in trade and other accounts payable		603	592	439	(100)
Increase (decrease) in taxes payable and other current liabilities		9	(47)	20	183
(Increase) in current financial assets	12	(600)	-	(600)	-
Income tax (paid)		(86)	(11)	(26)	(8)
<b>Net cash generated from operating activities</b>		<b>1 247</b>	<b>1 070</b>	<b>817</b>	<b>963</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	7	(412)	(800)	(321)	(670)
Acquisition of intangible assets	6	(65)	(23)	(60)	(23)
Proceeds from sale of property, plant and equipment		22	255	21	33
Interest received	22	-	-	60	60
<b>Net cash flows generated from (to) investing activities</b>		<b>(455)</b>	<b>(568)</b>	<b>(300)</b>	<b>(600)</b>

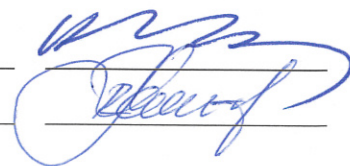
## Statements of cash flows (cont'd)

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2016	2015	2016	2015
<b>Cash flows from financing activities</b>					
Proceeds from borrowings from subsidiaries		-	-	500	102
Proceeds from borrowings		201	3 265	201	3 265
Repayment of borrowings and financial lease payments		(724)	(489)	(724)	(489)
Interest paid	22	(118)	(118)	(161)	(158)
Repurchase of bonds	3.2,17	-	(3 045)	-	(3 045)
Derivative financial instruments		-	9	-	9
<b>Net cash flows (to) financing activities</b>		<b>(641)</b>	<b>(378)</b>	<b>(184)</b>	<b>(316)</b>
<b>Net increase in cash and cash equivalents</b>		<b>151</b>	<b>124</b>	<b>333</b>	<b>47</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1 079</b>	<b>955</b>	<b>265</b>	<b>218</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1 230</b>	<b>1 079</b>	<b>598</b>	<b>265</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 15 to 67 form an integral part of these financial statements.

General Manager \_\_\_\_\_ Algirdas Šabūnas \_\_\_\_\_

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 2016 and 2015 the shareholders of the Company were as follows:

	2016		2015	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB Koncernas SBA	7 294	76.76	5 874	61.81
Algirdas Šabūnas	950	10.00	-	-
Investment Fund "East Capital Asset"	527	5.55	527	5.55
Investment Fund "Amber Trust"	-	-	1 347	14.18
Investment Fund "KJK Fund"	-	-	572	6.02
Other shareholders	732	7.69	1 183	12.44
	<b>9 503</b>	<b>100.00</b>	<b>9 503</b>	<b>100.00</b>

In 2016 the average number of employees of the Company was 777 (2015 – 776).

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

	Registered address	Group's share (%) as at 31 December 2016 and 2015	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, Muk- ačiov, Ukraine	98.95	Production of knitted articles

In 2016 the average number of employees of the Group was 1 156 (2015 – 1 148).

The Company's management authorised these financial statements on 27 March 2017. 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 accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2016:

- **Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative***  
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. The implementation of this amendment had no impact on the financial statements of the Group and the Company.
- **Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization***  
The amendment is effective for annual periods beginning on or after 1 January 2016 and 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 these amendments had no impact on the financial statements of the Group and the Company, since the Group and the Company do not use revenue-based methods of depreciation and amortization.
- **Amendments to IAS 19 *Employee Benefits***  
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Since employees of the Group and the Company make no such contributions, the implementation of this amendment had no impact on the financial statements of the Group and the Company.
- **Amendments to IAS 27 *Equity method in separate financial statements***  
The amendment is effective for annual periods 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 had no impact on the financial statements of the Group and the Company.
- **Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations***  
The amendment is effective for annual periods 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 Group and the Company had no transactions in scope of this amendment. The implementation of this amendment had no impact on the financial statements of the Group and the Company.

## 2.1 Basis of preparation (cont'd)

The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these amendments had an effect on the Group and the Company's financial statements.

- 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*.

The IASB has issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these amendments had an effect on the Group and the Company's financial statements.

- 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*.

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

The Group 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:

#### **IFRS 9 *Financial Instruments*** (effective for financial years beginning on or after 1 January 2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. Based on preliminary assessment made by the Management, implementation of the standard is expected to have limited or no impact because the Group and the Company has only the type of financial instruments for which classification and measurement is not expected to change, mainly loans granted, trade receivables and payables and bank loans taken. Since majority of the sales are made to market price, and considering that historically there have been very rare cases of impairments of receivables transferring from incurred credit loss model to expected credit loss model is considered to have limited or no impact to the Company's financial statements. More detailed assessment will be made in 2017.

#### **IFRS 15 *Revenue from Contracts with Customers*** (effective for financial years beginning on or after 1 January 2018)

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 plans to adopt the standard for the financial year beginning as of 1 January 2018 retrospectively, i.e. the comparable period will be presented in accordance with IFRS 15. Currently, it is expected that changes in the total amount of revenue to be recognized for a customer contract, as well as timing of revenue recognition, will be minimal. Detailed analysis on implementation of the standard will be made in 2017.

#### **IFRS 15: *Revenue from Contracts with Customers (Clarifications)*** (effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU).

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either applies IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Detailed analysis on implementation of IFRS 15 will be made in 2017.



## 2.1 Basis of preparation (cont'd)

**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 Company will adopt IFRS 16 for the financial year beginning as of 1 January 2019, once adopted by the EU, and has preliminarily assessed that the impact will be minimal, as the Group and the Company do not have significant lease agreements.

**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 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 Group and the Company have not yet evaluated the impact of the implementation of these amendments.

**IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company, as the Group and the Company do not have share based payment transactions.

**Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

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 Group and the Company have not yet evaluated the impact of the implementation of these amendments.

**Amendments to IAS 40: Transfers to Investment Property** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group and the Company have not yet evaluated the impact of the implementation of these amendments.

## 2.1 Basis of preparation (cont'd)

**IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary pre-payment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group and the Company have not yet evaluated the impact of the implementation of these amendments.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Group and the Company have not yet evaluated the impact of the implementation of these amendments.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

The Group and the Company plan to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

## 2.2 Business combinations and consolidation

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

## **2.2 Business combinations and consolidation (cont'd)**

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.

In 2016 and 2015 there were no significant business combinations.

The consolidated financial statements of the Group include AB Utenos trikotažas and its subsidiaries. The financial 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 consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

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

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 strategic decisions.

## 2.4 Foreign currency translation

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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which 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 engage in swap contracts 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 use 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 have 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.

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

Land is not depreciated.

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.

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 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 balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other amounts receivables is described in 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 on demand 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 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 2016 of the Group's subsidiaries that operate in Lithuania is taxable at a rate of 15 per cent (2015: 15 per cent), corporate income tax rate in Ukraine is 18 per cent (2015 -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.

### *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.

## 2.19 Income tax (cont'd)

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

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

## 2.20 Leases

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

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

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

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

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

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

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

## 2.21 Employee benefits

### *(a) Social security contributions*

The Company and the Group pay 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.

## 2.21 Employee benefits (cont'd)

### *(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.

## 2.22 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.

### *(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 2.20).

## **2.23 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.

## **2.24 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.

## **2.25 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.

## **2.26 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.

## **2.27 Current versus non-current classification**

The Group and the Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.



### 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	
Financial assets reported in the statements of financial position	2016	2015	2016	2015
<b>Borrowings and receivables</b>				
Non-current amounts receivable from subsidiaries except for prepayments	-	-	1 426	1 353
Non-current trade and other receivables	1	1	-	-
Trade receivables	1 239	1 109	704	827
Other current financial assets (Note 12)	600	-	600	-
<b>Cash and cash equivalents</b>	1 230	1 079	598	265
	<u>3 070</u>	<u>2 189</u>	<u>3 328</u>	<u>2 445</u>

	Group 31 December		Company 31 December	
Financial liabilities reported in the statements of financial position	2016	2015	2016	2015
<b>Financial liabilities measured at amortised cost</b>				
Borrowings	3 784	4 308	3 784	4 308
Borrowings from subsidiaries	-	-	2 422	1 922
Trade payables	1 461	1 051	1 430	1 008
Amounts payable to subsidiaries	-	-	114	17
Amounts payable to other related parties	129	518	126	507
Accrued expenses and other current liabilities and other payables (Note 18)	594	400	472	384
<b>Financial liabilities at fair value through profit or loss upon initial recognition</b>				
Derivative financial instrument	52	51	52	51
	<u>6 020</u>	<u>6 328</u>	<u>8 400</u>	<u>8 197</u>

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

**(a) Market risk**

**(i) Monetary assets and monetary liabilities foreign exchange risk**

Group	2016		2015	
	31 December		31 December	
	Assets	Liabilities	Assets	Liabilities
USD	7	78	48	10
GBP	-	-	-	1
UAH	12	2	39	3
	<b>19</b>	<b>80</b>	<b>87</b>	<b>14</b>

Company	2016		2015	
	31 December		31 December	
	Assets	Liabilities	Assets	Liabilities
USD	7	78	48	11
GBP	-	-	1	1
UAH	1	-	1	-
	<b>8</b>	<b>78</b>	<b>50</b>	<b>12</b>

The Group and the Company operate internationally and carry out significant part of their 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 330 thousand during the year ended 31 December 2016 (2015: incurred a foreign exchange loss amounting to EUR 1 916 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.

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 2015 and 2016.

Amount of monetary items attributed to net investment amounts to EUR 3.5 million as of 31 December 2016 and 2015 and foreign currency exchange difference related to this amount for the year 2016 comprises EUR 303 thousand (EUR 1.7 million in 2015), the difference is accounted in the Group's consolidated financial statements through other comprehensive income.

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

**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 2016	31 December 2015
Foreign currency exchange difference on monetary items attributed to net investments	303	1 740
Foreign currency translation reserve on other items	(297)	(1 802)
<b>Total comprehensive income</b>	<b>6</b>	<b>(62)</b>

Other comprehensive income (loss) from foreign currency translation included in other comprehensive income attributable to non-controlling interests 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 EUR	Effect on profit before tax	Effect on pre-tax equity (excludes the impact from the change in result)
2016	+ 5 %	Decrease by 3 %	Decrease by 2%
	- 5%	Increase by 3 %	Increase by 2%
2015	+ 5 %	Decrease by 5 %	Decrease by 5%
	- 5%	Increase by 5 %	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 2016 and 2015 were denominated in EUR.

The Group and the Company analyse their interest rate exposure on an annual basis. The Group and the Company calculates the impact on profit or loss by multiplying year-end balances of interest-bearing loans granted and 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 24 thousand (2015 – EUR 25 thousand) and EUR 17 thousand (2015 – EUR 20 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:

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents (Note 13)	1 230	1 079	598	265
Trade receivables (Note 11)	1 239	1 109	704	827
Current financial assets (Note 12)	600	-	600	-
Non-current loans granted and amounts receivable except for prepayments (Note 25)	1	1	1 426	1 353
<b>Total</b>	<b>3 070</b>	<b>2 189</b>	<b>3 328</b>	<b>2 445</b>

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

The Group chooses the banks and financial institutions in Lithuania 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

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
New trade customers (up to 12 months)	59	72	59	72
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	1 180	1 037	645	755
<b>Total</b>	<b>1 239</b>	<b>1 109</b>	<b>704</b>	<b>827</b>



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

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

	<b>Group</b> <b>31 December</b>		<b>Company</b> <b>31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
A+ and above *	1 217	1 054	594	252
No rating	8	12	1	2
<b>Total</b>	<b>1 225</b>	<b>1 066</b>	<b>595</b>	<b>254</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.

	<b>Group</b> <b>31 December</b>		<b>Company</b> <b>31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Not past due receivables</b>	<b>1 123</b>	<b>879</b>	<b>603</b>	<b>615</b>
<b>Past due not impaired</b>				
Past due up to 30 days	100	202	85	186
Past due 31-60 days	9	3	9	1
Past due 61-180 days	1	20	1	20
Past due more than 181 days	6	5	6	5
<b>Total past due not impaired</b>	<b>116</b>	<b>230</b>	<b>101</b>	<b>212</b>
<b>Overdue and impaired</b>				
Past due more than 181 days	115	115	94	94
Impairment allowance for trade receivables	(115)	(115)	(94)	(94)
<b>Total accounts receivable after impairment</b>	<b>1 239</b>	<b>1 109</b>	<b>704</b>	<b>827</b>

The Company's non-current accounts receivable consist of amounts receivable and loans receivable from subsidiary PAT MTF Mrija, which at 31 December 2016 before impairment allowances amounted to EUR 4 526 thousand, after allowances EUR 2 140 thousand. Receivables from PAT MTF Mrija as of 31 December 2015 before impairment allowances amounted to EUR 4 743 thousand, after allowances EUR 2 357 thousand.

As at 31 December 2016 and 2015 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 2016 and 2015.

### 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 3 106 thousand EUR as of 31 December 2016 (current assets exceeded current liabilities by EUR 2 248 thousand as at 31 December 2015). Group's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2016 were 1.68 and 0.76 respectively (1.57 and 0.63 as at 31 December 2015 respectively). Company's (AB Utenos trikotazas) current assets exceeded its current liabilities by 2 228 thousand as at 31 December 2016 (current assets exceeded current liabilities by EUR 1 322 thousand as at 31 December 2015). Company's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2016 were 1.55 and 0.53 respectively (1.38 and 0.35 as at 31 December 2015 respectively).

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

<b>31 December 2016</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	-	793	3 119	3 912
Derivative financial instruments	24	-	28	52
Trade payables and other financial liabilities	2 184	-	-	2 184
	<b>2 208</b>	<b>793</b>	<b>3 147</b>	<b>6 148</b>
<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	-	784	3 820	4 605
Derivative financial instruments	23	-	28	51
Trade payables and other financial liabilities	1 969	-	-	1 969
	<b>1 992</b>	<b>784</b>	<b>3 848</b>	<b>6 625</b>

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3.1 Financial risk factors (cont'd)

Company

31 December 2016	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from Banks including future interest	-	793	3 119	3 912
Borrowings from subsidiaries	-	-	2 556	2 556
Derivative financial instruments	24	-	28	52
Trade payables and other financial liabilities	2 142	-	-	2 142
	<b>2 166</b>	<b>793</b>	<b>5 703</b>	<b>8 662</b>

31 December 2015	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from Banks including future interest	-	784	3 820	4 605
Borrowings from subsidiaries	-	-	2 070	2 070
Derivative financial instruments	23	-	28	51
Trade payables and other financial liabilities	1 916	-	-	1 916
	<b>1 939</b>	<b>784</b>	<b>5 918</b>	<b>8 642</b>

Going concern assumption

During the year 2016, the Group earned net profit of EUR 1 053 thousand and the Company earned a net profit of EUR 569 thousand (2015 – the Group incurred net loss of EUR 261 thousand, Company incurred net loss of 158 EUR thousand).

At the end of the reporting financial year, the Group's and the Company's current assets exceeded current liabilities by EUR 3 106 thousand and EUR 2 228 thousand, respectively (as at 31 December 2015 the Group's and the Company's current assets exceeded current liabilities by EUR 2 248 thousand and EUR 1 322 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 2016.

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:

	Group 31 December		Company 31 December	
	2016	2015	2016	2015
Total borrowings	3 784	4 308	6 206	6 230
Less: cash and cash equivalents	(1 230)	(1 079)	(598)	(265)
Net debt	2 554	3 229	5 608	5 965
Total equity	7 273	6 400	5 393	5 011
<b>Total capital</b>	<b>9 827</b>	<b>9 629</b>	<b>11 001</b>	<b>10 976</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 2016, 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).

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.

#### ***Mrija PAT MTF***

The shareholders' equity of the subsidiary registered in Ukraine was negative as at 31 December 2016 and 31 December 2015. 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 2016 and 31 December 2015, 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.



### 3.3 Fair value measurement (cont'd)

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 have 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 financial assets was estimates based on the third level of fair value hierarchy (Notes 11 and 12).

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 2016 and 2015 (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), management estimates that their fair value approximates carrying amounts as at 31 December 2016 and 2015 (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. As at 31 December 2016 and 2015 the management of the Group and the Company did not made any significant judgments. 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.

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

*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. Key assumptions used in the impairment assessment are disclosed below. If reasonably worsened inputs as of 31 December 2016 and 2015 would be used in impairment testing, this would result in no impairment.

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

As at 31 December 2016 and 2015 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 2016 and 2015.

As at 31 December 2016 and 2015, 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 2016 and 2015.

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

As at 31 December 2016 and 2015 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 2016, receivables from PAT MTF Mrija before impairment allowance amounted to EUR 4 526 thousand, after allowance to EUR 2 140 thousand (2015 – EUR 4 742 thousand and EUR 2 356 thousand, respectively). In 2016 and 2015 additional allowance for receivables was not made. These forecast are based on overall production increase of Utenos trikotazas and significant part of manufacturing transfer to Ukraine due to lower cost labor cost.

As at 31 December 2016 and 2015 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.

After testing for impairment there was no impairment detected for the subsidiary Mrija PAT MTF related goodwill, which has a carrying value of EUR 218 thousand as of 31 December 2016 and EUR 236 thousand as at 31 December 2015 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 2016: increase in revenue from manufacturing activities of PAT MTF Mrija by 38 per cent in 2017 comparing to 2016, by 43 per cent in 2018, by 4 per cent in 2019, and annual decrease by 2 per cent starting from 2019, maintaining a gross profit of 37-38 per cent.

Based on 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 decrease by 2 per cent starting from 2018, maintaining a gross profit of 33-38 per cent.

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

The pre-tax discount rate applied to cash flow projections is 22 per cent in 2016 and cash flows beyond 5-year period are extrapolated using a 2 per cent constant growth rate that reflects the best estimate of the management based on the current industry situation as at 31 December 2016.

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 2 per cent constant growth rate that reflects the best estimate of the management based on the current industry situation as at 31 December 2015.

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 22 per cent to 23 per cent, with all other inputs remaining stable) would not result in an additional impairment loss on amount receivable from subsidiary as at 31 December 2016 (investment would not change as it is impaired to zero). There would 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 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.

Reduction in revenue growth from manufacturing activities in 2017 by 38 percentage points (i.e. from 38 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 99 thousand as at 31 December 2016 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 revenue growth from manufacturing activities starting from 2018 to 2.0 percentage point (i.e. from 43 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 196 thousand as at 31 December 2016 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.

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 2016 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 218 thousand.

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.

*Determination of the carrying value of the buildings*

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 2016, 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, based on real estate market analysis, performed by the third party appraisers, which would require an updated revaluation of the buildings as of 31 December 2016 and the management concluded that there are no such indications. Therefore, no valuation was performed in 2016.

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

*Inventory net realizable value and provision for obsolescence*

Inventories consists a significant part of the Group's and the Company's total assets in the statement of financial positions. As at 31 December 2016 and 2015 the Group's and the Company's management assessed whether carrying value of the outstanding stock was not higher than their net realizable value. The management has also assessed allowance for obsolete inventories, by determining obsolescence rates and assessing whether allowance for obsolete inventories is adequate. As at 31 December 2016 the Group's and the Company's allowance for the inventories amounted EUR 650 thousand and EUR 326 thousand (EUR 724 thousand and EUR 381 thousand respectively as at 31 December 2015).

**5. Segment information**

The Group has two main business segments: production of knitted articles and production of working clothes.

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.

<b>2016</b>				
	<b>Production of knitted articles</b>	<b>Production of working clothes</b>	<b>Eliminations</b>	<b>Total</b>
External sales	19 763	3 027	-	22 790
Internal sales	524	5	(529)	-
<b>Total revenue</b>	<b>20 287</b>	<b>3 032</b>	<b>(529)</b>	<b>22 790</b>
<b>Gross profit</b>	<b>4 012</b>	<b>758</b>	-	<b>4 770</b>
<b>EBITDA</b>	<b>1 706</b>	<b>499</b>	-	<b>2 205</b>
<b>Profit (loss) for the year</b>	<b>723</b>	<b>330</b>	-	<b>1 053</b>
Depreciation and amortization	634	154	-	788
Interest expenses	161	-	(43)	118
Income tax	112	55	-	167
<b>Total segment assets</b>	<b>19 457</b>	<b>3 213</b>	<b>(7 062)</b>	<b>15 608</b>
<b>Total segment liabilities</b>	<b>14 722</b>	<b>675</b>	<b>(7 062)</b>	<b>8 335</b>
<b>2015</b>				
	<b>Production of knitted articles</b>	<b>Production of working clothes</b>	<b>Eliminations</b>	<b>Total</b>
External sales	16 313	2 609	-	18 922
Internal sales	323	6	(329)	-
<b>Total revenue</b>	<b>16 636</b>	<b>2 615</b>	<b>(329)</b>	<b>18 922</b>
<b>Gross profit</b>	<b>2 940</b>	<b>454</b>	-	<b>3 394</b>
<b>EBITDA</b>	<b>847</b>	<b>187</b>	-	<b>1 034</b>
<b>Profit (loss) for the year</b>	<b>(322)</b>	<b>61</b>	-	<b>(261)</b>
Depreciation and amortization	620	147	-	767
Impairment and write-off (reversal) of inventories	154	-	-	154
Interest expenses	220	-	(102)	118
Income tax	(15)	18	-	3
<b>Total segment assets</b>	<b>18 539</b>	<b>2 739</b>	<b>(6 724)</b>	<b>14 554</b>
<b>Total segment liabilities</b>	<b>14 347</b>	<b>531</b>	<b>(6 724)</b>	<b>8 154</b>



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5. Segment information (cont'd)

	2016	2015
<b>EBITDA</b>	<b>2 205</b>	<b>1 034</b>
Depreciation and amortization	(788)	(767)
<b>Operating profit (loss)</b>	<b>1 417</b>	<b>267</b>
Interest expenses	(118)	(118)
Other finance cost, net	(79)	(407)
<b>Profit (loss) for the year before income tax</b>	<b>1 220</b>	<b>(258)</b>

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

Company's revenues based on activity:

	2016	2015
Sale of goods	19 061	15 688
Sales of services	51	66
Other income	510	260
	<b>19 622</b>	<b>16 014</b>

The Group's and the Company's revenue from main customers in 2016 and 2015 was as follows:

Customer	Region	Group Percentage of total sales (%)		Company Percentage of total sales (%)	
		2016	2015	2016	2015
Customer 1	Western Europe	11	13	13	15
Customer 2	Western Europe	9	11	10	13

Revenue from these customers is attributed to production of knitted articles segment.

The table below summarizes the Group's revenues geographically:

2016	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other regions	Total
Sales of the Group	9 492	5 881	5 061	2 356	22 790
Sales of the Company	8 410	5 145	4 300	1 767	19 622

2015	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other regions	Total
Sales of the Group	9 202	4 226	3 095	2 399	18 922
Sales of the Company	7 917	3 554	2 707	1 836	16 014

The majority of the Group's sales were performed to DACH customers. In 2016, 20 per cent of total sales was to Swedish customers (2015: 17 per cent) and 14 per cent - to German customers (2015: 16 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 802 thousand as at 31 December 2016 (EUR 875 thousand as at 31 December 2015).

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6. Intangible assets

	Group			Company	
	Goodwill, related to PAT MTF Mrija	Goodwill, related to Šatrija AB	Other intangible assets	Total	Other intangible assets
<b>Cost:</b>					
<b>Balance as at 31 December 2014</b>	<b>321</b>	<b>441</b>	<b>1 143</b>	<b>1 905</b>	<b>968</b>
Additions	-	-	24	24	24
Foreign currency translation differences	(85)	-	(29)	(114)	-
<b>Balance as at 31 December 2015</b>	<b>236</b>	<b>441</b>	<b>1 138</b>	<b>1 815</b>	<b>992</b>
Additions	-	-	65	65	60
Disposals and write-offs	-	-	(82)	(82)	(82)
Foreign currency translation differences	(19)	-	-	(19)	-
<b>Balance as at 31 December 2016</b>	<b>217</b>	<b>441</b>	<b>1 121</b>	<b>1 779</b>	<b>970</b>
<b>Amortization and impairment:</b>					
<b>Balance as at 31 December 2014</b>	<b>-</b>	<b>37</b>	<b>1 002</b>	<b>1 039</b>	<b>952</b>
Charge for the year	-	-	11	11	11
Disposals and write-offs	-	-	13	13	-
<b>Balance as at 31 December 2015</b>	<b>-</b>	<b>37</b>	<b>1 026</b>	<b>1 063</b>	<b>963</b>
Charge for the year	-	-	55	55	14
Disposals and write-offs	-	-	(82)	(82)	(82)
Foreign currency translation differences	-	-	(1)	(1)	-
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>37</b>	<b>998</b>	<b>1 035</b>	<b>895</b>
<b>Net book value as at 31 December 2014</b>	<b>321</b>	<b>404</b>	<b>141</b>	<b>866</b>	<b>16</b>
<b>Net book value as at 31 December 2015</b>	<b>236</b>	<b>404</b>	<b>112</b>	<b>752</b>	<b>29</b>
<b>Net book value as at 31 December 2016</b>	<b>217</b>	<b>404</b>	<b>123</b>	<b>744</b>	<b>75</b>

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 (Note 20).

As at 31 December 2016 acquisition cost of fully depreciated but still in use assets amounted to EUR 881 thousand and EUR 879 thousand, respectively (as at 31 December 2015 – EUR 956 thousand and EUR 953 thousand).

Based on the impairment tests performed, no impairment needed to be recognised on the goodwill arising from investment in PAT MTF Mrija and Šatrija AB (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 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>
Additions	-	35	-	163	214	412
Reclassification	-	-	-	413	(413)	-
Disposals and write-offs	-	-	(4)	(419)	-	(423)
Foreign currency translation differences	-	(76)	(4)	(35)	-	(115)
<b>Balance as at 31 December 2016</b>	<b>4</b>	<b>4 493</b>	<b>160</b>	<b>20 916</b>	<b>214</b>	<b>25 787</b>
<b>Accumulated depreciation:</b>						
<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>
Charge for the year	-	137	6	613	-	756
Disposals and write-offs	-	-	(4)	(417)	-	(421)
Foreign currency translation differences	-	(17)	(4)	(26)	-	(47)
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>154</b>	<b>143</b>	<b>18 431</b>	<b>-</b>	<b>18 728</b>
<b>Impairment</b>						
<b>Balance as at 31 December 2014</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>
<b>Balance as at 31 December 2015</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</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>
<b>Net book value as at 31 December 2016</b>	<b>4</b>	<b>4 326</b>	<b>17</b>	<b>2 485</b>	<b>214</b>	<b>7 046</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- struc- tion in pro- gress	Total
<b>Cost or revalued amount:</b>						
<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 to non-current asset held for sale	-	-	-	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>
Additions	-	-	-	109	212	321
Reclassification from construction in progress	-	-	-	409	(409)	-
Disposals and write-offs	-	-	-	(362)	-	(362)
<b>Balance as at 31 December 2016</b>	<b>4</b>	<b>3 283</b>	<b>117</b>	<b>18 573</b>	<b>212</b>	<b>22 189</b>
<b>Accumulated depreciation:</b>						
<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>
Charge for the year	-	74	4	522	-	600
Disposals and write-offs	-	-	-	(361)	-	(361)
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>188</b>	<b>115</b>	<b>16 498</b>	<b>-</b>	<b>16 801</b>
<b>Impairment:</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>Balance as at 31 December 2016</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</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>
<b>Net book value as at 31 December 2016</b>	<b>4</b>	<b>3 086</b>	<b>2</b>	<b>2 075</b>	<b>212</b>	<b>5 379</b>



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

Allocation of property, plant and equipment, intangible assets and investment property amortisation and depreciation disclosed in the table below.

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Cost of sales (Note 19)	629	631	480	503
General and administrative expenses (Note 20)	156	133	104	79
Other expenses	3	3	3	3
Cost of inventories	25	(15)	29	11
<b>Total</b>	<b>813</b>	<b>752</b>	<b>616</b>	<b>596</b>

Property, plant and equipment of the Group and the Company with the acquisition cost of EUR 12 384 thousand and EUR 10 175 thousand, respectively, were fully depreciated as at 31 December 2016 (as at 31 December 2015 EUR 11 331 thousand and EUR 9 327 thousand, respectively), but was still in use.

Property, plant and equipment and inventories of the Company with the net book value of EUR 4 897 thousand as at 31 December 2016 was pledged to the banks as a collateral for the borrowings (Note 16). (As at 31 December 2015 property, plant and equipment of the Group and the Company the net book value of these items was EUR 4 054).

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 2016</b>	<b>31 December 2016</b>
Cost	3 399	1 790
Accumulated depreciation and impairment	(1 923)	(958)
<b>Net carrying amount</b>	<b>1 476</b>	<b>832</b>

	<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>

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 klubas (Lithuania) and certified valuer Aleksandr Tidir (Ukraine). The management of the Group and the Company assessed if there are signs that the fair value of the assets could significantly differ from their residual values and decided that no such signs were identified (Note 4). The value of the Group's and the Company's assets is based on third level of fair value hierarchy.

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**8. Investment property**

	<b>Group</b>	<b>Company</b>
<b>Cost:</b>		
Balance as at 31 December 2014	184	184
Balance as at 31 December 2015	184	184
Balance as at 31 December 2016	184	184
<b>Accumulated depreciation:</b>		
Balance as at 31 December 2014	70	70
Charge for the year	3	3
Balance as at 31 December 2015	73	73
Charge for the year	2	2
Balance as at 31 December 2016	75	75
<b>Impairment</b>		
Balance as at 31 December 2014	-	-
Balance as at 31 December 2015	-	-
Balance as at 31 December 2016	-	-
<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>
<b>Net book value as at 31 December 2016</b>	<b>109</b>	<b>109</b>

Rental income and related costs have been disclosed in Note 21.

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

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**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:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Cost – capitalised finance lease				
Investment property	184	184	184	184
Accumulated depreciation				
Investment property	(75)	(73)	(75)	(73)
Impairment loss for investment property	-	-	-	-
Reversal of impairment	-	-	-	-
<b>Net book value as at 31 December</b>	<b>109</b>	<b>111</b>	<b>109</b>	<b>111</b>

As of 31 December 2016, 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. 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 klubas (Lithuania) and certified valuer Aleksandr Tidir (Ukraine). The management of the Group and the Company assessed if there are signs that the fair value of the assets could significantly differ from their residual values and decided that no such signs were identified (Note 4). The Group's and the Company's investment property fair value was estimated based on the third level of fair value hierarchy.

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Net book value of investment property	109	111	109	111
Fair value of investment property	258	258	258	258

**Investment property future rental income**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
During 1 year	13	10	13	10
After 1 year but not later than 5 years	2	-	2	-
After 5 years	-	-	-	-
	<b>15</b>	<b>10</b>	<b>15</b>	<b>10</b>

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:

	2016	2015
<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>	<b>1 499</b>	<b>1 499</b>

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

10. Inventories

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Raw materials	1 759	1 638	1 416	1 262
Work in progress	1 734	1 140	1 724	1 139
Finished goods	1 321	1 584	1 299	1 572
Goods for resale	52	49	-	-
	<b>4 866</b>	<b>4 411</b>	<b>4 439</b>	<b>3 973</b>
Write-down to net realisable value:				
Opening balance	(724)	(731)	(381)	(402)
Change	74	7	55	21
Closing balance	(650)	(724)	(326)	(381)
	<b>4 216</b>	<b>3 687</b>	<b>4 113</b>	<b>3 592</b>

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as at 31 December 2016 amounted to EUR 678 thousand and EUR 343 thousand, respectively (as at 31 December 2015: EUR 923 thousand and EUR 593 thousand, respectively). Changes in impairment allowance for inventories during 2016 and 2015 were recorded within the Group's and the Company's general and administrative expenses (Note 20).

The Group does not account for third-party inventories received for processing and stored in the Group's warehousing premises in the statement of financial position. The unaudited value of such inventories owned by third parties was EUR 2 232 thousand as at 31 December 2016 (EUR 1 752 thousand as at 31 December 2015). The Company does not hold third-party inventories.



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**11. Trade receivables**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade receivables, gross	1 354	1 224	798	921
Allowance for trade receivables:				
Opening balance	(115)	(134)	(94)	(113)
Additional allowance	-	-	-	-
Written - off	-	19	-	19
Closing balance	(115)	(115)	(94)	(94)
	<b>1 239</b>	<b>1 109</b>	<b>704</b>	<b>827</b>

Changes in impairment allowance for doubtful trade receivables during 2016 and 2015 were recorded within the Group's and the Company's general and administrative expenses (Note 20).

For trade receivables ageing see Note 3.1.

**12. Other current assets and financial assets**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Other current assets</b>				
Taxes receivable, except for prepaid income tax	89	48	57	29
Prepayments	138	96	132	56
Accrued expenses	138	161	37	44
Current financial assets	600	-	600	-
<b>Total current and financial assets</b>	<b>965</b>	<b>305</b>	<b>826</b>	<b>129</b>

In accordance with the requirements of the tender of knitwear manufacturing, where the Company participated as at 6 September 2016, cash of restricted use is kept at the bank DNB (EUR 600 thousand as at 31 December 2016), which, in case of won tender, would be used to ensure manufacturing of orders. This cash was disclosed as current financial asset as due to lost tender was transferred to the Company's bank account as at 23 March 2017.

**13. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash on hand	5	13	3	11
Cash at bank	1 225	1 066	595	254
	<b>1 230</b>	<b>1 079</b>	<b>598</b>	<b>265</b>

As at 31 December 2016 and 2015, the Group and the Company had no restrictions on the use of cash and cash equivalents.

**14. Share capital**

As at 31 December 2016 and 2015, the share capital comprised of 9 503 000 ordinary registered shares with nominal 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 2016 and 2015, all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as at 31 December 2016 and 2015. The Company did not hold its own shares as at 31 December 2016 and 2015.

**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 2016 and 2015 the legal reserve is fully formed by the Company. The legal reserve cannot be distributed as dividends but can be used to cover accumulated losses.

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 (including non-controlling interest).

Cash flow hedge reserve

The Company's loan with DNB Bank is with floating interest rate that is linked to EURIBOR (Note 16). 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 52 thousand as of 31 December 2016 and was accounted for under non-current (amounting EUR 28 thousand) and current liabilities (amounting EUR 24 thousand) (as at 31 December 2015: under non-current (EUR 28 thousand) and current (EUR 23 thousand) liabilities).

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**16. Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Current</b>				
Current portion of non-current bank borrowings	738	691	738	691
<b>Non-current</b>				
Borrowings from subsidiaries	-	-	2 422	1 922
Long-term bank borrowings	3 046	3 617	3 046	3 617
<b>Total borrowings</b>	<b>3 784</b>	<b>4 308</b>	<b>6 206</b>	<b>6 230</b>

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Šatrija AB, amounting to EUR 2 060 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 2016 and 2015, the bank borrowings were secured by property plant and equipment and inventory (Note 7 and 10).

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

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
EUR	3 784	4 308	6 206	6 230

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

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Long-term borrowings from subsidiaries	-	-	1.9	2.23
Long-term bank borrowings	1.59	1.91	1.59	1.91

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. The Group's and the Company's borrowings fair value was estimated based on the two level of fair value hierarchy.

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

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

Interest changes	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Every 3 months	3 784	4 308	3 784	4 308
Every 12 months	-	-	2 422	1 922
	<b>3 784</b>	<b>4 308</b>	<b>6 206</b>	<b>6 230</b>

On 22 March 2016 the Company and AB DNB signed an agreement according to which the unused loan amount was decreased to EUR 423 thousand and principle of interest rate calculation was changed.

As at 31 December 2016 unutilised amount of the loan was EUR 207 thousand. As at 31 December 2015 unutilised amount of the loan was EUR 408 thousand.

As at 31 December 2016 the Group and the Company fulfilled all covenants as stated in the bank loan agreement.

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 was 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. On 20 February 2016 Company's property, plant and equipment and inventories with carrying value amounting to EUR 4 054 thousand were pledged.

An agreement maturity date is 25 November 2019. Interest rate is 3 month EURIBOR + 1.9 % margin.

**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 2016	31 December 2015	31 December 2016	31 December 2015
Within one year	30	24	26	17
After one year but not more than five years	79	66	73	55
More than five years	-	-	-	-
	<b>109</b>	<b>90</b>	<b>99</b>	<b>72</b>



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17. Provisions for employee benefits

	Group	Company
<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>
Benefits earned	(36)	(57)
Interest costs	3	3
Actuarial (gain) loss	186	186
Reduction of costs due to cancelled labour contracts	(55)	(52)
<b>Balance as at 31 December 2016</b>	<b>380</b>	<b>335</b>

	Group	Company
Long term provisions for employee benefits as at 31 December 2016	310	271
Short term provisions for employee benefits as at 31 December 2016	70	64
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

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.

2016 provisions were calculated with the discount rate of 0.81 per cent and employee turnover rate of 9.74 per cent (in 2015: 1.63 per cent and 9.47 per cent, respectively). Average age till pension by the Group and the Company was respectively 19.1 and 19.12 years as at 31 December 2016 (2015: 19.62 and 19.18 years).

The sensitivity of the defined benefit obligation to the changes in assumption is set out below. The impact of change in each assumption the total plan obligations is presented below.

Impact on defined benefit obligation as at 31 December 2016					
		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 3.42%	Increased by 3.68 %	Decreased by 3.89 %	Increased by 4.20 %
Salary growth rate	0.5 %	Increased by 3.62%	Decreased by 3.40 %	Increased by 4.13 %	Decreased by 3.86 %

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 %	Decrease by 3.56 %	Increase by 2.86 %	Decrease by 3.82 %	Increase by 2.96 %
Salary growth rate	0.5 %	Increase by 3.50 %	Decrease by 2.98 %	Increase by 2.69 %	Decrease by 3.15 %

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18. Accrued expenses and other current liabilities

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Accrual for vacation reserve	849	631	513	373
Wages, salaries and social security	577	487	461	387
Amounts payable for services and non-current assets	228	196	226	239
Taxes payable, except for income tax	150	121	128	97
Other liabilities	366	204	246	145
	<b>2 170</b>	<b>1 639</b>	<b>1 574</b>	<b>1 241</b>

19. Cost of sales

	Group		Company	
	2016	2015	2016	2015
Wages, salaries and social security	7 609	7 043	5 647	5 355
Materials	6 730	5 935	6 491	5 497
Other overhead expenses	2 402	1 904	2 861	2 096
Depreciation and amortization (Note 6, 7 and 8)	629	631	480	503
Cost of materials sold	650	15	637	7
	<b>18 020</b>	<b>15 528</b>	<b>16 116</b>	<b>13 458</b>

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20. Selling general and administrative expenses

	Group		Company	
	2016	2015	2016	2015
<b>Selling expenses</b>				
Wages, salaries and social security	574	430	507	362
Advertising and marketing costs	267	282	265	280
Agency costs	265	200	265	200
Transportation costs	196	100	194	100
Maintenance costs of retail outlets	134	64	115	45
Depreciation and amortization (Notes 6, 7 and 8)	42	37	42	37
Other selling expenses	56	228	51	214
<b>Total selling expenses</b>	<b>1 534</b>	<b>1 341</b>	<b>1 439</b>	<b>1 238</b>
<b>General and administrative expenses</b>				
Wages salaries and social security	865	844	649	620
Communications and consulting services	298	288	241	225
Provisions for employee benefits (reversal) (Note 17)	(88)	155	(106)	154
Depreciation and amortization (Notes 6, 7 and 8)	114	96	62	42
Security	105	94	54	47
Vehicles exploitation expenses	68	74	54	58
Taxes other than income tax	126	54	77	38
Services of financial institutions	59	49	54	44
Premises exploitation expenses	36	37	34	34
Travel expenses	32	35	29	28
Representation expenses	16	26	13	21
Impairment and write-off (reversal) of inventories	19	(7)	39	(21)
Other	310	265	165	158
<b>Total general and administrative expenses</b>	<b>1 960</b>	<b>2 010</b>	<b>1 365</b>	<b>1 448</b>
	<b>3 494</b>	<b>3 351</b>	<b>2 804</b>	<b>2 686</b>

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**21. Other income and expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Gain from disposal of non-current assets	22	120	21	9
Rent income	21	19	18	19
Other income	120	127	44	42
<b>Other income</b>	<b>163</b>	<b>266</b>	<b>83</b>	<b>70</b>
Loss from disposal of non-current assets	(1)	(4)	-	(4)
Rent costs	(13)	(11)	(11)	(11)
Other expenses	(8)	(28)	(1)	(13)
<b>Other expenses</b>	<b>(22)</b>	<b>(43)</b>	<b>(12)</b>	<b>(28)</b>

**22. Finance costs, net**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Foreign exchange gain	484	577	24	49
Interest income	-	-	60	60
Income from financing activities	<b>484</b>	<b>577</b>	<b>84</b>	<b>109</b>
Interest expenses	(118)	(118)	(161)	(159)
Foreign exchange (loss)	(563)	(983)	(22)	(41)
Financial expenses	<b>(681)</b>	<b>(1 101)</b>	<b>(183)</b>	<b>(200)</b>

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**23. Income tax**

Income tax expense comprised as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current tax	(104)	(38)	(28)	(12)
Change in deferred tax	(63)	35	(77)	33
Income tax income (expense) recognised in the statement of comprehensive income	<u>(167)</u>	<u>(3)</u>	<u>(105)</u>	<u>21</u>

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:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Profit (losses) before tax	1 220	(258)	674	(179)
Income tax income (expense) at a rate of 15%	(183)	39	(101)	27
Effect of different tax rates applicable to subsidiary in Ukraine	4	6	-	-
Change in valuation allowances for deferred tax asset	2	(7)	-	-
Expenses not deductible for tax purposes	10	(41)	(4)	(6)
<b>Income tax income (expenses) reported in the statement of comprehensive income</b>	<u><b>(167)</b></u>	<u><b>(3)</b></u>	<u><b>(105)</b></u>	<u><b>21</b></u>

In 2016, 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 2015). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 18 per cent (in 2015, 18 per cent).



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**23. 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 2014	Recognised in profit (loss)	Recognised in other comprehensive income	31 December 2015	Recognised in profit (loss)	Recognised in other comprehensive income	31 December 2016
<b>Deferred tax assets</b>							
Tax loss carry forward	268	(36)	(3)	229	(133)	(4)	92
Inventories	64	-	-	64	(10)	-	54
Receivables	3	-	-	3	-	-	3
Impairment of property, plant and equipment	1	-	-	1	-	-	1
Provisions for employee benefits	33	9	-	42	14	-	56
Goodwill	20	(4)	-	16	(5)	-	11
Accrued charges	45	5	-	50	15	-	65
Deferred tax assets before valuation allowance	434	(26)	(3)	405	(119)	(4)	282
Less: valuation allowance	(35)	(7)	-	(42)	2	-	(40)
<b>Deferred tax assets, net</b>	<b>399</b>	<b>(33)</b>	<b>(3)</b>	<b>363</b>	<b>(117)</b>	<b>(4)</b>	<b>242</b>
<b>Deferred tax liabilities</b>							
Depreciation of property, plant and equipment	(254)	32	-	(222)	48	-	(174)
Property, plant and equipment revaluation	(509)	32	36	(441)	6	18	(417)
Deferred tax liabilities	(763)	64	36	(663)	54	18	(591)
<b>Deferred tax, net</b>	<b>(364)</b>	<b>31</b>	<b>33</b>	<b>(300)</b>	<b>(63)</b>	<b>14</b>	<b>(349)</b>

**Recognised in the statement of financial position\*:**

	31 December 2016	31 December 2015
Deferred income tax asset	58	50
Deferred income tax liabilities	407	351

\*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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**23. Income tax (cont'd)**

Company	31 December 2014	Recognised in profit (loss)	31 December 2015	Recognised in profit (loss)	31 December 2016
<b>Deferred tax assets</b>					
Tax loss carry forward	248	(29)	219	(134)	85
Inventories	60	(3)	57	(8)	49
Impairment of property, plant and equipment	1	-	1	-	1
Provisions for employee benefits	31	6	37	13	50
Accrued charges	11	3	14	4	18
Deferred tax assets before valuation allowance	351	(23)	328	(125)	203
Less: valuation allowance	-	-	-	-	-
Deferred tax assets, net	351	(23)	328	(125)	203
<b>Deferred tax liabilities</b>					
Depreciation of property, plant and equipment	(253)	49	(204)	41	(163)
Property, plant and equipment re-valuation	(324)	7	(317)	7	(310)
Deferred tax liabilities	(577)	56	(521)	48	(473)
<b>Deferred tax, net</b>	(226)	33	(193)	(77)	(270)

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 2016 the Group's and the Company's tax losses to be carried forward against future taxable income amounted to EUR 3 895 thousand and EUR 564 thousand, respectively (2015: EUR 4 688 thousand and EUR 1 462 thousand, respectively). All tax losses of the Company may be carried forward for an unlimited term.

As at 31 December 2016 the Group's company PAT MTF Mrija had tax losses amounting to EUR 3 331 thousand (2015: EUR 3 232 thousand) for which no deferred tax assets were recognised due to uncertainties related to their realisation.

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**24. Basic 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>2016</b>	<b>2015</b>
Profit (loss) attributable to the equity holders of the Group	1 015	(268)
Weighted average number of shares in issue (thousand)	9 503	9 330
Basic/dilutive earnings per share (in EUR)	0,11	(0,03)

As at 31 December 2015 convertible bonds were not included into earnings per share calculation, as they were anti-dilutive.

**25. 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 2016 and 31 December 2015, the management of the Group and the Company had 0.002 per cent of shares of PAT MTF Mrija.

**Material partly-owned subsidiaries**

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

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

**Proportion of equity interest held by non-controlling interests:**

	<b>Country of incorporation and operation</b>	<b>2016</b>	<b>2015</b>
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:**

	<b>2016</b>	<b>2015</b>
Gotija, UAB	51	48
Šatrija, AB	434	400
PAT MTF Mrija	(71)	(72)

**Summarised statement of comprehensive income  
for 2016:**

	<b>Gotija, UAB</b>	<b>Šatrija, AB</b>	<b>PAT MTF Mrija</b>
Revenue	229	3 032	436
Cost of sales	(125)	(2 269)	(415)
Administrative expenses	(71)	(493)	(132)
Other operating income (expenses)	-	80	(1)
Finance income (expenses)	7	35	242
<b>Profit before tax</b>	<b>40</b>	<b>385</b>	<b>130</b>
Income tax	(6)	(55)	-
Profit for the year from continuing operations	34	330	130
<b>Total comprehensive income</b>	<b>34</b>	<b>330</b>	<b>130</b>
Attributable to non-controlling interests	3	34	1
Dividends paid to non-controlling interests	-	-	-

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25. Related party transactions (cont'd)

Summarised statement of comprehensive income 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
<b>Finance costs</b>	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	-	-	-

Summarised statement of financial position as at 31 December 2016:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Inventories and cash and bank balance (current)	192	1 173	81
Property, plant and equipment and other non-current financial assets (non-current)	362	3 744	1 064
Trade and other payables (current)	(6)	(464)	(3 465)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	(9)	(211)	(4 463)
<b>Total equity</b>	<b>539</b>	<b>4 242</b>	<b>(6 783)</b>
Attributable to:			
Equity holders of parent	488	3 808	(6 712)
Non-controlling interest	51	434	(71)

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)



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

**Summarised cash flow information for year ending 31 December 2016:**

	<b>Gotija, UAB</b>	<b>Šatrija, AB</b>	<b>PAT MTF Mrija</b>
Operating	5	(135)	36
Investing	7	(56)	(40)
Financing	-	-	-
<b>Net increase/(decrease) in cash equivalents</b>	<b>12</b>	<b>(191)</b>	<b>(4)</b>

**Summarised cash flow information for year ending 31 December 2015:**

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

Related party transactions are disclosed below:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><i>Sales of goods and services</i></b>				
Subsidiaries of the Company	-	-	146	140
SBA group companies	11	4	11	4
Ultimate parent company	3	1	3	1
	<b>14</b>	<b>5</b>	<b>160</b>	<b>145</b>

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><i>Interest income</i></b>				
Subsidiaries of the Company	-	-	60	60
	<b>-</b>	<b>-</b>	<b>60</b>	<b>60</b>

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><i>Interest expenses</i></b>				
Ultimate parent company	-	-	-	-
Subsidiaries of the Company	-	-	42	41
	<b>-</b>	<b>-</b>	<b>41</b>	<b>41</b>

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><i>Purchases of goods and services</i></b>				
Subsidiaries of the Company	-	-	774	429
Ultimate parent company	286	172	259	172
Other related parties	7	3	6	3
	<b>293</b>	<b>175</b>	<b>1 039</b>	<b>604</b>

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

	Group		Company	
	31 De- cember 2016	31 De- cember 2015	31 De- cember 2016	31 De- cember 2015
<b>Amounts receivable (including prepayments and loans)</b>				
Accounts receivable from subsidiaries, gross*	-	-	2 247	2 234
Impairment allowances made	-	-	(1 958)	(1 958)
<b>Accounts receivable from subsidiaries, net</b>	-	-	<b>289</b>	<b>276</b>
Prepayments to subsidiaries	-	-	714	1 003
Loans granted including interest receivable from subsidiaries, gross**	-	-	1 565	1 505
Impairment allowances made	-	-	(428)	(428)
<b>Loans granted including interest receivable from subsidiaries, net</b>	-	-	<b>1 851</b>	<b>2 080</b>
	-	-	<b>2 140</b>	<b>2 356</b>

\* In 2016 and 2015 the accounts receivable consists only of accounts receivable from PAT MTF Mrija.

\*\* In 2016 and 2015 the amount stands for loan granted to (including interest receivable) 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.

	Group		Company	
	2016	2015	2016	2015
<b>Current and non-current payables</b>				
<b>Subsidiaries of the Company:</b>				
Borrowings	-	-	2 422	1 922
Other payables	-	-	114	17
<b>SBA group companies:</b>				
Other related parties	2	1	1	1
Ultimate parent company	127	517	125	506
	<b>129</b>	<b>518</b>	<b>2 662</b>	<b>2 446</b>

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

In 2016 the amount of loan was increased by EUR 500 thousand and as at 31 December 2016 amounted to EUR 2 060 thousand.

In 2015 the amount of loan 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 2015). In 2015 the loan was extended to the 26 November 2019.

	Group		Company	
	2016	2015	2016	2015
<b>Key management compensation including social security costs</b>				
Remuneration of management	509	553	332	364
Defined benefit obligations for management	4	2	2	2
	<u>513</u>	<u>555</u>	<u>334</u>	<u>366</u>

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

In 2016 and 2015 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 2016 and 2015.

**26. Other commitments**

As at 31 December 2016 and 2015 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

**27. Post balance sheet events**

As of the date of approval of these financial statements the management of the Company has not yet prepared a draft of profit distribution for 2016.

The Company lost the tender and received cash with restricted use as at 23 March 2017.

The board of the Company as at 27 March 2017 made a decision to sign:

1. Agreement with DNB bank to increase loan up to EUR 4 312 thousand (additional amount of EUR 650 thousand with termination as at 31 March 2017).
2. Agreement with DNB bank regarding credit line amounting EUR 500 thousand for the one year.

There were no material post balance sheet events, that could make a significant impact for the financial statement of the Group and the Company.



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## 1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2016 to 31 December 2016.

All amounts in the Annual Report presented as at 31 December 2016, 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:

	2016	2015	2014	2013	2012
Revenue (EUR'000)	22 790	18 922	19 766	20 142	14 904
Profit for the year (loss) (EUR'000)	1 053	(261)	51	(332)	(1 030)
Price per share	0.800	0.400	0.609	0.264	0.199
Dividend per share	-	-	-	-	-



**Financial ratios**

	Group			Company		
	2016	2015	2014	2016	2015	2014
Revenue (EUR'000)	22 790	18 922	19 766	19 622	16 014	16 040
Operating profit (loss) (EUR'000)	1 417	266	1 628	773	(88)	519
Operating profit (loss) margin (%)	6.2	1.4	8.2	3.9	(0.5)	3.2
Profit (loss) before tax (EUR'000)	1 220	(258)	105	674	(179)	(268)
Profit (loss) before tax, margin (%)	5.4	(1.4)	0.5	3.4	(1.1)	(1.7)
Net profit (loss) for the year (EUR'000)	1 053	(261)	51	569	(158)	(245)
Net profit (loss) for the year margin (%)	4.6	(1.4)	0.3	2.9	(1.0)	(1.6)
Number of shares, (thousand)	9 503	9 503	5 000	9 503	9 503	5 000

**Relative ratios**

	Group			Company		
	2016. 12.31	2015. 12.31	2014. 12.31	2016. 12.31	2015. 12.31	2014. 12.31
Return on capital employed (%)	38.2	(9.5)	3.5	20.6	(5.7)	(16.6)
Return on assets (%)	6.7	(1.8)	0.3	3.7	(1.1)	(1.6)
Return on shareholders' equity (%)	14.5	(4.1)	1.0	10.6	(3.2)	(6.3)
Debt ratio (%)	53.4	56.0	64.5	65.1	65.4	73.9
Debt-to-equity ratio (%)	114.6	127.4	181.6	186.4	188.7	283.5
Liquidity ratio (%)	168.4	157.2	120.2	155.5	137.9	102.5
Equity to assets ratio (%)	46.6	44.0	35.5	34.9	34.6	26.1

**Operating figures**

	Group			Company		
	2016	2015	2014	2016	2015	2014
Manufactured items units	2 861	2 696	2 863	1 845	1 769	1 881
Average number of employees	1 156	1 148	1 157	777	776	754

**Ratios related with the share price**

	2016	2015	2014
P/E	7.49	(14.18)	159.32
EPS	0.11	(0.03)	0.004
EV/EBITDA	4.63	6.82	3.33
EV/EBIT	7.63	(50.38)	9.02

## 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

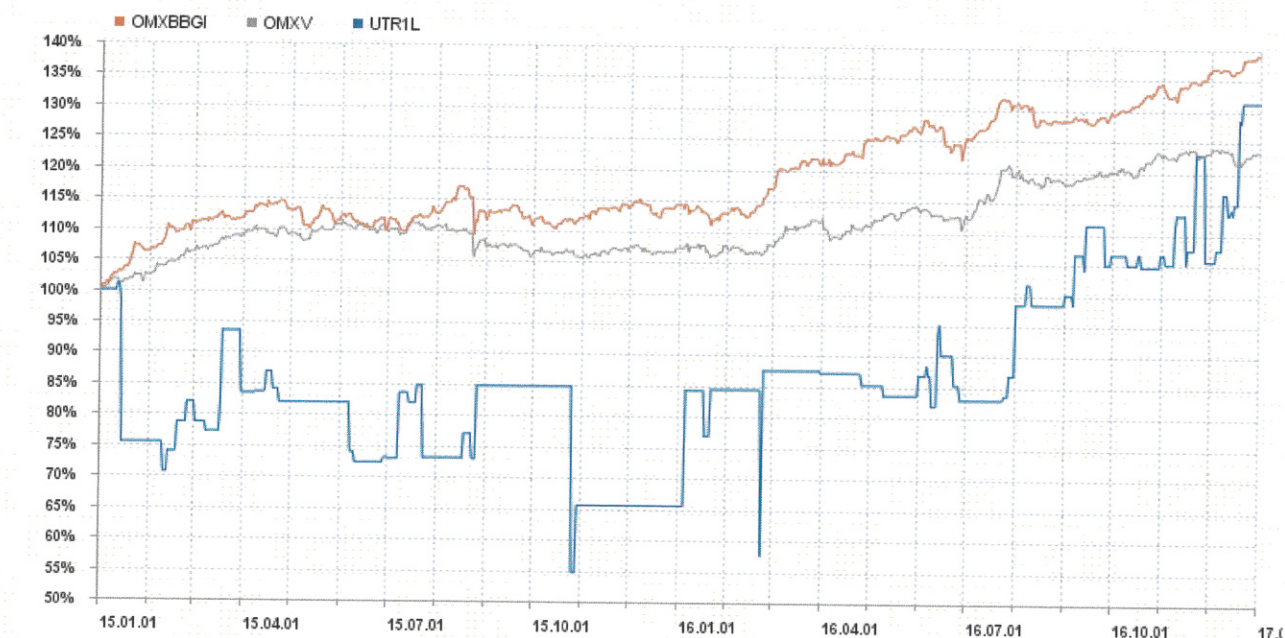
Utenos Trikotažas AB share price dynamics, 2014-2016 (EUR):



Price ratios	2016	2015	2014
Open price, EUR	0.400	0.609	0.261
High price, EUR	0.800	0.616	1.050
Low price, EUR	0.351	0.334	0.176
Last price, EUR	0.800	0.400	0.609
Traded volume	130 110	56 966	190 822
Turnover, million EUR	0.08	0.03	0.06
Capitalisation, million EUR	7.60	3.80	3.05



### Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius Index dynamics, 2014-2016



Index/ Equity	2016.12.31	2015.12.31	2014.12.31	2016/2015, change, %
— OMX Baltic Benchmark GI	788.17	648.32	566.56	21,57↑
— OMX Vilnius	558.5	485.99	452.42	14,92↑
— UTR1L	0.800 EUR	0.400 EUR	0.609 EUR	100,00↑

## 8. Dividend policy

The dividend decision for 2016 will be adopted by the General Meeting of Shareholders, based on the proposal of the Board.

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

Utenos Trikotažas is one of the few textile companies in the world that have a complete vertically-integrated production process and are able to offer customers a full range of services, from the creation and production of material according to the needs of the client to the final product for wear. Since the company controls the entire production process, customers can be confident about the safety of the products and their compliance with necessary production standards.

2016 was a year of consistent growth for the company – this is the result of long-term, focused work that Utenos Trikotažas strived for in implementing its updated business strategy. In recent years, investments have been made into the development of innovative materials, and the target customer portfolio has been expanded.

The main reasons behind the improved profitability indicators are the significant growth in the scope of activities of the company and the group, the waning impact of the Russian financial crisis, and the increase in production capacity. Growth was achieved in all major sales regions: the German-speaking countries (the DACH-area – Germany, Austria, Switzerland), Scandinavia (Sweden, Norway, Denmark, Finland), Lithuania and elsewhere.

The operating results for 2016 confirmed that orientation to customers working in the higher than average price segment makes sense. By avoiding purely price-based competition, opportunities present themselves to focus on more expensive, environmentally-friendly, clean and sustainable production – this is a global trend that is gaining momentum with production returning to Europe from Asia.

Considerable attention continued to be paid to the development and market entry of Utenos Trikotažas' own brands. The UTENOS brand was updated in 2016 – both the logo and the Utenos Trikotažas store interiors changed. The expansion of sales outlets that began at the end of the year laid the foundation for increasing access to the company's products, so a more rapid boost in sales is forecast for this segment in 2017. The company has invested approximately EUR 60,000 into brand renewal.

Products from the ABOUT line are currently being sold at more than 100 sales outlets in 17 different countries. The launch of the brand in the Japanese market was an especially important achievement. The demand in this market for quality and innovative, environmentally-friendly solutions is particularly high, and imported products go through a very complex selection process. Compared with 2015, sales of products from the ABOUT line increased by 44 per cent in 2016.

The fact that the company has its own brands makes it possible to optimally utilise its production capacities for the distinct seasonality in the clothing industry; furthermore, sales of the company's own brands are more predictable and manageable. At the end of 2016, sales of the company's own brands accounted for about 13 per cent of the total sales portfolio.

#### Revenue (EUR '000)

	2016	2015	Change	2014
Utenos Trikotažas AB	19 622	16 014	22.5	16 040
Šatrija AB	3 032	2 615	15.9	3 491
MTF Mrija PAT	436	398	9.5	571
Gotija UAB	229	224	2.2	211
Elimination of intercompany transactions	(529)	(329)	60.8	(547)
	<b>22 790</b>	<b>18 922</b>	<b>20.4</b>	<b>19 766</b>

#### EBITDA (EUR '000)

	2016	2015	Change	2014
Utenos Trikotažas AB	2 112	922	129.1	2 106
Šatrija AB	499	187	166.8	637
MTF Mrija PAT	(439)	(104)	322.1	(370)
Gotija UAB	33	29	13.8	20
	<b>2 202</b>	<b>1 034</b>	<b>113.2</b>	<b>2 393</b>

#### Sales by regions

	Group			Company		
	2016	2015	Change	2016	2015	Change
Revenue (EUR '000)						
DACH (Germany, Austria, Switzerland)	9 492	9 202	3.2	8 410	7 917	6.2
Scandinavia (Sweden, Norway, Denmark, Finland)	5 881	4 226	39.2	5 145	3 554	44.8
Lithuania	5 061	3 095	63.5	4 300	2 707	58.8
Other regions	2 356	2 399	(1.8)	1 767	1 836	(3.8)
	<b>22 790</b>	<b>18 922</b>	<b>20.4</b>	<b>19 622</b>	<b>16 014</b>	<b>22.5</b>



In 2016, total sales of goods and services of the Company amounted to EUR 19.6 million. Trade volume increased by EUR 3.6 million or by 22.5 per cent as compared to 2015. The Company's exports to Western Europe and other countries accounted for 78.1 per cent, whereas sales in Lithuania accounted for 21.9 per cent of total production.

In 2016, total sales of goods and services of Utenos Trikotažas AB group (hereinafter "the Group") amounted to EUR 22.8 million. The Group's exports accounted for 77.8 per cent, whereas sales in Lithuania accounted for 22.2 per cent of total production.

### Lithuania

In 2016, the Company sold 378 thousand knit-wear items in Lithuania totalling to EUR 4.3 million. The sales in Lithuania increased by EUR 1.7 million or 58.8 per cent.

In 2016, the Group's sales in Lithuania amounted to EUR 5.1 million, which is more by EUR 2 million as compared to 2015.

### Export

In 2016, the Company exported 2.4 million knit-wear items totalling to EUR 15.3 million. The Company's exports increased by EUR 1.9 million or 14 per cent comparing to 2015. Large retail chains from Western Europe remained as the major customers of the Company.

In 2016, the Group's exports to Western Europe and other regions amounted to EUR 17.7 million, which is more by EUR 1.9 million compared to 2015.

### Trade

	Group			Company		
Revenue (EUR '000)	2016	2015	Change	2016	2015	Change
Products manufactured on demand of other clients	16 776	13 782	21.7	16 776	13 782	21.7
Own brands (ABOUT, UTENOS)	2 982	2 525	18.1	2 846	2 232	27.5
Services of specialised clothing manufacture	3 032	2 615	15.9	-	-	-
	<b>22 790</b>	<b>18 922</b>	<b>20.4</b>	<b>19 622</b>	<b>16 014</b>	<b>22.5</b>

### Production

In 2016, the Company produced 1.8 million knit-wear items. The Company's subcontractors (including the subsidiary in Ukraine) produced 1.1 million knit-wear items or 37.6 per cent of total production volume. In 2016, Šatrija AB produced 111 thousand sewn items. In 2016, MTF Mrija PAT produced 0.9 million items.

### Production (units '000)

	2015	2014	Change
Utenos Trikotažas AB	1 845.1	1 907.7	(3.3%)
Šatrija AB	111.3	95.0	17.2%
MTF Mrija PAT	904.4	693.1	30.5%
Gotija UAB	-	-	-
	<b>2 860.8</b>	<b>2 695.8</b>	<b>6.1%</b>

### Investments

In 2016, the Group's investments in new equipment and new technologies amounted to EUR 477 thousand;

In 2016, the Company's investments in new equipment and technologies amounted to EUR 381 thousand, including transactions within the Group.

In 2016, Šatrija AB invested EUR 56 thousand.

In 2016, MTF Mrija PAT invested EUR 40 thousand.

In 2016, 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 2016 and 2015 financial data presented in this Annual Report is calculated based on the financial information presented in the Group's financial statements for the year 2016, 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 29 February 2016, announcement of unaudited interim consolidated financial statements of 2015.  
 On 7 April 2016, the general meeting of shareholders of Utenos Trikotažas AB was convened. Draft decisions of the Annual General Meeting of Shareholders.  
 On 29 April 2016, decisions of the general shareholder meeting were announced.  
 On 29 April 2016, annual information 2015.  
 On 29 April 2016, announcement of the performance results for the first quarter of 2016.  
 On 13 June 2016, notification on the acquisition of a block of shares. SBA Concern has acquired 24.94% of shares of Utenos Trikotažas AB.  
 On 14 June 2016, notification about disposal of voting rights. Investment Funds concluded a transaction regarding sale of 24.94% of shares of Utenos Trikotažas AB.  
 On 14 June 2016, Robertas Berzinskas officially resigned from the board of Utenos Trikotazas AB.  
 On 29 July 2016, announcement of the consolidated interim report and the financial statements for a six-month period of 2016.  
 On 6 September 2016, A.Šabūnas acquired 10% of Utenos Trikotažas AB shares.  
 On 6 September 2016, notification and public disclosure of transactions by persons discharging managerial responsibilities in Utenos trikotažas AB.  
 On 6 September 2016, announcement of change of managing director of Utenos Trikotažas AB.  
 On 6 September 2016, notification and public disclosure of transactions by persons discharging managerial responsibilities in Utenos trikotažas AB.  
 On 6 September 2016, Comment of Utenos Trikotažas AB on material events.  
 On 31 October 2016, announcement of the financial statements for the 9-month period.  
 On 23 December 2016, announcement of publishing terms of the interim reports and audited consolidated report in 2017.  
 On 23 January 2017, Utenos Trikotažas AB becomes first Lithuanian company to join Greenpeace Detox campaign.  
 On 31 January 2017, Utenos Trikotažas AB group reports 20.5 pct increase in sales for 2016.  
 On 28 February 2017, announcement of unaudited interim consolidated financial statements of 2016.

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

The company plans to maintain double-digit sales growth in 2017. The creation and production of new and innovative materials will remain one of the company's key priorities. In addition, Utenos Trikotažas joined Greenpeace's Detox campaign in the beginning of 2017, thus confirming its commitment to carrying out clean, eco-friendly production and eliminating raw materials which may have adverse effects on humans and the environment from all stages of production by 2020. The strengthening of environmentally-friendly production is one of the priority directions in the company's strategy.

The main drivers of further growth will continue to be attracting new customers and developing the company's brands.

Priority directions for 2017:

- The increase of sales volumes to customers who are oriented towards high-quality, eco-friendly products made from innovative materials.
- The development of the sales of the company's own brands – UTENOS and ABOUT – in Lithuania, Western Europe, Japan and the United States.
- The promotion of sales of materials created and produced according to the needs of customers.
- The increase of production efficiency.

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

As at 31 December 2016, 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 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 2016, the total number of shareholders of Utenos Trikotažas AB was 1 020.

The table below indicates shareholders owning or holding more than 5 per cent of the Issuer's authorised share capital as at 31 December 2016.

Names of shareholders	Company codes	Registration address	Number of ordinary registered shares held	Share in the authorised capital, (%)	Share of votes held, (%)
Koncernas SBA UAB	132206739	Laisvės pr.3, Vilnius, Lithuania	7 294	76.76	76.76
Algirdas Šabūnas	-	Liepų g.3-2, Raistiniškių vs, Vilniaus raj., Lithuania	950	10,00	10,00
EastCapital AssetManagement	556564-5370	Kungsgatan 30, Box 1364, Stocholm, Sweden	527	5.55	5.55
Other shareholders	-	-	732	7.69	7.69

On 9 June 2016, SBA Concern and investment funds Amber Trust, KJK Fund, Firebird Republic Fund and Firebird Avora Fund concluded a transaction regarding acquisition of shares of Utenos trikotažas AB, after which a portfolio Utenos trikotažas AB shares owned by SBA Concern increased to 86.76%. The total transaction value amounts to almost 1.3 million euro.

On 2 September 2016, Algirdas Šabūnas acquired 950 300 units of Utenos Trikotažas AB shares from the SBA Concern. During the transaction, 0.55 EUR were paid for shares with a 0.29 EUR nominal value.

Since A.Šabūnas acquired 10% of Utenos Trikotažas AB shares, the distribution of the company's shares will change from the 2<sup>nd</sup> of September. After the transaction, the SBA Concern holds the main qualifying holding – 76.76%, A.Šabūnas – 10%, other shareholders – 13.24% of Utenos Trikotažas AB shares.

**The consolidated group (hereinafter “the Group”) consists of the Company and the following subsidiaries:**

	Registered address	Group's share (%) as of 31 December 2016 and 2015	Activity
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:

	2016.12.31	2015.12.31	Change, +/-
Utenos Trikotažas AB	777	776	0.1%
Šatrija AB	196	190	3.2%
MTF Mrija PAT	179	178	0.6%
Gotija UAB	4	4	0%
	<b>1 156</b>	<b>1 148</b>	<b>0.7%</b>

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

	2016	2015	Change (%)
Utenos Trikotažas AB	6 803	6 337	7.4
Šatrija AB	1 782	1 640	8.7
MTF Mrija PAT	425	303	40.3
Gotija UAB	38	37	2.7
	<b>9 048</b>	<b>8 317</b>	<b>8.8</b>

The average monthly wages of employees before taxes:

	Group			Company		
	2016	2015	Change, %	2016	2015	Change, %
Workers group						
Managers	1 374	1 310	4.9	1 256	1 155	8.7
Specialists	703	685	2.7	754	736	2.4
Workers	484	404	20.0	492	432	13.9
	<b>564</b>	<b>484</b>	<b>16.6</b>	<b>639</b>	<b>526</b>	<b>21.5</b>

The Company's employee distribution by education (according to 31 December, 2016):

Group of employees	Employee distribution by education						
	Total	Higher education	Non-higher professional education	Vocational education	Secondary	Basic	Higher non-university
Managers	<b>48</b>	29	13	1	0	0	5
Specialists	<b>140</b>	71	21	4	7	2	35
Workers	<b>589</b>	8	159	157	186	43	36
	<b>777</b>	<b>108</b>	<b>193</b>	<b>162</b>	<b>193</b>	<b>45</b>	<b>76</b>



## 23. Management of the Group companies

Company name	Managers
Utenos Trikotažas AB	Algirdas Šabūnas
Šatrija AB	Giedrius Grondskis
MTF Mrija PAT	Tatjana Roshchina
Gotija UAB	Zita Davtartienė

## 24. Management incentives

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

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

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

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.

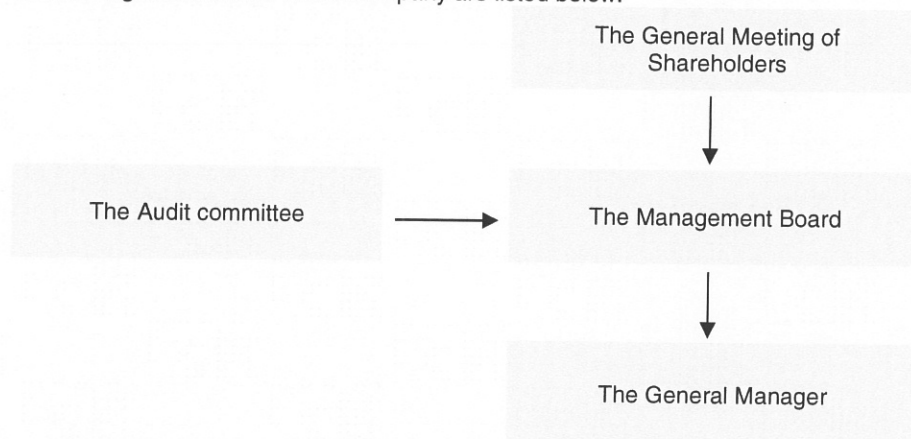
Hereby announces that on 14 January 2015, the procedure of the increase of Company's authorized capital was completed and Company's ordinary registered shares' issue registration account was amended: issue was increased to 9 503 000 ordinary registered shares of EUR 0.29 par value each (the previously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

On June 9, after the investment fund has transferred registered shares of Utenos trikotazas Ltd. to SBA Group, Robertas Berzinskas, member of Utenos trikotazas Ltd. board, on June 9, 2016 has officially resigned. As a board member he represented the shareholders and the investment funds of Amber Trust S.C.A., SICAF-SIF, Firebird Avrora Fund, Ltd., Firebird Republics Fund, Ltd., and KJK Fund SICAV-SIF.

A new board member will be elected during the next Utenos Trikotazas AB shareholder meeting. At present, the remaining three members of the board shall constitute a quorum and ensure smooth operation of the company.

**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 2016 the Audit committee held 1 meeting (on 18 March 2016) and 1 meeting after the end of 2016 financial year (on 13 March 2017). During the meetings The Audit Committee considered the questions which fall under it's 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, UAB,
- Urban Inventors", UAB,
- Capitalica asset management the chairman of the board.

**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.

## Participation in the management of other companies:

- Kauno baldai, UAB.

## 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 2016:

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	950 300	2013.04.30	2016.09.05
Chairman of the Board	Gintautas Rudis	28	2016.09.05	2017.04.30
Member of the Board	Gintautas Rudis	28	2013.04.30	2016.09.05
Member of the Board	Algirdas Šabūnas	950 300	2016.09.05	2017.04.30
Member of the Board	Robertas Beržinskas	-	2013.04.30	2016.06.09
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	Algirdas Šabūnas	950 300	2016.09.06	-
General Manager	Eimundas Mačiulis	-	2015.09.10	2016.09.05
Finance Director	Andrej Grobov	-	2015.02.03	-
<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:****Gintautas Rudis (b. 1963)**

Utenos trikotažas AB board member from 29 January 2008, re-elected for four years term on 30 April 2013. As the chairman of the Board was re-elected on 5 September 2016.

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

**Working place:**

- Enteco Baltic UAB, CEO.



Participation in the management of other companies:

- Utenos trikotažas AB the chairman of the board
- Koncernas SBA UAB, the board member
- Urban Inventors 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
- Enteco Baltic UAB the general manager

#### **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. As the board member on 5 September 2016.

Education:

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

Working place:

- Utenos trikotažas AB, general manager.

Participation in the management of other companies:

- Šatrija AB, the chairman of the board
- Koncernas SBA UAB, the board member
- Utenos trikotažas AB the chairman of the board

#### **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
- Klaipėdos baldų prekyba UAB, the chairman of the board
- Kauno baldai AB the chairman of the board
- Euromodus UAB, the board member
- Šatrija AB, the board member
- Urban Inventors UAB, the board member
- SBA Baldų Kompanija UAB, the board member
- Utenos Trikotažas AB, the board member
- MTF Mrija PAT, the supervisory board member
- BEI Capital UAB, director
- Novo mebel ZAO, the board member

In 2016, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2016, the aggregate remuneration of the Company General Manager and the Finance Director amounted to EUR 194.8 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 2016 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2016.

## 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	Gotija UAB
Legal form	Private company
Date and place of incorporation	1994m. Laisvės al. 33, Kaunas
Company code	134181619
Address	Laisvės al. 33, Kaunas
Telephone	8 (37) 205879
Fax	8 (37) 205879
E-mail	<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 Algirdas Šabūnas



23 March 2017



**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 2016**

**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 of 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.
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <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>

<b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b>		
<b>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.</b>		
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 committee is 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> </ol>	No	There is no Remuneration Committee.



<p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</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>	Yes	The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.

<p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	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	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
<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	
<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>	<p>Not applicable</p>	
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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>	<p>Yes</p>	<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>		



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



**Principle XI: The selection of the company's auditor**

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

11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	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	